

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

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): September 21, 2022

CV SCIENCES, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

000-54677
(Commission File Number)

80-0944970
(I.R.S. Employer Identification No.)

9530 Padgett Street, Suite 107
San Diego, California 92126
(Address of principal executive offices)

(866) 290-2157
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). Emerging Growth Company

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

Item 7.01 Regulation FD Disclosure

On September 27, 2022, CV Sciences, Inc. (the “Company”) issued a press release announcing the proposed settlement of certain stockholder derivative actions previously filed against the Company and certain other named defendants, as discussed in additional detail in Item 8.01, below. The press release is furnished as Exhibit 99.4 to this Current Report on Form 8-K (this “Report”).

The information set forth under Item 7.01 of this Report, including Exhibit 99.4 attached hereto, is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of such section. The information in Item 7.01 of this Current Report, including Exhibit 99.4, shall not be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any incorporation by reference language in any such filing, except as expressly set forth by specific reference in such a filing. This Report will not be deemed an admission as to the materiality of any information in this Report that is required to be disclosed solely by Regulation FD.

Item 8.01 Other Events

On September 21, 2022, the District Court of Clark County, Nevada entered an order (the “Order”) granting preliminary approval of the proposed settlement of the following stockholder derivative actions, in accordance with a Stipulation of Settlement dated July 28, 2022 (the “Stipulation”): (i) Depoti v. Dowling, et al, Case No. A-18-782513-C; (ii) Radcliffe v. Dowling, et al., Case No. A-19-794377-B; (iii) Tarangelo v. Mona, Jr., et al., Case No. A-19-789153-B; (iv) Francis v. Mona, Jr., et al., Case No. 2:18-cv-02284-GMN-NJK; (v) Berry v. Dowling, et al., Case No. 3:20-CV-01072-AJB-DEB; and (vi) Menna v. Dowling, et al., Case No. 37-2021 -00019613-CU-SL-CTL. The terms of the proposed settlement are subject to final court approval, the hearing date for which is November 14, 2022 at 1:30 pm at the District Court of Clark County, Nevada Courtroom 16C, 200 Lewis Ave., Las Vegas, Nevada 89011.

The settlement, if approved by the court, will resolve all claims that were or could have been asserted in the foregoing litigation. The Company and other named defendants denied, and continue to deny, any liability or wrongdoing in connection with the allegations contained in the foregoing lawsuits. The proposed settlement agreement contemplates the implementation by the Company of certain corporate reforms and payment of \$275,000 in attorneys’ fees to plaintiffs.

Pursuant to the Order granting preliminary approval, the Company is publishing the Notice of Settlement (the “Notice”) and the Stipulation to its website at <https://ir.cvsciences.com/governance-docs> for review by investors. The contents of the Company’s website shall not be deemed to be incorporated by reference into this Report.

The foregoing descriptions of the Stipulation, Order, and Notice do not purport to be complete and are qualified in their entirety by reference to the full text of the Stipulation, Order, and Notice, which are filed as Exhibits 99.1, 99.2 and 99.3, respectively, to this Report and incorporated herein by reference.

Forward-Looking Statements

This Report, including the exhibits attached hereto, contain forward-looking statements. Investors are cautioned that statements in this Report regarding: (i) the Stipulation, (ii) the settlement process, (iii) the impact of such settlement, including related activities, approvals and payments, and (iv) other statements that are not historical facts, constitute forward-looking statements. These forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Forward-looking statements are based upon assumptions as to future events that may not prove to be accurate. Actual outcomes and results may differ materially from what is expressed in these forward-looking statements.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

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|------|--|
| 99.1 | <u>Stipulation and Agreement of Settlement, dated July 28, 2022</u> |
| 99.2 | <u>Order Preliminarily Approving Settlement and Providing for Notice, entered by the Court on September 21, 2022</u> |
| 99.3 | <u>Notice of Proposed Settlement, dated September 21, 2022</u> |
| 99.4 | <u>Press Release, dated September 27, 2022</u> |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: September 27, 2022

CV SCIENCES, INC.

By: /s/ Joseph Dowling
Joseph Dowling
Chief Executive Officer

1 ALDRICH LAW FIRM, LTD.
JOHN P. ALDRICH
2 1601 S. Rainbow Blvd., Suite 160
Las Vegas, Nevada 89146
3 Telephone: (702) 853-5490
Facsimile: (702) 227-1975
4

5 DISTRICT COURT
6 CLARK COUNTY, NEVADA

7 GIRARD DEPOTI, Derivatively on Behalf of CV) Case No. A-18-782513-C
8 SCIENCES, INC.,)
9 Plaintiff,)
10 vs.)
11 JOSEPH DOWLING, MICHAEL J. MONA, JR.,)
MICHAEL J. MONA, III, GARY R. SLIGAR,)
12 and JAMES A. MCNULTY,)
Defendants,)
13 – and –)
14 CV SCIENCES, INC.,)
15 Nominal Party.)
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18 STIPULATION AND AGREEMENT OF SETTLEMENT

19 This Stipulation and Agreement of Settlement (“Stipulation”), dated July 28, 2022, is made
20 and entered into by and among the following Parties (as defined herein), by and through their
21 respective counsel of record: (1) plaintiffs Girard Depoti, Richard Tarangelo, John Radcliffe, David
22 Francis, David Menna, and Phillip Berry (on behalf of themselves and derivatively on behalf of CV
23 Sciences) (collectively “Plaintiffs”); (2) nominal defendant CV Sciences, Inc. (“CV Sciences”,
24 “CVSI,” the “Company,” or the “Nominal Defendant”); and (3) individual defendants Joseph
25 Dowling, Michael J. Mona, Jr., Michael J. Mona III, Gary R. Sligar, James A. McNulty, Stephen M.
26 Schmitz, Bart P. Mackay, Larry Raskin, Edward A. Wilson, Beth Altman, Paul Blake, Terri Funk
27 Graham, and Joseph Maroon, (collectively, the “Individual Defendants,” and together with CV
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1 Sciences and Plaintiffs, the “Settling Parties”). This Stipulation is intended by the Settling Parties to
2 settle (1) the above-captioned stockholder derivative action (the “Depoti Action”) as well as
3 (2) Radcliffe v. Dowling, et al., Case No. A-19-794377-B (Nev. Dist. Ct.-Clark Cty.) (the “Radcliffe
4 Action”); (3) Tarangelo v. Mona, Jr., et al., Case No. A-19-789153-B (Nev. Dist. Ct.-Clark Cty.)
5 (the “Tarangelo Action”); (4) Francis v. Mona, Jr., et al., Case No. 2:18-cv-02284-GMN-NJK
6 (D. Nev.) (the “Francis Action”); (5) Berry v. Dowling, et al., Case No. 3:20-CV-01072-AJB-DEB
7 (S.D. Cal.); (the “Berry Action”); and (6) Menna v. Dowling, et al., Case No. 37-2021 -00019613-
8 CU-SL-CTL (San Diego Sup. Ct.) (the “Menna Action”), and to fully, finally, and forever resolve,
9 discharge, and settle the Released Claims (as defined below), subject to the terms and conditions set
10 forth herein.

11 I. FACTUAL AND PROCEDURAL BACKGROUND

12 A. Factual Background

13 Plaintiffs, on behalf of CV Sciences, brought the respective Derivative Actions (defined
14 below) purportedly to remedy, among other things, alleged breaches of fiduciary duty against current
15 and former directors and officers of CV Sciences.

16 According to its public filings, CV Sciences has two business divisions: pharmaceuticals and
17 consumer products. The pharmaceutical division develops “synthetically-formulated cannabidiol-
18 based medicine,” while the consumer products division “delivers botanical-based cannabidiol
19 products that enhance quality of life.”

20 The Company’s chief pharmaceutical product is or was at the relevant times identified as
21 CVSI-007, a chewing gum product that combines cannabidiol and nicotine in treatment of smokeless
22 tobacco use and addiction. The Company described CVSI-007 as its “lead drug candidate” with a
23 market that has been estimated at “greater than \$2 billion.”

24 The Derivative Actions allege that on May 16, 2016, certain of the Individual Defendants
25 caused the Company to file a patent application with the US Patent Trademark Office (“USPTO”) for
26 CVSI-007, titled “Pharmaceutical Formulations Containing Cannabidiol and Nicotine For Treating
27 Smokeless Tobacco Addiction.” On February 7, 2017, the Individual Defendants caused the
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1 Company to file a continuing patent application under the same title, Patent #15/426,617 (the “Patent
2 Application”).

3 On April 27, 2017, the USPTO issued a non-final rejection on the
4 Company’s Patent Application and mailed CVSI a letter regarding the non-final rejection of the Patent
5 Application on June 6, 2017. All of the Derivative Actions allege that on December 14, 2017, the
6 USPTO issued a “final” rejection on the Company’s Patent Application and mailed CVSI a letter
7 regarding the final rejection of the Patent Application on December 20, 2017.

8 On August 20, 2018, Citron Research published a tweet alleging that the Individual
9 Defendants failed to disclose the December 14, 2017 “final” rejection of the Patent Application. The
10 Derivative Actions allege that upon publication of the tweet, CV Sciences stock “plunged” over 63%,
11 from \$9.20 to \$3.40.

12 B. Procedural History

13 i. The Depoti Action

14 The Depoti Action was commenced on October 10, 2018. The Court granted the parties’
15 Stipulation Concerning a Stay of the Depoti Action, which stayed the Depoti Action through the close
16 of fact discovery in the related Securities Class Action¹ and included a provision for shared discovery.
17 During the course of the stay, the defendants reproduced copies of documents produced in the
18 Securities Class Action to plaintiff. The Court has subsequently granted extensions of the stay to
19 permit the parties an opportunity to explore a resolution of the Depoti Action.

20 ii. The Radcliffe Action

21 The Radcliffe Action was filed on May 7, 2019. On February 7, 2020, defendants Michael
22 Mona, III and Michael Mona, Jr. filed an answer to the complaint. On February 24, 2020, the parties
23 filed a Stipulation Regarding Schedule, which the court approved on February 28, 2020, extending
24 the time for the remaining defendants to respond to the complaint. On April 29, 2020, July 7, 2020,
25 and September 4, 2020, the court approved further extensions of time to respond to allow for the

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27 ¹ “Securities Class Action” refers to a related federal securities class action, captioned In re CV
28 Sciences, Inc. Securities Litigation, No. 2:18-cv-01602-JAD-BNW (D. Nev.)

1 parties to explore resolution of the action.

2 On September 22, 2020, the court granted the parties' Stipulation Concerning a Stay of the
3 Radcliffe Action, which stayed the Radcliffe Action through the close of fact discovery in the related
4 Securities Class Action and included a provision for shared discovery. During the course of the stay,
5 the defendants reproduced copies of documents produced in the Securities Class Action to plaintiff.
6 The parties stipulated to further stays upon extensions of fact discovery in the Securities Class Action,
7 which the court granted on December 22, 2020, April 30, 2021, August 18, 2021, October 11, 2021,
8 February 2, 2022.

9 On April 18, 2022, the remaining defendants (other than the Mona defendants) filed a motion
10 to dismiss. On May 4, 2022, the court approved the parties' stipulation to extend the hearing and
11 briefing schedule on the motion to dismiss.

12 iii. The Tarangelo Action

13 On February 11, 2019, the Tarangelo Action was filed. On March 19, 2019, the parties filed
14 a Stipulation Concerning a Stay of the Tarangelo Action, which stayed the Tarangelo Action until the
15 close of fact discovery in the related Securities Class Action and included a provision for shared
16 discovery. During the course of the stay, the defendants reproduced copies of documents produced
17 in the Securities Class Action to plaintiff. Subsequent orders by the court have extended the stay in
18 the Tarangelo Action.

19 iv. The Francis Action

20 The Francis Action was filed on November 30, 2018. Plaintiff filed an amended complaint on
21 December 3, 2018. On February 19, 2019, the parties to the Francis Action filed a Stipulation and
22 [Proposed] Order Concerning a Stay of the Francis Action whereby the parties agreed to stay the
23 Francis Action until the close of fact discovery in either of two related putative class actions, including
24 the Securities Class Action, and another action captioned In re CannaVEST Corp. Securities
25 Litigation, Case No. 14-cv-02900, pending in the United States District Court, Southern District of
26 New York (the "New York Action"). On March 6, 2019, the Court granted the stipulation, which
27 included a provision for shared discovery. During the course of the stay, the defendants reproduced
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1 copies of documents produced in the Securities Class Action to plaintiff.

2 On June 8, 2021, the parties to the Francis Action submitted another stipulation regarding the
3 stay, informing the Court that the New York Action was voluntarily dismissed in July 2019, and the
4 parties to the Francis Action sought to extend the stay until August 11, 2021, as they engaged in
5 settlement discussions and shared certain discovery from the Securities Class Action. The Court
6 granted the stipulation on June 11, 2021. Thereafter, the parties to the Francis Action extended the
7 stay of proceedings. On April 4, 2022, the parties to the Francis Action filed a Stipulation and
8 [Proposed] Order seeking to extend a stay of proceedings in light of certain settlement discussions,
9 which Court granted on April 6, 2022, extending the stay until June 6, 2022.

10 v. The Berry Action

11 On April 22, 2020, Plaintiff Berry made a formal litigation demand on the Board. Specifically,
12 Plaintiff Berry demanded that the Board: (i) undertake an independent investigation of the CV
13 Sciences officers (and others who may be similarly liable) for alleged violations of state and federal
14 law; and (ii) cause CV Sciences to file a complaint for breach of fiduciary duty of care, breach of
15 fiduciary duty of loyalty, and aiding and abetting breaches of fiduciary duties, contribution and
16 indemnification against Defendants Dowling, Mona Jr., and Mona III (and others who may be
17 similarly liable). Plaintiff Berry further demanded that the Board take a series of additional remedial
18 actions, including terminating certain executive officers and returning to the Company the Board's
19 compensation paid during the time they were allegedly in breach of their fiduciary duties.

20 On May 4, 2020, counsel for the Board responded by letter and indicated that no further action
21 would be taken in response to Plaintiff's Berry's demand. Plaintiff Berry commenced the Berry
22 Action in the U.S. District Court for the Southern District of California on June 11, 2020 (3:20-cv-
23 01072-JM-MDD), accordingly. Defendants filed both a motion to dismiss the Berry Action and a
24 motion to stay the Berry Action on August 31, 2020, which were both opposed by Plaintiff Berry and
25 fully briefed. On May 14, 2021, the Court entered an order denying Defendants' motion to dismiss
26 without prejudice and staying the Berry Action pending resolution of the Securities Class Action.

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vi. The Menna Action

On October 16, 2020, CV Sciences shareholder David Menna (“Menna”) served a books and records demand on the Board pursuant to 8 Del. C. § 220, requesting, among other things, Board materials concerning CVSI-007 and the Patent, purportedly in order to investigate wrongdoing, mismanagement and breaches of fiduciary duty (the “220 Demand”). By letter dated October 22, 2020, counsel for CVSI rejected the 220 Demand and declined to produce any books or records. The basis of CVSI’s rejection was the lack of a “credible basis” to support the inspection demand, as the Patent Application had, by that time, been formally granted by the USPTO.

On November 24, 2020, Menna filed an action in the Delaware Court of Chancery to enforce the 220 Demand. *Menna v. CV Sciences, Inc.*, C.A. No. 2020-1010 (Del. Ch.) (the “220 Action”). Ultimately, Menna and the Company entered into a Confidentiality and Non-Disclosure Agreement governing the production of documents (the “220 Production”). The 220 Production included documents produced to plaintiffs in the related Securities Class Action. On April 21, 2021, Menna filed a shareholder derivative complaint in the Superior Court of the State of California, County of San Diego. *Menna v. Dowling, et al.*, Case No. 37-2021 -00019613-CU-SL-CTL (San Diego Sup. Ct.) (the “Menna Action”).

vii. Settlement Efforts in the Derivative Actions

In July 2020, Plaintiffs sent a comprehensive settlement demand to counsel for the Defendants, which Defendants responded thereto; however, the Settling Parties were unable to reach agreement at that time. At the end of 2021, the Settling Parties re-engaged in good faith settlement negotiations, both in writing and telephonically, which included exchanging various drafts of proposed corporate governance reforms, until they reached an agreement in principle to settle the Derivative Actions.

II. PLAINTIFFS’ CLAIMS, AND THE BENEFIT OF SETTLEMENT

Plaintiffs’ Counsel conducted investigations relating to the claims and the underlying events alleged in the Derivative Actions, including, but not limited to: (1) reviewing and analyzing the Company’s public filings with the SEC, press releases, announcements, transcripts of investor

1 conference calls, and news articles; (2) reviewing confidential non-public documents produced
2 pursuant to 8 Del. C. § 220 and in the related Securities Class Action; (3) researching and drafting the
3 complaints filed in the Derivative Actions; (4) researching applicable law with respect to the claims
4 in the Derivative Actions and the potential defenses thereto; (5) researching corporate governance
5 issues and oversight best practices generally and among CV Sciences' peer corporations; (6)
6 preparing extensive settlement demands; and (7) engaging in extensive settlement discussions with
7 Defendants' Counsel.

8 Plaintiffs believe that the claims asserted in the Derivative Actions have merit. Without
9 conceding the merit of any of Defendants' defenses or the lack of merit of any of Plaintiffs' own
10 allegations, and in light of the benefits of the Settlement, as well as to avoid the potentially protracted
11 time, expense, and uncertainty associated with continued litigation, including potential trials and
12 appeals, Plaintiffs have concluded that it is desirable that the Derivative Actions be fully and finally
13 settled and satisfied in the manner, and upon the terms and conditions, set forth in this Stipulation.
14 Plaintiffs and Plaintiffs' Counsel recognize the significant risk, expense, and length of continued
15 proceedings necessary to prosecute the Derivative Actions against the Defendants through trials and
16 possible appeals. Plaintiffs' Counsel has also taken into account the uncertain outcome and the risk
17 of any litigation, especially complex litigation such as the Derivative Actions, as well as the
18 difficulties and delays inherent in such litigation.

19 Based on Plaintiffs' Counsel's review and analysis of the relevant facts, allegations, defenses,
20 and controlling legal principles, Plaintiffs and Plaintiffs' Counsel believe that the Settlement set forth
21 in this Stipulation is fair, reasonable and adequate; confers substantial benefits upon CV Sciences and
22 its stockholders; and would serve the best interests of CV Sciences and its stockholders.

23 **III. DEFENDANTS' DENIAL OF WRONGDOING**

24 The Defendants dispute the allegations in the Derivative Actions. Defendants state that minute-
25 by-minute data indicates that nearly the entirety of the decrease in the Company's stock on August 20,
26 2018 occurred prior to Citron Research's tweet. Defendants also state that Citron Research's tweet
27 consisted exclusively of publicly available information from a screenshot of the USPTO's website,
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1 which Citron Research embellished and restated in a misleading fashion for the ostensible goal of
2 purposefully decreasing the Company's share price as part of a short-selling scheme. Citron Research
3 has since been investigated by the Federal Bureau of Investigation (FBI) for its short-selling practices.
4 In February 2022, the FBI raided the home of Citron Research's founder and seized computers and
5 other information as part of its investigation. Defendants also assert that it is well-understood among
6 patent practitioners and the USPTO that a "final rejection" or other "office action" does not mean a
7 patent application is no longer "pending" or viable, as many such applications result in issued patents.
8 The patent application process does not end with an initial or even final rejection. Interviews and
9 amendments after such actions play an extremely significant role in generating patents.

10 The Defendants enter into this Stipulation without in any way acknowledging any fault,
11 liability, or wrongdoing of any kind. The Defendants have denied and continue to deny vigorously
12 each and all of the claims and contentions alleged in the Derivative Actions and assert that all claims
13 and contentions alleged in the Derivative Actions are completely without merit. The Individual
14 Defendants assert that at all relevant times, they acted in good faith and in a manner they reasonably
15 believed to be in the best interests of the Company and its stockholders. Further, the Individual
16 Defendants assert that all of the statements alleged in the Derivative Actions were true and non-
17 actionable, particularly in light of Defendants' success in obtaining approval by the USPTO of the
18 Patent Application. Finally, Defendants assert that various of the Derivative Actions would have been
19 stayed or consolidated (like the Berry Action was stayed) as there was no reason for the filing of
20 multiple duplicative derivative actions, and that any judgment in its favor would have constituted res
21 judicata in the other Derivative Actions.

22 The Individual Defendants are entering into the Stipulation solely because the Settlement
23 would eliminate the burden, expense, and uncertainties inherent in further litigation. The Individual
24 Defendants believe that the settlement of the Derivative Actions on the terms provided for in this
25 Stipulation is fair, reasonable, and adequate based upon the terms and procedures outlined herein.

26 CV Sciences acknowledges that the plaintiffs' pursuit of the Derivative Actions, and
27 subsequent resolution efforts were, in the aggregate, a contributing cause in the Company's
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1 implementation of the reforms described in Exhibit A and that the settlement confers substantial
2 benefits on the Company and its stockholders.²

3 IV. TERMS OF STIPULATION AND AGREEMENT OF SETTLEMENT

4 Plaintiffs, the Individual Defendants, and CV Sciences, by and through their respective
5 counsel or attorneys of record, hereby stipulate and agree that, subject to approval by the Court, in
6 consideration of the benefits flowing to the Settling Parties hereto the sufficiency of which are hereby
7 acknowledged, the Derivative Actions and all of the Released Claims shall be fully, finally, and
8 forever satisfied, compromised, settled, released, discharged, and dismissed with prejudice, upon the
9 terms and subject to the conditions set forth herein as follows:

10 1. DEFINITIONS

11 As used in this Stipulation, the following terms have the meaning specified below.

- 12 1.1. The “Depoti Action” shall have the meaning set forth above.
- 13 1.2. “Board” means the Board of Directors of the Company.
- 14 1.3. “Court” means the District Court for Clark County, Nevada.
- 15 1.4. The terms “Company,” “CV Sciences,” “CVSI,” or “Nominal Defendant” as defined
16 above and used herein include all of the Company’s subsidiaries, predecessors, successors, affiliates,
17 officers, directors, employees, and agents.
- 18 1.5. “Defendants” mean, collectively, the Individual Defendants and Nominal Defendant
19 CV Sciences, Inc.
- 20 1.6. “Defendants’ Counsel” means Procopio, Cory, Hargreaves & Savitch LLP.
- 21 1.7. “Defendants’ Released Claims” means collectively all actions, suits, claims, demands,
22 rights, liabilities, and causes of action of every nature and description whatsoever, including both
23 known claims and Unknown Claims, asserted or that might have been asserted in any forum by
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25 ² The descriptions of Plaintiffs’ and Defendants positions in Sections II & III above were drafted by
26 the respective parties and are expressly not adopted by the other party. The descriptions set forth in
27 these sections are not to be construed as an admission of any kind, and shall not be used against any
28 party in any motion, including but not limited to any motion for attorneys’ fees or other costs or
expenses.

1 Defendants' Released Persons against Plaintiffs' Released Persons, which arise out of, are based on,
2 or relate in any way, directly or indirectly, to the institution, prosecution, or settlement of the
3 Derivative Actions; provided, however, that "Defendants' Released Claims" shall not include any
4 claims to enforce the Settlement nor any claims to enforce any confidentiality, nondisclosure, or other
5 agreements previously entered into by Defendants, Plaintiffs, and/or their respective counsel.

6 1.8. "Defendants' Released Persons" mean each of the Defendants, Defendants' Counsel,
7 and, to the maximum extent permitted by law, each of their immediate family members, spouses,
8 heirs, executors, estates, administrators, trustees, assigns, and any trusts in which Defendants, or any
9 of them, are settlors, or which are for the benefit of any Defendants and/or members of his or her
10 immediate family; any entity in which a Defendant, and/or members of his family has a controlling
11 interest; each of the Defendants' present and former attorneys, legal representatives, and assigns in
12 connection with the Depoti Action; Defendants' insurers; and all of the Company's present and
13 former directors and officers, agents, advisors, employees, affiliates, predecessors, successors,
14 parents, subsidiaries, and divisions.

15 1.9. "Derivative Actions" means, collectively: (1) the Depoti Action; (2) the Radcliffe
16 Action; (3) the Tarangelo Action; (4) the Francis Action; (5) the Berry Action; and (6) the Menna
17 Action.

18 1.10. "Effective Date" means the first date by which all of the events and conditions
19 specified in Paragraph 6.1 herein have been met and have occurred

20 1.11. "Escrow Account" means an interest-bearing escrow account to be established and
21 maintained by The Weiser Law Firm, P.C., as receiving agent for Plaintiffs' Counsel, for the purpose
22 of payment of the Fee and Expense Amount, as provided in Paragraphs 5.1-5.2 of this Stipulation.

23 1.12. "Execution Date" means the date this Stipulation has been signed by all the signatories
24 through their respective counsel.

25 1.13. "Fee and Expense Amount" means the sum to be paid to Plaintiffs' Counsel for their
26 attorneys' fees and expenses, detailed in Paragraph 5.1-5.2 herein, subject to Court approval.

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1 1.14. “Final” means the date when the Order and Final Judgment has not been reversed,
2 vacated, or modified in any way and is no longer subject to appellate review, either because of
3 disposition on appeal and conclusion of the appellate process or because of passage, without action,
4 of time for seeking appellate review. More specifically, it is that situation when (1) either no appeal
5 has been filed and the time has passed for any notice of appeal to be timely filed in the Depot Action;
6 (2) an appeal has been filed and the court of appeals has either affirmed the judgment or dismissed
7 that appeal and the time for any reconsideration or further appellate review has passed; or (3) a higher
8 court has granted further appellate review and that court has either affirmed the underlying Order and
9 Final Judgment or affirmed the court of appeals’ decision affirming the judgment or dismissing the
10 appeal.

11 1.15. “Individual Defendants” shall have the meaning set forth above.

12 1.16. “Notice to CV Sciences Stockholders” or “Notice” means the Notice of Proposed
13 Settlement, substantially in the form of Exhibit C attached hereto.

14 1.17. “Order and Final Judgment” means the [Proposed] Order and Final Judgment to be
15 rendered by the Court, substantially in the form attached hereto as Exhibit E.

16 1.18. “Party” or “Parties” mean, collectively, each of the Plaintiffs, each of the Individual
17 Defendants, and Nominal Defendant CV Sciences.

18 1.19. “Person” or “Persons” means an individual, corporation, limited liability corporation,
19 professional corporation, partnership, limited partnership, limited liability partnership, association,
20 joint stock company, estate, legal representative, trust, unincorporated association, government or any
21 political subdivision or agency thereof, and any business or legal entity, and their spouses, heirs,
22 predecessors, successors, representatives, or assignees.

23 1.20. “Plaintiffs” shall have the meaning set forth above.

24 1.21. “Plaintiffs’ Counsel” means, collectively, (1) The Weiser Law Firm, P.C.;
25 (2) Robbins LLP; (3) The Brown Law Firm, P.C.; (4) Johnson Fistel LLP; (5) Hynes & Hernandez
26 LLC; (6) Bragar, Egel & Squire, P.C.; and (7) Rigrodsky Law P.A.

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1 1.22. “Plaintiffs’ Released Claims” means all actions, suits, claims, demands, rights,
2 liabilities, and causes of action of every nature, and description whatsoever, including both known
3 claims or Unknown Claims, that have been, could have been, or in the future can or might be asserted
4 in any federal, state or foreign court, tribunal, forum or proceeding by CV Sciences, Plaintiffs’
5 Released Persons individually or derivatively, or any current or former CV Sciences stockholder
6 derivatively on behalf of CV Sciences, against any of Defendants’ Released Persons, based upon,
7 arising out of, or related in any way to any of the allegations, facts, transactions, events, occurrences,
8 acts, disclosures, statements, representations, omissions, or failures to act relating to all matters
9 involved, set forth, referred to, or alleged in any complaint(s) filed in the Derivative Actions; provided
10 however, that “Released Claims” shall not include any claims to enforce the Settlement.

11 1.23. “Plaintiffs’ Released Persons” mean Plaintiffs, Plaintiffs’ Counsel and each of their
12 immediate family members, spouses, heirs, executors, administrators, successors, trustees, attorneys,
13 personal or legal representatives, advisors, estates, assigns, and agents thereof.

14 1.24. “Preliminary Approval Order” means the [Proposed] Order Preliminarily Approving
15 Settlement to be entered by the Court, substantially in the form of Exhibit B attached hereto,
16 including, inter alia, preliminarily approving the terms and conditions of the Settlement as set forth
17 in this Stipulation, directing that Notice and Summary Notice be provided to CV Sciences
18 stockholders, and scheduling a Settlement Hearing to consider whether the Settlement and the Fee
19 and Expense Amount should be finally approved.

20 1.25. “Released Claims” means Defendants’ Released Claims and Plaintiffs’ Released
21 Claims.

22 1.26. “Released Parties” means Defendants’ Released Persons and Plaintiffs’ Released
23 Persons.

24 1.27. “Settlement” means the settlement documented in this Stipulation.

25 1.28. “Settlement Hearing” means a hearing by the Court to review this Stipulation and
26 determine: (i) whether to enter the Order and Final Judgment; and (ii) all other matters related to the
27 Settlement that are properly before the Court.

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1 1.29. "Stipulation" shall have the meaning set forth above.

2 1.30. "Summary Notice" means the Summary Notice of Proposed Settlement substantially
3 in the form of Exhibit D attached hereto.

4 1.31. "Unknown Claims" means any of Plaintiffs' Released Claims and Defendants'
5 Released Claims that any Party does not know or suspect exists in his, her, or its favor at the time of
6 the Settlement, including, without limitation, those claims which, if known, might have affected the
7 decision to enter into, or not object to, this Settlement. The Settling Parties expressly waive,
8 relinquish, and release any and all provisions, rights, and benefits conferred by or under section 1542
9 of the California Civil Code ("§ 1542") or any other law of the United States or any state or territory
10 of the United States, or principle of common law, which is similar, comparable, or equivalent to
11 § 1542, which provides:

12 A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE
13 CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO
14 EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE,
15 AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY
AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED
PARTY.

16 The Settling Parties acknowledge that they may hereafter discover facts in addition to or different
17 from those now known or believed to be true by them, with respect to Plaintiffs' Released Claims and
18 Defendants' Released Claims in the Settlement, as the case may be, but it is the intention of the
19 Settling Parties to completely, fully, finally, and forever compromise, settle, release, discharge, and
20 extinguish any and all Plaintiffs' Released Claims and Defendants' Released Claims that are known
21 or unknown, suspected or unsuspected, contingent or absolute, apparent or unapparent, which do not
22 exist, or heretofore existed, or may hereafter exist, and without regard to the subsequent discovery of
23 additional or different facts. The Settling Parties acknowledge that the foregoing waiver was
24 separately bargained for and is a key element of the Stipulation of which this release is a part.

25 2. Consideration

26 2.1. The Board has agreed to adopt the corporate governance measures set forth in
27 Exhibit A (the "Reforms"). CV Sciences shall maintain the Reforms for at least three (3) years after
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1 implementation.

2 2.2. CV Sciences acknowledges that the Plaintiffs' pursuit of the Derivative Actions, and
3 subsequent resolution efforts were, in the aggregate, a contributing cause in the Company's
4 implementation of the reforms described in Exhibit A and that the settlement confers substantial
5 benefits on the Company and its stockholders.

6 3. Procedure for Implementing the Settlement

7 3.1. Within five (5) business days after the Execution Date of this Stipulation,
8 Plaintiffs shall submit this Stipulation, together with its exhibits, to the Court and apply for entry of
9 an Order substantially in the form of Exhibit B attached hereto (the "Preliminary Approval Order"),
10 requesting, inter alia: (i) preliminary approval of the Settlement set forth in this Stipulation;
11 (ii) approval of the method of providing notice of the proposed Settlement to Current CV Sciences
12 Stockholders; (iii) approval of the forms of notice substantially in the form of Exhibits C & D attached
13 hereto; and (iv) a date for the Settlement Hearing.

14 3.2. CV Sciences shall undertake the administrative responsibility for giving notice
15 to Current CV Sciences Shareholders and shall be solely responsible for paying the costs and expenses
16 related to providing such notice to Current CV Sciences Shareholders as described in this paragraph.
17 Within fourteen (14) business days after the Court's entry of the Preliminary Approval Order, CV
18 Sciences shall publish the Notice via a press release, shall file a Current Report on Form 8-K with the
19 SEC attaching the Notice, and shall post the Notice, together with this Stipulation, on the "Investors"
20 section of its website. Also within fourteen (14) business days after the Court's entry of the
21 Preliminary Approval Order, CV Sciences shall publish the Summary Notice one time in the national
22 editions of *Investor's Business Daily*. The Settling Parties believe the content of the Notice and the
23 manner of the notice procedures set forth in this paragraph constitute adequate and reasonable notice
24 to Current CV Sciences Stockholders pursuant to applicable law and due process.

25 3.3. At least ten (10) business days prior to the Settlement Hearing, Defendants'
26 Counsel shall file with the Court an appropriate affidavit or declaration with respect to filing and
27 posting the Notice.

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1 3.4. Plaintiffs' Counsel shall request that the Court hold the Settlement Hearing at
2 least forty-five (45) calendar days after the deadline to provide the notice described in ¶ 3.2 above to
3 Current CV Sciences Shareholders to approve the Settlement and the Fee and Expense Amount.

4 3.5. Pending the Court's determination as to final approval of the Settlement,
5 Plaintiffs and Plaintiffs' Counsel, and any Current CV Sciences Stockholders, derivatively on behalf
6 of CV Sciences, are barred and enjoined from commencing, prosecuting, instigating, or in any way
7 participating in the commencement or prosecution of any action asserting any Released Claims
8 against any of the Released Parties in any court or tribunal, including, but not limited to, any of the
9 Derivative Actions filed.

10 3.6. Within ten (10) days of the Execution Date, the parties shall file stipulations in
11 each of the respective Derivative Actions to stay each of the respective Derivative Actions pending
12 this Court's determination whether to approve the Settlement. Each request shall attach a copy of
13 this Stipulation and Agreement of Settlement.

14 3.7. Within five (5) business days of the entry of the Final Order & Judgment by
15 the Court, Plaintiffs will submit notices of voluntary dismissal in each of the other Derivative Actions.

16 4. Releases

17 4.1. Upon the Effective Date, CV Sciences, Plaintiffs, and each of CV Sciences'
18 current and former stockholders, on behalf of themselves and their successors and assigns, shall be
19 deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released,
20 relinquished, and discharged the Released Claims against the Released Parties. CV Sciences,
21 Plaintiffs, and each of CV Sciences' current and former stockholders shall be deemed to have, and by
22 operation of the Judgment shall have, covenanted not to sue any Released Party with respect to any
23 Released Claims, and shall be permanently barred and enjoined from instituting, commencing or
24 prosecuting the Released Claims against the Released Parties except to (i) enforce the releases and
25 other terms and conditions contained in this Stipulation and/or the Judgment entered pursuant thereto,
26 and (ii) seek to obtain the dismissal of the other Derivative Actions.

27 4.2. Upon the Effective Date, each of the Released Parties shall be deemed to have,
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1 and by operation of the Judgment shall have, fully, finally, and forever released, relinquished and
2 discharged each and all of Plaintiffs and their beneficiaries, Plaintiffs' Counsel, CV Sciences, and all
3 current and former CV Sciences stockholders (solely in their capacity as CV Sciences stockholders)
4 from any and all Defendants' Released Claims. The Released Persons shall be deemed to have, and
5 by operation of the Judgment shall have, covenanted not to sue Plaintiffs or their beneficiaries,
6 Plaintiffs' Counsel, CV Sciences, or any current or former CV Sciences stockholders (solely in their
7 capacity as CV Sciences stockholders) with respect to any Defendants' Released Claims, and shall
8 be permanently barred and enjoined from instituting, commencing, or prosecuting Defendants'
9 Released Claims against Plaintiffs and their beneficiaries, Plaintiffs' Counsel, CV Sciences, and all
10 current and former CV Sciences stockholders except to enforce the releases and other terms and
11 conditions contained in this Stipulation and/or the Judgment entered pursuant thereto.

12 4.3. Nothing herein shall in way release, waive, impair, or restrict the rights of any
13 of the Settling Parties to enforce the terms of the Stipulation.

14 **5. Plaintiffs' Counsels' Attorneys' Fee and Expenses**

15 5.1. After negotiating the principal terms of the Settlement, counsel for the Settling
16 Parties, and the insurer, acting by and through their counsel, separately negotiated the attorneys' fees
17 and expenses that the Individual Defendants would pay or cause to be paid to Plaintiffs' Counsel
18 based on the substantial benefits conferred upon the Company by the Reforms.

19 5.2. In consideration of the substantial benefits conferred upon the Company as a
20 direct result of the Settlement and the efforts of Plaintiffs and Plaintiffs' Counsel in the Derivative
21 Actions, the Individual Defendants shall pay or cause to be paid two hundred seventy-five thousand
22 dollars (\$275,000.00) to Plaintiffs' Counsel for their attorneys' fees and costs (the "Fee and Expense
23 Amount"), subject to Court approval.

24 5.3. The Fee and Expense Amount awarded by the Court shall constitute final and
25 complete payments for Plaintiffs' attorneys' fees and expenses that have been incurred or will be
26 incurred in the Derivative Actions. The Fee and Expense Amount shall be funded to the Escrow
27 Account, to be overseen by The Weiser Law Firm, P.C., as receiving agent for Plaintiffs' Counsel,
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1 within forty-five (45) calendar days of the entry of the Final Order and Judgment and delivery of
2 adequate wire instructions and taxpayer identification. Plaintiffs' Counsel shall allocate the Fee and
3 Expense Amount amongst themselves, and the Defendants shall have no involvement in or
4 responsibility for the allocation of any attorneys' fees and expenses amongst Plaintiffs' Counsel. In
5 the event the Final Order and Judgment does not become Final, or any part of the Fee and Expense
6 Amount is reversed or modified on appeal, then Plaintiffs' Counsel shall refund the Fee and Expense
7 Amount as appropriate within fifteen (15) business days from the date of the court order reducing the
8 Fee and Expense Amount.

9 5.4. The Settling Parties agree that Plaintiffs may apply to the Court for approval
10 of reasonable service awards ("Service Awards") of \$1,000.00 for each Plaintiff, to be paid out of
11 any Fee and Expense Amount approved by the Court in recognition of Plaintiffs' participation and
12 effort in the prosecution of the Derivative Actions. The failure of the Court to approve any requested
13 service award, in whole or in part, shall have no effect on the Settlement set forth in this Stipulation.
14 Neither CV Sciences nor any of the Individual Defendants shall be liable for any portion of any
15 Service Award under any circumstance.

16 6. Conditions of Settlement, Effect of Disapproval, Cancellation, or Termination

17 6.1. The Effective Date of the Stipulation shall be conditioned on the occurrence of
18 all the following events:

- 19 a) the entry of the Final Order and Judgment by the Court;
20 b) the Judgment has become Final;
21 c) the dismissal of the remaining Derivative Actions; and
22 d) the payment of the Fee and Expense Amount in accordance with the terms detailed
23 here.

24 6.2. If any of the conditions specified in ¶ 6.1 is not met, then the Stipulation shall
25 be canceled and terminated subject to ¶ 6.4, and the Settling Parties shall be restored to their respective
26 positions in the Derivative Actions as of the date immediately preceding the Execution Date of this
27 Stipulation, unless Plaintiffs' Counsel and Defendants' Counsel mutually agree in writing to proceed
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1 with the Stipulation.

2 6.3. Each of the Settling Parties shall have the right to terminate the Settlement by
3 providing written notice of their election to do so to all other Settling Parties within twenty (20)
4 calendar days of the date on which: (i) the Court refuses to approve this Stipulation, or the terms
5 contained herein, in any material respect; (ii) the Preliminary Approval Order is not entered in
6 substantially the form attached as Exhibit B hereto; (iii) the Final Order and Judgment is not entered
7 in substantially the form attached as Exhibit E hereto; (iv) the Judgment is reversed or substantially
8 modified on appeal, reconsideration, or otherwise; (v) the dismissals of any of the remaining
9 Derivative Actions does not occur, or (vi) the Effective Date of the Settlement cannot otherwise occur;
10 except that such termination shall not be effective unless and until the terminating Settling Party has,
11 within twenty (20) calendar days of the date on which notice of the termination event has been
12 provided to all other Settling Parties and attempted in good faith to confer with the other Settling
13 Parties to attempt to remedy the issue. Any order or proceeding relating to the Fee and Expense
14 Amount, or any appeal from any order relating thereto or reversal or modification thereof, shall not
15 operate to cancel the Stipulation, nor allow for the termination of the Settlement, or affect or delay
16 the finality of the Judgment approving the Settlement.

17 6.4. In the event that the Stipulation is not approved by the Court, or the Settlement
18 is terminated for any reason, including pursuant to ¶ 6.3 above, the Settling Parties shall be restored
19 to their respective positions as of the date immediately preceding the Execution Date of this
20 Stipulation, and all negotiations, proceedings, documents prepared and statements made in connection
21 herewith shall be without prejudice to the Settling Parties, shall not be deemed or construed to be an
22 admission by any of the Settling Parties of any act, matter, or proposition, and shall not be used in
23 any manner for any purpose in any subsequent proceeding in the Derivative Actions or in any other
24 action or proceeding. In such event, the terms and provisions of the Stipulation, with the exception
25 of ¶¶ 1.1-1.31, , 6.2, 8.3, 8.4, 8.5, 8.6, 8.8, 8.10, 8.12, 8.13, 8.14, 8.15, and herein, shall have no
26 further force and effect with respect to the Settling Parties and shall not be used in the Derivative
27 Actions or in any other proceeding for any purpose, and any judgment or orders entered by the Court
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1 in accordance with the terms of the Stipulation shall be treated as vacated, nunc pro tunc.

2 7. Bankruptcy

3 7.1. In the event any proceedings by or on behalf of CV Sciences, whether
4 voluntary or involuntary, are initiated under any chapter of the United States Bankruptcy Code,
5 including any act of receivership, asset seizure, or similar federal or state law action (“Bankruptcy
6 Proceedings”), the Settling Parties agree to use their reasonable best efforts to obtain all necessary
7 orders, consents, releases, and approvals for effectuation of this Stipulation in a timely and
8 expeditious manner.

9 7.2. In the event of any Bankruptcy Proceedings by or on behalf of CV Sciences,
10 the Settling Parties agree that all dates and deadlines set forth herein will be extended for such periods
11 of time as are necessary to obtain necessary orders, consents, releases, and approvals from the
12 Bankruptcy Court to carry out the terms and conditions of the Stipulation.

13 8. Miscellaneous Provisions

14 8.1. The Settling Parties: (i) acknowledge that it is their intent to consummate this
15 Stipulation; and (ii) agree to cooperate to the extent reasonably necessary to effectuate and implement
16 all terms and conditions of the Stipulation and to exercise their best efforts to accomplish the
17 foregoing terms and conditions of the Stipulation.

18 8.2. The Settling Parties agree that the terms of the Settlement were negotiated in
19 good faith and at arm’s-length by the Settling Parties and reflect a settlement that was reached
20 voluntarily based upon adequate information and after consultation with competent legal counsel.
21 The Settling Parties agree that each has complied fully with the applicable requirements of Rule 11
22 of the Federal Rules of Civil Procedure and all other similar rules of professional conduct, including
23 under California and Nevada law. The Settling Parties shall not assert any claims of any violation or
24 take the position that the litigation was brought or defended in bad faith or in violation of Rule 11 of
25 the Federal Rules of Civil Procedure and all other similar rules of professional conduct, including
26 under California and Nevada law.

27 8.3. Neither the Stipulation (including any exhibits attached hereto) nor the
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1 Settlement, nor any act performed or document executed pursuant to or in furtherance of the
2 Stipulation or the Settlement: (i) is or may be deemed to be or may be offered, attempted to be offered
3 or used in any way against the Released Parties as a presumption, a concession or an admission of, or
4 evidence of, the validity, or lack thereof, of any of the Released Claims, or of any fault, wrongdoing
5 or liability of any of the Released Parties; or (ii) is or may be deemed to be or may be offered,
6 attempted to be offered or used in any way against the Released Parties as a presumption, a concession
7 or an admission of, or evidence of, any fault, omission, wrongdoing or liability of any of the Released
8 Parties in any arbitration proceeding or other civil, criminal, or administrative action or proceeding
9 in any court, administrative agency, or other tribunal. The Settling Parties and Released Parties may
10 file the Stipulation or Order and Final Judgment in any action that may be brought against them in
11 order to support a defense or counterclaim based on principles of res judicata, collateral estoppel,
12 release, good-faith settlement, judgment bar or reduction, or any other theory of claim preclusion or
13 issue preclusion or similar defense or counterclaim, to the extent applicable.

14 8.4. The exhibits to the Stipulation are material and integral parts hereof and are
15 fully incorporated herein by this reference.

16 8.5. The Stipulation may be amended or modified only by a written instrument
17 signed by or on behalf of all the Settling Parties or their respective successors-in-interest and with
18 Court approval. After prior notice to the Court, but without further order of the Court, the Settling
19 Parties may agree to reasonable extensions of time to carry out any provisions of this Stipulation.

20 8.6. In the event that any part of the Settlement is found to be unlawful, void,
21 unconscionable, or against public policy by a court of competent jurisdiction, the remaining terms
22 and conditions of the settlement shall remain intact.

23 8.7. This Stipulation and the exhibits attached hereto represent the complete and
24 final resolution of all disputes among the Settling Parties with respect to the Derivative Actions,
25 constitute the entire agreement among the Settling Parties, and supersede any and all prior
26 negotiations, discussions, agreements, or undertakings, whether oral or written, with respect to such
27 matters.

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1 8.8. The waiver by one party of any breach of the Settlement by any other party
2 shall not be deemed a waiver of any other prior or subsequent breach of the Settlement. The
3 provisions of the Settlement may not be waived except by a writing signed by the affected party, or
4 counsel for that party.

5 8.9. The headings in the Stipulation and its exhibits are used for the purpose of
6 convenience only and are not meant to have legal effect.

7 8.10. The Stipulation and the Settlement shall be binding upon, and inure to the
8 benefit of, the successors and assigns of the Settling Parties and the Released Parties. The Settling
9 Parties agree that this Stipulation will run to their respective successors-in-interest, and they further
10 agree that any planned, proposed or actual sale, merger or change-in-control of CV Sciences shall not
11 void this Stipulation, and that in the event of a planned, proposed or actual sale, merger, or change-
12 in-control of CV Sciences they will continue to seek final approval of this Stipulation expeditiously,
13 including, but not limited to, the settlement terms reflected in this Stipulation and the Fee and Expense
14 Amount.

15 8.11. The Stipulation and the exhibits attached hereto shall be considered to have
16 been negotiated, executed, and delivered, and to be wholly performed, in the State of Nevada and the
17 rights and obligations of the Settling Parties to the Stipulation shall be construed and enforced in
18 accordance with, and governed by, the internal, substantive laws of the State of Nevada without giving
19 effect to that State's choice of law principles. No representations, warranties, or inducements have
20 been made to any party concerning the Stipulation or its exhibits other than the representations,
21 warranties, and covenants contained and memorialized in such documents.

22 8.12. This Stipulation shall not be construed more strictly against one Settling Party
23 than another merely by virtue of the fact that it, or any part of it, may have been prepared by counsel
24 for one of the Settling Parties, it being recognized that it is the result of arm's-length negotiations
25 among the Settling Parties and all Settling Parties have contributed substantially and materially to the
26 preparation of this Stipulation.

27 8.13. Nothing in this Stipulation, or the negotiations or proceedings relating to the
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1 Settlement, is intended to or shall be deemed to constitute a waiver of any applicable privilege or
2 immunity, including, without limitation, the attorney-client privilege, the joint defense privilege, the
3 accountants' privilege, or work product immunity; further, all information and documents transmitted
4 between Plaintiffs' Counsel and Defendants' Counsel in connection with the Settlement shall be kept
5 confidential and shall be inadmissible in any proceeding in any U.S. federal or state court or other
6 tribunal or otherwise, in accordance with Rule 408 of the Federal Rules of Evidence as if such Rule
7 applied in all respects in any such proceeding or forum, or any similar rule existing under California
8 and Nevada law.

9 8.14. The Settling Parties intend that the Court retain jurisdiction for the purpose of
10 effectuating and enforcing the terms of the Settlement.

11 8.15. Each counsel or other Person executing the Stipulation or its exhibits on behalf
12 of any of the Settling Parties hereby warrants that such Person has the full authority to do so. The
13 Stipulation shall be binding upon, and inure to the benefit of, the successors and assigns of the Settling
14 Parties and their Related Persons.

15 8.16. The Stipulation may be executed in one or more counterparts, including by
16 signature transmitted via facsimile, or by a .pdf/.tif image of the signature transmitted via e-mail. All
17 executed counterparts and each of them shall be deemed to be one and the same instrument.
18 A complete set of original executed counterparts shall be filed with the Court.

19 IN WITNESS WHEREOF, the Settling Parties hereto have caused the Stipulation to be
20 executed, by their duly authorized attorneys, dated as of July 28, 2022.

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Counsel for Defendants (in this action and the related actions pending in Nevada and California)

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EXHIBIT A
SETTLEMENT FRAMEWORK/CORPORATE REFORMS

CV Sciences, Inc. (“CV Sciences” or the “Company”) and its management have considered a potential corporate reforms settlement. Defendants propose that to settle all of the pending Derivative Actions, the Company’s Board of Directors (the “Board”) are agreeable to implementing within one hundred eighty (180) days of final settlement approval, and maintain for a minimum period of three (3) years, the reforms detailed below.

1. Annual Risk Assessment

The Board shall be responsible for the oversight of risk management policies of the Company.

The Company shall agree that under the supervision of the Chief Financial Officer (“CFO”), the Company shall perform a risk assessment pertaining to business and financial reporting risks. The CFO shall report the results of the annual risk assessments to the Board.

Also, the Board shall be responsible for monitoring CV Sciences’ compliance with all risk assessment and reporting conducted by CV Sciences’ employees. The Board shall be responsible for identifying material risks relating to CV Sciences’ compliance. To ensure that it is sufficiently informed to effectively fulfill these responsibilities, the Board shall receive and review annual reports from the CFO. The CFO and the Board shall also have free access to management and Company employees for the purpose of identifying material risks relating to CV Sciences’ compliance.

2. Improvements to the Audit Committee

CV Sciences shall amend its Bylaws as necessary to require the existence of an Audit Committee. The Company shall amend its Audit Committee Charter as follows:

- a. The Audit Committee shall be expanded to consist of at least two members who shall meet the within independence requirements;
- b. The Audit Committee shall solicit input as necessary to review the accuracy of disclosures related to issues within their expertise, including, without limitation: (i) communications with and activities relating to the relevant regulatory authorities, including but not limited to the SEC; (ii) operations, enterprise risks, and compliance matters that may have a material impact on the Company’s operational performance, financial health, stability, or liquidity, (iii) updates to the Company’s specialty pharmaceutical business; or (iv) any other matter required to be disclosed under state and federal securities laws and regulations;
- c. All Company employees shall be required to cooperate with Audit Committee investigations. Any failure to cooperate shall be grounds for discipline by the Board, including, but not limited to, termination, in the sole discretion of the Board. This applies to all Company employees, including, but not limited to, the Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”), and the Chairman of the Board;
- d. The Audit Committee Charter shall make clear that in its oversight capacity, the Audit Committee has the duty to oversee that the Company implements and maintains internal controls over accounting and financial reporting and reporting systems and to oversee the integrity, accuracy completeness, and timeliness of the Company’s financial statements and related public filings and disclosures;

- 1 e. The Audit Committee shall receive annually a report listing all trades in CV Sciences
2 securities engaged in by Section 16 officers;
- 3 f. The Audit Committee shall compile a list of potential independent auditors and conduct the
4 necessary preemptive due diligence to ensure that the Company is not without a registered
5 independent auditor for more than 30 days upon the resignation or termination of its current
6 registered independent auditor;
- 7 g. The Audit Committee shall be responsible for monitoring compliance with CV Sciences’
8 Code of Ethics. In the event that a violation of the Code of Ethics is sufficiently material to
9 trigger a disclosure obligation, the Audit Committee shall report the violation to the full Board
10 in writing;
- 11 h. The Audit Committee shall report to the Compensation Committee on an annual basis
12 regarding the CEO’s and CFO’s contribution to CV Sciences’ culture of ethics and
13 compliance with applicable laws, rules, and regulations;
- 14 i. The Audit Committee shall have the authority to retain separate and independent advisors or
15 counsel to aid in fulfilling its responsibilities under its charter, which shall be at CV Sciences’
16 expense;
- 17 j. The Audit Committee shall keep the Board apprised of its activities and shall directly advise
18 the Board in detail of its material findings on a periodic basis; and
- 19 k. CV Sciences shall post the amended Audit Committee Charter on its website.

20 **3. Improvements to the Chief Compliance Officer (“CCO”) Position**

21 The Company’s Code of Ethics acknowledges that the Company has a CCO. The Company
22 shall ensure that the CCO’s responsibilities include the following, to the extent they do not already:

- 23 a. managing and overseeing the Company’s compliance program, and informing the entire
24 Board regarding progress toward meeting program goals;
- 25 b. overseeing the Company’s communications with the U.S. Patent Trademark Office
26 (“USPTO”);
- 27 c. quarterly communication to the Audit Committee, evaluating the Company’s compliance
28 program, and where necessary, recommend action; and
- 29 d. working with the Company’s Audit Committee to evaluate the adequacy of CV Sciences’
30 internal controls, including meeting with the Audit Committee quarterly to discuss ongoing
31 and potential litigation and compliance issues.

32 **4. Employee Training and Risk Assessment**

33 CV Sciences shall institute annual employee training concerning risk assessment and
34 compliance at CV Sciences, as follows:

- 35 a. CV Sciences’ CCO shall be charged with primary responsibility for education pursuant to this
36 provision;

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- b. annual training shall be mandatory for all directors, officers and employees of CV Sciences;
and
- c. training shall include coverage of risk assessment and compliance, CV Sciences' Code of Ethics, communications with government regulatory agencies, and insider trading policies and other applicable policies established by CV Sciences to be observed in connection with work performed for CV Sciences

1 ALDRICH LAW FIRM, LTD.
JOHN P. ALDRICH
1601 S. Rainbow Blvd., Suite 160
2 Las Vegas, Nevada 89146
Telephone: (702) 853-5490
3 Facsimile: (702) 227-1975
4

5 DISTRICT COURT
6 CLARK COUNTY, NEVADA

7 GIRARD DEPOTI, Derivatively on Behalf of CV) Case No. A-18-782513-C
SCIENCES, INC.,)
8 Plaintiff,)
9 vs.) [PROPOSED] ORDER
10 JOSEPH DOWLING, MICHAEL J. MONA, JR.,) PRELIMINARILY APPROVING
MICHAEL J. MONA, III, GARY R. SLIGAR,) SETTLEMENT AND PROVIDING
11 and JAMES A. MCNULTY,) FOR NOTICE
12 Defendants,) EXHIBIT B
13 - and -)
14 CV SCIENCES, INC.,)
15 Nominal Party.)
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1 WHEREAS, Plaintiffs and Defendants have moved the Court for an order (i) preliminarily
2 approving the proposed Settlement of the above-captioned shareholder derivative action, in
3 accordance with a Stipulation of Settlement dated July 28, 2022 and the Exhibits thereto (the
4 “Stipulation”), and (ii) approving distribution of the Notice of Proposed Settlement;

5 WHEREAS, the Stipulation sets forth the terms and conditions of the Settlement, including,
6 but not limited to: (a) a proposed Settlement and dismissal of the Action with prejudice by entry of
7 judgment by the Court; and (b) an award of attorneys’ fees and expenses to counsel for Plaintiffs,
8 upon the terms and conditions set forth in the Stipulation;

9 WHEREAS, the Settlement appears to be the product of serious, informed, and non-collusive
10 negotiations and falls within the range of reasonableness for possible approval;

11 WHEREAS, all capitalized terms contained herein shall have the same meanings as set forth
12 in the Stipulation (in addition to those capitalized terms defined herein); and

13 WHEREAS, this Court, having considered the Stipulation and the Exhibits annexed thereto
14 and having heard the arguments of the Settling Parties, if any, at the preliminary approval hearing:

15 NOW THEREFORE, IT IS HEREBY ORDERED:

16 1. This Court does hereby preliminarily approve, subject to further consideration at the
17 Settlement Hearing described below, the Stipulation and the Settlement set forth therein, including
18 the terms and conditions for: (a) a proposed Settlement and dismissal of the Action with prejudice
19 by entry of judgment by the Court; and (b) an award of attorneys’ fees and expenses to counsel for
20 Plaintiffs, upon the terms and conditions set forth in the Stipulation.

21 2. Pursuant to Nevada Rule of Civil Procedure 23.1, a Settlement Hearing shall be held
22 before this Court on _____, 2022, at __: __.m. to:

23 (a) determine whether the terms and conditions of the Settlement provided for in
24 the Stipulation are fair, reasonable, adequate, and in the best interests of CV Sciences and current CV
25 Sciences shareholders;

26 (b) consider an Order and Final Judgment (i) approving the Settlement in its
27 entirety and according to its terms and dismissing the Action with prejudice by entry of the Judgment
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1 by the Court; (ii) providing that each of the Settling Parties shall bear his, hers, or its own costs
2 (except as expressly stated otherwise in the Stipulation); (iii) releasing, and enjoining prosecution of
3 any and all Released Claims to be released pursuant to the Stipulation; and (iv) determining whether
4 the agreed-to Fee and Expense Award should be approved; and

5 (c) hear such other matters as the Court may deem necessary and appropriate.

6 3. The Court approves, as to form and content, the Notice attached as Exhibit C to the
7 Stipulation and the Summary Notice attached as Exhibit D to the Stipulation, and finds that the
8 dissemination of the Notice and Stipulation and the publication of the Summary Notice, substantially
9 in the manner and form set forth in ¶3.2 of the Stipulation, meets the requirements of applicable law
10 and due process, is the best notice practicable under the circumstances, and shall constitute due and
11 sufficient notice to all Persons entitled thereto of all matters relating to the Settlement.

12 4. Within fourteen (14) business days following entry of this Order CV Sciences shall
13 publish the Notice via a press release, shall file a Current Report on Form 8-K with the SEC attaching
14 the Notice, and shall post the Notice, together with this Stipulation, on the “Investors” section of its
15 website.

16 5. Also within fourteen (14) business days following entry of this Order, CV Sciences
17 shall publish the Summary Notice one time in the national editions of *Investor’s Business Daily*.

18 6. All costs incurred in providing notice shall be paid by CV Sciences.

19 7. At least ten (10) calendar days before the Settlement Hearing, CV Sciences’ Counsel
20 shall file with the Court an appropriate affidavit or declaration with respect to filing and posting the
21 Notice and Summary Notice.

22 8. All current CV Sciences shareholders shall be bound by all orders, determinations, and
23 judgments concerning the Settlement, whether favorable or unfavorable to current CV Sciences
24 shareholders.

25 9. Pending final determination of whether the Settlement should be approved, no current
26 CV Sciences shareholder, either directly, representatively, or in any other capacity, shall commence
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1 or prosecute against any of the Released Persons, any action or proceeding in any court or tribunal
2 asserting any of the Released Claims.

3 10. All papers in support of the Settlement shall be filed with the Court and served at least
4 twenty-eight (28) calendar days before the Settlement Hearing and all reply memoranda in support of
5 such motion shall be filed with the Court and served at least seven (7) calendar days before the
6 Settlement Hearing.

7 11. Any current record holders and beneficial owners of common stock of CV Sciences
8 may appear and show cause, if he, she, or it has any reason why the terms of the Settlement should
9 not be approved as fair, reasonable, and adequate, or why a Judgment should not be entered thereon,
10 provided, however, unless otherwise ordered by the Court, no current CV Sciences shareholder shall
11 be heard or entitled to contest the approval of all or any of the terms and conditions of the Settlement,
12 or, if approved, the Judgment to be entered thereon approving the same, unless that Person has, at
13 least fourteen (14) calendar days before the Settlement Hearing, filed with the Clerk of the Court and
14 served on the following counsel (delivered by hand or sent by First-Class Mail) appropriate proof of
15 stock ownership, along with written objections, including the basis therefor, and copies of any papers
16 and briefs in support thereof:

17 Counsel for Plaintiff:

18 John P. Aldrich
19 ALDRICH LAW FIRM, LTD.
1601 S. Rainbow Blvd., Suite 160
Las Vegas, Nevada 89146

20
21 Counsel for Defendants:

22 Jeffery A. Garofalo
23 PROCOPIO, CORY, HARGRAVES
& SAVITCH, LLP
24 10000 W. Charleston Blvd., Suite 140
Las Vegas, Nevada 89135

25 All such objections must identify the case number and must be filed with the Court at:

26 Clerk of the Court
27 Eighth Judicial District, Clark County
200 Lewis Ave.
28 Las Vegas, Nevada 89011

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Facsimile: (702) 227-1975

DISTRICT COURT
CLARK COUNTY, NEVADA

GIRARD DEPOTI, Derivatively on Behalf of CV)
SCIENCES, INC.,)

Plaintiff,)

vs.)

JOSEPH DOWLING, MICHAEL J. MONA, JR.,)
MICHAEL J. MONA, III, GARY R. SLIGAR,)
and JAMES A. MCNULTY,)

Defendants,)

- and -)

CV SCIENCES, INC.,)

Nominal Party.)

Case No. A-18-782513-C

EXHIBIT C – NOTICE OF
PROPOSED SETTLEMENT

1 TO: ALL CURRENT RECORD SHAREHOLDERS AND THE BENEFICIAL OWNERS
2 OF THE COMMON STOCK OF CV SCIENCES, INC. (“CV SCIENCES” OR THE
3 “COMPANY”) AS OF JULY 28, 2022 (THE “RECORD DATE”) (“CURRENT CV
4 SCIENCES SHAREHOLDERS”)

5 PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. THIS
6 NOTICE RELATES TO A PROPOSED SETTLEMENT AND DISMISSAL OF THE
7 ABOVE-CAPTIONED CONSOLIDATED SHAREHOLDER DERIVATIVE ACTION
8 (THE “ACTION”) BY ENTRY OF THE JUDGMENT BY THE COURT AND
9 CONTAINS IMPORTANT INFORMATION REGARDING YOUR RIGHTS. YOUR
10 RIGHTS MAY BE AFFECTED BY THESE LEGAL PROCEEDINGS. IF THE
11 COURT APPROVES THE SETTLEMENT, YOU WILL BE FOREVER BARRED
12 FROM CONTESTING THE APPROVAL OF THE PROPOSED SETTLEMENT AND
13 FROM PURSUING THE RELEASED CLAIMS.

14 IF YOU HOLD CV SCIENCES COMMON STOCK FOR THE BENEFIT OF
15 ANOTHER, PLEASE PROMPTLY TRANSMIT THIS DOCUMENT TO SUCH
16 BENEFICIAL OWNER.

17 THE RECITATION OF THE BACKGROUND AND CIRCUMSTANCES OF THE
18 SETTLEMENT CONTAINED HEREIN DOES NOT CONSTITUTE THE FINDINGS
19 OF THE COURT. IT IS BASED ON REPRESENTATIONS MADE TO THE COURT
20 BY COUNSEL FOR THE PARTIES.

21 Notice is hereby provided to you of the proposed settlement (the “Settlement”) of the above-
22 referenced shareholder derivative lawsuit as well as related suits. This Notice is provided by Order
23 of the District Court of Clark County, Nevada (the “Court”). It is not an expression of any opinion
24 by the Court. It is to notify you of the terms of the proposed Settlement, and your rights related
25 thereto.

26 I. WHY THE COMPANY HAS ISSUED THIS NOTICE

27 Your rights may be affected by the Settlement of the following actions:

- 28 • Depoti v. Dowling, et al, Case No. A-18-782513-C (Nev. Dist. Ct.-Clark Cty.)
- Radcliffe v. Dowling, et al., Case No. A-19-794377-B (Nev. Dist. Ct.-Clark Cty.)
- Tarangelo v. Mona, Jr., et al., Case No. A-19-789153-B (Nev. Dist. Ct.-Clark Cty.)
- Francis v. Mona, Jr., et al., Case No. 2:18-cv-02284-GMN-NJK (D. Nev.)
- Berry v. Dowling, et al., Case No. 3:20-CV-01072-AJB-DEB (S.D. Cal.)
- Menna v. Dowling, et al., Case No. 37-2021 -00019613-CU-SL-CTL (San Diego Sup.
Ct.)

1 Plaintiffs in these actions (the “Derivative Actions”) Girard Depoti, Richard Tarangelo, John
2 Radcliffe, David Francis, David Menna, and Phillip Berry (on behalf of themselves and derivatively
3 on behalf of CV Sciences) (collectively “Plaintiffs”), individual defendants Joseph Dowling, Michael
4 J. Mona, Jr., Michael J. Mona III, Gary R. Sligar, James A. McNulty, Stephen M. Schmitz, Bart P.
5 Mackay, Larry Raskin, Edward A. Wilson, Beth Altman, Paul Blake, Terri Funk Graham, and Joseph
6 Maroon (“Individual Defendants”) and nominal defendant CV Sciences have agreed upon terms to
7 settle the Action and have signed a written Stipulation of Settlement (“Stipulation”) setting forth those
8 settlement terms. Together, the Individual Defendants and nominal defendant CV Sciences are
9 referred to as “Defendants.”

10 On _____, 2022, at _____m., Courtroom _____, 200 Lewis Ave., Las Vegas,
11 Nevada 89011, the Court will hold a hearing (the “Settlement Hearing”) in the Action. The purpose
12 of the Settlement Hearing is to determine, pursuant to Nevada Rule of Civil Procedure 23.1:
13 (i) whether the terms of the Settlement are fair, reasonable, and adequate and should be approved; (ii)
14 whether a final judgment should be entered; (iii) the amount of attorneys’ fees and expenses to be
15 awarded; and (iv) such other matters as may be necessary or proper under the circumstances.

16 II. SUMMARY OF THE ACTION

17 (a) Description of the Derivative Actions and Settlement

18 Plaintiffs, on behalf of CV Sciences, brought the respective Derivative Actions purportedly to
19 remedy, among other things, alleged breaches of fiduciary duty against current and former directors
20 and officers of CV Sciences.

21 According to its public filings, CV Sciences has two business divisions: pharmaceuticals
22 and consumer products. The pharmaceutical division develops “synthetically-formulated
23 cannabidiol-based medicine,” while the consumer products division “delivers botanical-based
24 cannabidiol products that enhance quality of life.”

25 The Company’s chief pharmaceutical product is or was at the relevant times identified as
26 CVSI-007, a chewing gum product that combines cannabidiol and nicotine in treatment of smokeless
27 tobacco use and addiction. The Company described CVSI-007 as its “lead drug candidate” with a
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1 market that has been estimated at “greater than \$2 billion.”

2 The Derivative Actions allege that on May 16, 2016, certain of the Individual Defendants
3 caused the Company to file a patent application with the US Patent Trademark Office (“USPTO”) for
4 CVSI-007, titled “Pharmaceutical Formulations Containing Cannabidiol and Nicotine For Treating
5 Smokeless Tobacco Addiction.” On February 7, 2017, the Individual Defendants caused the
6 Company to file a continuing patent application under the same title, Patent #15/426,617 (the “Patent
7 Application”).

8 On April 27, 2017, the USPTO issued a non-final rejection on the
9 Company’s Patent Application and mailed CVSI a letter regarding the non-final rejection of the Patent
10 Application on June 6, 2017. All of the Derivative Actions allege that on December 14, 2017, the
11 USPTO issued a “final” rejection on the Company’s Patent Application and mailed CVSI a letter
12 regarding the final rejection of the Patent Application on December 20, 2017.

13 On August 20, 2018, Citron Research published a tweet alleging that the Individual
14 Defendants failed to disclose the December 14, 2017 “final” rejection of the Patent Application. The
15 Derivative Actions allege that upon publication of the tweet, CV Sciences stock “plunged” over 63%,
16 from \$9.20 to \$3.40.

17 The Derivative Actions were filed between October 2018 and October 2020.

18 (b) The Settlement Negotiations

19 In July 2020, Plaintiffs sent a comprehensive settlement demand to counsel for the
20 Defendants, which Defendants responded thereto; however, the Settling Parties were unable to reach
21 agreement at that time. At the end of 2021, the Settling Parties re-engaged in good faith settlement
22 negotiations, both in writing and telephonically, which included exchanging various drafts of
23 proposed corporate governance reforms, until they reached an agreement in principle to settle the
24 Derivative Actions.

25 III. TERMS OF THE PROPOSED DERIVATIVE SETTLEMENT

26 The principal terms, conditions, and other matters that are part of the Settlement, which are
27 subject to approval by the Court, are summarized below. This summary should be read in conjunction
28

1 with, and is qualified in its entirety by reference to, the text of the Stipulation, which has been filed
2 with the Court.

3
4 In connection with the Settlement of the Action, within one hundred eighty (180) days after
5 final approval of the Settlement, CV Sciences will adopt such resolutions and amend appropriate
6 committee charters to the extent applicable to ensure adherence to the Corporate Governance Reforms
7 set forth below (“Reforms”). The Reforms will be maintained for a minimum of three (3) years from
8 the Effective Date of the Stipulation.

9 5. Annual Risk Assessment

10 The Board shall be responsible for the oversight of risk management policies of the Company.
11 The Company shall agree that under the supervision of the Chief Financial Officer (“CFO”), the
12 Company shall perform a risk assessment pertaining to business and financial reporting risks. The
13 CFO shall report the results of the annual risk assessments to the Board. Also, the Board shall be
14 responsible for monitoring CV Sciences’ compliance with all risk assessment and reporting conducted
15 by CV Sciences’ employees. The Board shall be responsible for identifying material risks relating to
16 CV Sciences’ compliance. To ensure that it is sufficiently informed to effectively fulfill these
17 responsibilities, the Board shall receive and review annual reports from the CFO. The CFO and the
18 Board shall also have free access to management and Company employees for the purpose of
19 identifying material risks relating to CV Sciences’ compliance.

20 6. Improvements to the Audit Committee

21 CV Sciences shall amend its Bylaws as necessary to require the existence of an Audit
22 Committee. The Company shall amend its Audit Committee Charter as follows:

- 23
- 24 i. The Audit Committee shall be expanded to consist of at least two members who shall meet
25 the within independence requirements;
 - 26 m. The Audit Committee shall solicit input as necessary to review the accuracy of disclosures
27 related to issues within their expertise, including, without limitation: (i) communications with
28 and activities relating to the relevant regulatory authorities, including but not limited to the

- 1 SEC; (ii) operations, enterprise risks, and compliance matters that may have a material impact
2 on the Company's operational performance, financial health, stability, or liquidity, (iii) updates
3 to the Company's specialty pharmaceutical business; or (iv) any other matter required to be
4 disclosed under state and federal securities laws and regulations;
- 5 n. All Company employees shall be required to cooperate with Audit Committee investigations.
6 Any failure to cooperate shall be grounds for discipline by the Board, including, but not
7 limited to, termination, in the sole discretion of the Board. This applies to all Company
8 employees, including, but not limited to, the Chief Executive Officer ("CEO"), Chief
9 Financial Officer ("CFO"), and the Chairman of the Board;
- 10 o. The Audit Committee Charter shall make clear that in its oversight capacity, the Audit
11 Committee has the duty to oversee that the Company implements and maintains internal
12 controls over accounting and financial reporting and reporting systems and to oversee the
13 integrity, accuracy completeness, and timeliness of the Company's financial statements and
14 related public filings and disclosures;
- 15 p. The Audit Committee shall receive annually a report listing all trades in CV Sciences
16 securities engaged in by Section 16 officers;
- 17 q. The Audit Committee shall compile a list of potential independent auditors and conduct the
18 necessary preemptive due diligence to ensure that the Company is not without a registered
19 independent auditor for more than 30 days upon the resignation or termination of its current
20 registered independent auditor;
- 21 r. The Audit Committee shall be responsible for monitoring compliance with CV Sciences'
22 Code of Ethics. In the event that a violation of the Code of Ethics is sufficiently material to
23 trigger a disclosure obligation, the Audit Committee shall report the violation to the full Board
24 in writing;
- 25 s. The Audit Committee shall report to the Compensation Committee on an annual basis
26 regarding the CEO's and CFO's contribution to CV Sciences' culture of ethics and
27 compliance with applicable laws, rules, and regulations;
- 28

- 1 t. The Audit Committee shall have the authority to retain separate and independent advisors or
2 counsel to aid in fulfilling its responsibilities under its charter, which shall be at CV Sciences’
3 expense;
- 4 u. The Audit Committee shall keep the Board apprised of its activities and shall directly advise
5 the Board in detail of its material findings on a periodic basis; and
- 6 v. CV Sciences shall post the amended Audit Committee Charter on its website.

7 **7. Improvements to the Chief Compliance Officer (“CCO”) Position**

8 The Company’s Code of Ethics acknowledges that the Company has a CCO. The Company
9 shall ensure that the CCO’s responsibilities include the following, to the extent they do not already:

- 10 e. managing and overseeing the Company’s compliance program, and informing the entire
11 Board regarding progress toward meeting program goals;
- 12 f. overseeing the Company’s communications with the U.S. Patent Trademark Office
13 (“USPTO”);
- 14 g. quarterly communication to the Audit Committee, evaluating the Company’s compliance
15 program, and where necessary, recommend action; and
- 16 h. working with the Company’s Audit Committee to evaluate the adequacy of CV Sciences’
17 internal controls, including meeting with the Audit Committee quarterly to discuss ongoing
18 and potential litigation and compliance issues.

19 **8. Employee Training and Risk Assessment**

20 CV Sciences shall institute annual employee training concerning risk assessment and
21 compliance at CV Sciences, as follows:

- 22 c. CV Sciences’ CCO shall be charged with primary responsibility for education pursuant to this
23 provision;
- 24 d. annual training shall be mandatory for all directors, officers and employees of CV Sciences;
25 and
- 26 e. training shall include coverage of risk assessment and compliance, CV Sciences’ Code of
27 Ethics, communications with government regulatory agencies, and insider trading policies and
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1 other applicable policies established by CV Sciences to be observed in connection with work
2 performed for CV Sciences.

3
4 The Stipulation provides for the entry of the Judgment dismissing the Derivative Actions
5 against the Defendants with prejudice and, as explained in more detail in the Stipulation, barring and
6 releasing certain known or unknown claims that have been or could have been brought in any court
7 by the Plaintiffs in the Derivative Actions on behalf of CV Sciences or by CV Sciences, or any of its
8 shareholders, against CV Sciences and the Defendants relating to any of the claims or matters that
9 were or could have been alleged or asserted in the pleadings or papers filed in the Derivative Actions.
10 The Stipulation further provides that the entry of the Judgment will bar and release any known or
11 unknown claims that have been or could have been brought in any court by the Defendants and CV
12 Sciences against Plaintiffs or Plaintiffs' Counsel related to any of the claims or matters that were or
13 could have been alleged or asserted in any of the pleadings or papers filed in the Derivative Actions
14 or based upon or arising out of the institution, prosecution, assertion, settlement, or resolution of the
15 Derivative Actions.

16 **IV. PLAINTIFFS' COUNSEL'S ATTORNEYS' FEES AND EXPENSES**

17 After negotiating the principal terms of the Settlement, counsel for the Settling Parties, and the
18 insurer, acting by and through their counsel, separately negotiated the attorneys' fees and expenses
19 that the Individual Defendants would pay or cause to be paid to Plaintiffs' Counsel based on the
20 substantial benefits conferred upon the Company by the Reforms.

21 In consideration of the substantial benefits conferred upon the Company as a direct result of
22 the Settlement and the efforts of Plaintiffs and Plaintiffs' Counsel in the Derivative Matters, the
23 Individual Defendants shall pay or cause to be paid two hundred seventy-five thousand dollars
24 (\$275,000.00) to Plaintiffs' Counsel for their attorneys' fees and costs (the "Fee and Expense
25 Award"), subject to Court approval. Additionally, Plaintiffs may apply to the Court for service
26 awards not to exceed \$1,000 per Plaintiff ("Service Awards"), to be paid out of such Fee and Expense
27 Amount awarded by the Court.

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1 V. REASONS FOR THE SETTLEMENT

2 Counsel for the Parties believe that the Settlement is in the best interests of CV Sciences and
3 its shareholders.

4 A. Why Did Plaintiffs Agree to Settle?

5 Plaintiffs believe that the claims asserted in the Derivative Actions have merit. Without
6 conceding the merit of any of Defendants' defenses or the lack of merit of any of Plaintiffs' own
7 allegations, and in light of the benefits of the Settlement, as well as to avoid the potentially protracted
8 time, expense, and uncertainty associated with continued litigation, including potential trials and
9 appeals, Plaintiffs have concluded that it is desirable that the Derivative Actions be fully and finally
10 settled and satisfied in the manner, and upon the terms and conditions, set forth in this Stipulation.
11 Plaintiffs and Plaintiffs' Counsel recognize the significant risk, expense, and length of continued
12 proceedings necessary to prosecute the Derivative Actions against the Defendants through trials and
13 possible appeals. Plaintiffs' Counsel has also taken into account the uncertain outcome and the risk
14 of any litigation, especially complex litigation such as the Derivative Actions, as well as the
15 difficulties and delays inherent in such litigation.

16 Plaintiffs and Plaintiffs' Counsel believe that the Settlement set forth in this Stipulation is fair,
17 reasonable and adequate; confers substantial benefits upon CV Sciences and its stockholders; and
18 would serve the best interests of CV Sciences and its stockholders.

19 B. Why Did the Defendants Agree to Settle?

20 The Defendants dispute the allegations in the Derivative Actions. Defendants state that minute-
21 by-minute data indicates that nearly the entirety of the decrease in the Company's stock on August 20,
22 2018 occurred prior to Citron Research's tweet. Defendants also state that Citron Research's tweet
23 consisted exclusively of publicly available information from a screenshot of the USPTO's website,
24 which Citron Research embellished and restated in a misleading fashion for the ostensible goal of
25 purposefully decreasing the Company's share price as part of a short-selling scheme. Citron Research
26 has since been investigated by the Federal Bureau of Investigation (FBI) for its short-selling practices.
27 In February 2022, the FBI raided the home of Citron Research's founder and seized computers and
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1 other information as part of its investigation. Defendants also assert that it is well-understood among
2 patent practitioners and the USPTO that a “final rejection” or other “office action” does not mean a
3 patent application is no longer “pending” or viable, as many such applications result in issued patents.
4 The patent application process does not end with an initial or even final rejection. Interviews and
5 amendments after such actions play an extremely significant role in generating patents.

6 The Defendants enter into the Stipulation and Settlement without in any way acknowledging
7 any fault, liability, or wrongdoing of any kind. The Defendants have denied and continue to deny
8 vigorously each and all of the claims and contentions alleged in the Derivative Actions and assert that
9 all claims and contentions alleged in the Derivative Actions are completely without merit. The
10 Individual Defendants assert that at all relevant times, they acted in good faith and in a manner they
11 reasonably believed to be in the best interests of the Company and its stockholders. Further, the
12 Individual Defendants assert that all of the statements alleged in the Derivative Actions were true and
13 non-actionable, particularly in light of Defendants’ success in obtaining approval by the USPTO of
14 the Patent Application. Finally, Defendants assert that various of the Derivative Actions would have
15 been stayed or consolidated (like the Berry Action was stayed) as there was no reason for the filing of
16 multiple duplicative derivative actions, and that any judgment in its favor would have constituted res
17 judicata in the other Derivative Actions.

18 The Individual Defendants are entering into the Stipulation solely because the Settlement
19 would eliminate the burden, expense, and uncertainties inherent in further litigation. The Individual
20 Defendants believe that the settlement of the Derivative Actions on the terms provided for in this
21 Stipulation is fair, reasonable, and adequate based upon the terms and procedures outlined therein.

22 CV Sciences acknowledges that the plaintiffs’ pursuit of the Derivative Actions, and
23 subsequent resolution efforts were, in the aggregate, a contributing cause in the Company’s
24 implementation of the Reforms A and that the settlement confers substantial benefits on the Company
25 and its stockholders.

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1 VI. SETTLEMENT HEARING

2 On _____, 2022, at _____m., the Court will hold the Settlement Hearing in
3 Courtroom ___, 200 Lewis Ave., Las Vegas, Nevada 89011. At the Settlement Hearing, the Court
4 will consider, pursuant to Nevada Rule of Civil Procedure 23.1, whether the terms of the Settlement
5 are fair, reasonable, and adequate and thus should be finally approved, the amount of an appropriate
6 Fee and Expense Amount, and whether the Action should be dismissed with prejudice by entry of the
7 Judgment pursuant to the Stipulation.

8 VII. RIGHT TO ATTEND SETTLEMENT HEARING

9 Any current CV Sciences shareholder may, but is not required to, appear in person at the
10 Settlement Hearing. If you want to be heard at the Settlement Hearing, then you must first comply
11 with the procedures for objecting, which are set forth below. The Court has the right to change the
12 hearing dates or times without further notice. Thus, if you are planning to attend the Settlement
13 Hearing, you should confirm the date and time before going to the Court. CV Sciences
14 SHAREHOLDERS WHO HAVE NO OBJECTION TO THE SETTLEMENT DO NOT NEED TO
15 APPEAR AT THE SETTLEMENT HEARING OR TAKE ANY OTHER ACTION.

16 VIII. RIGHT TO OBJECT TO THE SETTLEMENT AND PROCEDURES FOR DOING
17 SO

18 You have the right to object to any aspect of the Settlement. You must object in writing, and
19 you may request to be heard at the Settlement Hearing. If you choose to object, then you must follow
20 these procedures.

21 A. You Must Make Detailed Objections in Writing

22 Any objections must be presented in writing and must contain the following information:

- 23 1. Your name, legal address, and telephone number;
- 24 2. The number of shares of CV Sciences stock you currently hold, together with third-
25 party documentary evidence, such as the most recent account statement, showing such share
26 ownership; and Proof of being a current CV Sciences shareholder as of July 28, 2022; and
- 27 3. A detailed statement of your objections to any matter before the Court and all grounds
28 therefore, including any supporting documents to be considered by the Court.

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B. You Must Timely File Written Objections with the Court and Deliver to Counsel for Plaintiffs and the Defendants

YOUR WRITTEN OBJECTIONS MUST BE ON FILE WITH THE CLERK OF THE COURT NO LATER THAN _____, 2022. The Court Clerk's address is:

CLERK OF COURT
Regional Justice Center
200 Lewis Ave
Las Vegas, Nevada 89011

YOU ALSO MUST DELIVER COPIES OF THE MATERIALS TO COUNSEL FOR PLAINTIFFS AND THE DEFENDANTS SO THEY ARE RECEIVED NO LATER THAN

_____, 2022. Counsel's addresses are:

Counsel for Plaintiff:

John P. Aldrich
ALDRICH LAW FIRM, LTD.
1601 S. Rainbow Blvd., Suite 160
Las Vegas, Nevada 89146

Counsel for Defendants:

Jeffery A. Garofalo
PROCOPIO, CORY, HARGRAVES
& SAVITCH, LLP
10000 W. Charleston Blvd., Suite 140
Las Vegas, Nevada 89135

Unless the Court orders otherwise, your objection will not be considered unless it is timely filed with the Court and delivered to the above-referenced counsel for the Parties.

Any Person or entity who fails to object or otherwise request to be heard in the manner prescribed above will be deemed to have waived the right to object to any aspect of the Settlement or otherwise request to be heard (including the right to appeal) and will be forever barred from raising such objection or request to be heard in this or any other action or proceeding.

IX. HOW TO OBTAIN ADDITIONAL INFORMATION

This Notice summarizes the Stipulation. It is not a complete statement of the events of the Action or the Stipulation.

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PLEASE DO NOT CALL, WRITE, OR OTHERWISE DIRECT QUESTIONS TO EITHER
THE COURT OR THE CLERK'S OFFICE.

DATED: _____, 2022

BY ORDER OF THE
DISTRICT COURT OF CLARK COUNTY, NEVADA

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ALDRICH LAW FIRM, LTD.
JOHN P. ALDRICH
1601 S. Rainbow Blvd., Suite 160
Las Vegas, Nevada 89146
Telephone: (702) 853-5490
Facsimile: (702) 227-1975

DISTRICT COURT
CLARK COUNTY, NEVADA

GIRARD DEPOTI, Derivatively on Behalf of CV)
SCIENCES, INC.,)

Plaintiff,)

vs.)

JOSEPH DOWLING, MICHAEL J. MONA, JR.,)
MICHAEL J. MONA, III, GARY R. SLIGAR,)
and JAMES A. MCNULTY,)

Defendants,)

- and -)

CV SCIENCES, INC.,)

Nominal Party.)

Case No. A-18-782513-C

EXHIBIT D – SUMMARY NOTICE

1 TO: ALL CURRENT RECORD HOLDERS AND BENEFICIAL OWNERS OF THE
2 COMMON STOCK OF CV SCIENCES INC. (“CV SCIENCES” OR THE
3 “COMPANY”) AS OF JULY 28, 2022 (“CURRENT CV SCIENCES
4 STOCKHOLDERS”)

5 YOU ARE HEREBY NOTIFIED, pursuant to the _____, 2022 Order Preliminarily
6 Approving Settlement and Providing for Notice entered in the above-captioned shareholder derivative
7 action, that a Stipulation of Settlement dated July 28, 2022 (the “Stipulation” or “Settlement”)³ has
8 been entered to resolve all shareholder derivative claims pending on behalf of nominal defendant CV
9 Sciences pending in six derivative actions in state and federal court in California and Nevada (the
10 “Derivative Actions”).

11 The Derivative Actions alleges claims on behalf of CV Sciences against Defendants for,
12 among other things, alleged breaches of fiduciary duties, in connection with the patent application for
13 the Company’s chief product, CVSI-007, a chewing gum product that combines cannabidiol and
14 nicotine in treatment of smokeless tobacco use. More specifically, the Derivative Actions allege that
15 the Individual Defendants allowed CV Sciences to make alleged misstatements regarding the
16 potential for the patent’s approval. In connection with, and conditioned upon, the Settlement, CV
17 Sciences has agreed to implement and/or maintain Corporate Governance Reforms, as defined and
18 set forth in the Stipulation. The Reforms are designed to enhance and improve CV Sciences’ internal
19 controls and systems, as well as the effectiveness and responsiveness of the CV Sciences Board of
20 Directors. The Defendants dispute the allegations in the Derivative Actions and enter into the
21 Stipulation and Settlement without in any way acknowledging any fault, liability, or wrongdoing of
22 any kind.

23 On _____, 2022, at _____.m., Courtroom _____, 200 Lewis Ave., Las Vegas,
24 Nevada 89011, the Court will hold a hearing (the “Settlement Hearing”) in the Action. The purpose
25 of the Settlement Hearing is to determine, pursuant to Nevada Rule of Civil Procedure 23.1:
26 (i) whether the terms of the Settlement are fair, reasonable, and adequate and should be approved; (ii)

27 ³ Except as otherwise defined herein, all capitalized terms shall have the same meanings as set
28 forth in the Stipulation.

1 whether a final judgment should be entered; (iii) approve an amount of \$275,000 attorneys' fees and
2 expenses; and (iv) such other matters as may be necessary or proper under the circumstances.

3 PLEASE READ THIS SUMMARY NOTICE CAREFULLY AND IN ITS
4 ENTIRETY. IF YOU ARE A CURRENT RH SHAREHOLDER, YOUR
RIGHTS MAY BE AFFECTED BY THE SETTLEMENT OF THE ACTION.

5 This is a summary notice only. For additional information about the claims asserted in the
6 Action and the terms of the proposed Settlement, please refer to the documents filed with the Court
7 in the Action, the Stipulation (filed as an exhibit to the Company's Current Report on Form 8-K filed
8 with the Securities and Exchange Commission and available at www.sec.gov), and the full-length
9 Notice of Proposed Settlement (the "Notice"). The "Investor Relations" section of CV Sciences'
10 website (http://_____com) provides hyperlinks to the Notice and to the Stipulation.

11 PLEASE DO NOT CONTACT THE COURT REGARDING THIS SUMMARY
12 NOTICE.

13 If you have any questions about matters in this Summary Notice you may contact John P.
14 Aldrich of the Aldrich Law Firm, at the offices of Liaison Counsel for Plaintiffs: 1601 S. Rainbow
15 Blvd., Suite 160 Las Vegas, Nevada 89146. You may contact Mr. Aldrich in writing, or by telephone
16 at (702) 853-5490.

17 If you are a current CV Sciences shareholder, you will be bound by the Order and Final
18 Judgment of the Court granting final approval of the Settlement, and shall be deemed to have waived
19 the right to object (including the right to appeal) and forever shall be barred, in this proceeding or in
20 any other proceeding, from raising such objection. Any objections to the Settlement must be filed
21 on or before _____, 2022, in accordance with the procedures set forth in the Notice.

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23 DATED: _____, 2022 BY ORDER OF THE
DISTRICT COURT OF CLARK COUNTY, NEVADA
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Las Vegas, Nevada 89146
Telephone: (702) 853-5490
Facsimile: (702) 227-1975

DISTRICT COURT
CLARK COUNTY, NEVADA

GIRARD DEPOTI, Derivatively on Behalf of CV)
SCIENCES, INC.,)

Plaintiff,)

vs.)

JOSEPH DOWLING, MICHAEL J. MONA, JR.,)
MICHAEL J. MONA, III, GARY R. SLIGAR,)
and JAMES A. MCNULTY,)

Defendants,)

- and -)

CV SCIENCES, INC.,)

Nominal Party.)

Case No. A-18-782513-C

EXHIBIT E – [PROPOSED] ORDER
AND FINAL JUDGMENT

1 This matter came before the Court for hearing pursuant to the Order of this Court, dated
2 _____, 2022 (“Order”), on the motion of the parties for approval of the proposed settlement
3 (“Settlement”) set forth in the Stipulation of Settlement dated July 28, 2022.

4 The Court has reviewed and considered all documents, evidence, objections (if any), and
5 arguments presented in support of or against the Settlement; the Court being fully advised of the
6 premises and good cause appearing therefore, the Court enters this Judgment.

7 IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that:

8 13. This Order and Final Judgment incorporates by reference the definitions in the
9 Stipulation, and all terms used herein shall have the same meanings as set forth in the Stipulation,
10 unless otherwise set forth herein.

11 14. This Court has jurisdiction over the subject matter of the Action, including all matters
12 necessary to effectuate the Settlement, and over all Settling Parties.

13 15. Based on evidence submitted, the Court finds that notice was published and
14 disseminated in accordance with this Court’s Preliminary Approval Order. This Court further finds
15 that the forms and contents of the Notice and Summary Notice, as previously preliminary approved
16 by the Court, complied with the requirements of Nevada Rule of Civil Procedure 23.1, satisfied the
17 requirements of due process of the United States Constitution, and constituted due and sufficient
18 notice of the matters set forth therein.

19 16. The Court finds that the terms of the Stipulation and Settlement are fair, reasonable,
20 and adequate as to each of the Settling Parties, and hereby finally approves the Stipulation and
21 Settlement in all respects, and orders the Settling Parties to perform its terms to the extent the Settling
22 Parties have not already done so.

23 17. Pursuant to entry of this Judgment, the Action and all claims contained therein against
24 Defendants, as well as all of the Released Claims against each of the Defendants and their Related
25 Persons, are hereby dismissed with prejudice. As among the Plaintiffs and Defendants, the parties
26 are to bear their own costs, except as otherwise provided in the Stipulation.

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1 18. Upon the Effective Date, CV Sciences, Plaintiffs (acting on their own behalf and
2 derivatively on behalf of CV Sciences), and each of CV Sciences' shareholders (solely in their
3 capacity as CV Sciences shareholders) shall be deemed to have, and by operation of the Judgment
4 shall have, fully, finally, and forever released, relinquished, and discharged the Released Claims
5 against the Released Persons and any and all claims (including Unknown Claims) arising out of,
6 relating to, or in connection with the defense, settlement or resolution of the Action against the
7 Released Persons, provided that nothing herein shall in any way impair or restrict the rights of any
8 Settling Party to enforce the terms of this Stipulation or the Judgment.

9 19. Upon the Effective Date, CV Sciences, Plaintiffs (acting on their own behalf and
10 derivatively on behalf of CV Sciences), and each of CV Sciences' shareholders (solely in their
11 capacity as CV Sciences shareholders) will be forever barred and enjoined from commencing,
12 instituting or prosecuting any of the Released Claims or any action or other proceeding against any
13 of the Released Persons based on the Released Claims or any action or proceeding arising out of,
14 related to, or in connection with the settlement or resolution of the Action, provided that nothing
15 herein shall in any way impair or restrict the rights of any Settling Party to enforce the terms of this
16 Stipulation or the Judgment.

17 20. Upon the Effective Date, each of the Released Persons shall be deemed to have, and
18 by operation of the Judgment shall have, fully, finally, and forever released, relinquished, and
19 discharged each and all of the Plaintiffs, Plaintiffs' Counsel, CV Sciences, and all of the CV Sciences
20 shareholders (solely in their capacity as CV Sciences shareholders) from all claims (including
21 Unknown Claims) arising out of, relating to, or in connection with the institution, prosecution,
22 assertion, settlement or resolution of the Action or the Released Claims. Nothing herein shall in any
23 way impair or restrict the rights of any Settling Party to enforce the terms of this Stipulation or the
24 Judgment.

25 21. Nothing in this Stipulation constitutes or reflects a waiver or release of any rights or
26 claims of Defendants and/or CV Sciences against their insurers, or their insurers' subsidiaries,
27 predecessors, successors, assigns, affiliates, or representatives, including, but not limited to, any
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1 rights or claims by the Defendants under any directors' and officers' liability insurance or other
2 applicable insurance coverage maintained by the Company. Nothing in this Stipulation constitutes
3 or reflects a waiver or release of any rights or claims of the Defendants relating in any way to
4 indemnification or advancement of attorneys' fees relating to the Action or the Released Claims,
5 whether under any written indemnification or advancement agreement, or under the Company's
6 charter, by-laws or operating agreement, or under applicable law.

7 22. The Court hereby approves the Fee and Expense Amount and Service Awards
8 and finds that such awards are fair and reasonable.

9 23. Neither the Stipulation (including any Exhibits attached thereto) nor the Settlement,
10 nor any act performed or document executed pursuant to or in furtherance of the Stipulation or the
11 Settlement: (a) is or may be deemed to be, or may be offered, attempted to be offered or used in any
12 way by the Settling Parties as a presumption, a concession or an admission of, or evidence of, any
13 fault, wrongdoing or liability of the Settling Parties or of the validity of any Released Claims; or (b)
14 is intended by the Settling Parties to be offered or received as evidence or used by any other person
15 in any other actions or proceedings, whether civil, criminal or administrative. The Released Persons
16 may file the Stipulation and/or the Judgment in any action that may be brought against them in order
17 to support a defense or counterclaim based on principles of res judicata, collateral estoppel, full faith
18 and credit, release, standing, good faith settlement, judgment bar or reduction or any other theory of
19 claim preclusion or issue preclusion or similar defense or counterclaim, and any of the Settling Parties
20 may file the Stipulation and documents executed pursuant and in furtherance thereto in any action to
21 enforce the Settlement.

22 24. Without affecting the finality of this Judgment in any way, this Court hereby retains
23 continuing jurisdiction with respect to implementation and enforcement of the terms of the
24 Stipulation.

25 25. This Final Order and Judgment is a final, appealable judgment and should be entered
26 forthwith by the Clerk in accordance with Nevada Rule of Civil Procedure 58 and all other similar
27 laws.

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IT IS SO ORDERED.

DATED:

THE HONORABLE TIMOTHY C. WILLIAMS

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Facsimile: (702) 227-1975

DISTRICT COURT
CLARK COUNTY, NEVADA

GIRARD DEPOTI, Derivatively on Behalf of CV)
SCIENCES, INC.,)
Plaintiff,)
vs.)
JOSEPH DOWLING, MICHAEL J. MONA, JR.,)
MICHAEL J. MONA, III, GARY R. SLIGAR,)
and JAMES A. MCNULTY,)
Defendants,)
- and -)
CV SCIENCES, INC.,)
Nominal Party.)

Case No. A-18-782513-C

ORDER PRELIMINARILY
APPROVING SETTLEMENT AND
PROVIDING FOR NOTICE

1 WHEREAS, Plaintiffs and Defendants have moved the Court for an order (i) preliminarily
2 approving the proposed Settlement of the above-captioned shareholder derivative action, in
3 accordance with a Stipulation of Settlement dated July 28, 2022 and the Exhibits thereto (the
4 “Stipulation”), and (ii) approving distribution of the Notice of Proposed Settlement;

5 WHEREAS, the Stipulation sets forth the terms and conditions of the Settlement, including,
6 but not limited to: (a) a proposed Settlement and dismissal of the Action with prejudice by entry of
7 judgment by the Court; and (b) an award of attorneys’ fees and expenses to counsel for Plaintiffs,
8 upon the terms and conditions set forth in the Stipulation;

9 WHEREAS, the Settlement appears to be the product of serious, informed, and non-collusive
10 negotiations and falls within the range of reasonableness for possible approval;

11 WHEREAS, all capitalized terms contained herein shall have the same meanings as set forth
12 in the Stipulation (in addition to those capitalized terms defined herein); and

13 WHEREAS, this Court, having considered the Stipulation and the Exhibits annexed thereto
14 and having heard the arguments of the Settling Parties, if any, at the preliminary approval hearing:

15 NOW THEREFORE, IT IS HEREBY ORDERED:

16 1. This Court does hereby preliminarily approve, subject to further consideration at the
17 Settlement Hearing described below, the Stipulation and the Settlement set forth therein, including
18 the terms and conditions for: (a) a proposed Settlement and dismissal of the Action with prejudice
19 by entry of judgment by the Court; and (b) an award of attorneys’ fees and expenses to counsel for
20 Plaintiffs, upon the terms and conditions set forth in the Stipulation.

21 2. Pursuant to Nevada Rule of Civil Procedure 23.1, a Settlement Hearing shall be held
22 before this Court on November 14, 2022, at 1:30 p.m. to:

23 (a) determine whether the terms and conditions of the Settlement provided for in
24 the Stipulation are fair, reasonable, adequate, and in the best interests of CV Sciences and current CV
25 Sciences shareholders;

26 (b) consider an Order and Final Judgment (i) approving the Settlement in its
27 entirety and according to its terms and dismissing the Action with prejudice by entry of the Judgment
28 by the Court; (ii) providing that each of the Settling Parties shall bear his, hers, or its own costs

1 (except as expressly stated otherwise in the Stipulation); (iii) releasing, and enjoining prosecution of
2 any and all Released Claims to be released pursuant to the Stipulation; and (iv) determining whether
3 the agreed-to Fee and Expense Award should be approved; and

4 (c) hear such other matters as the Court may deem necessary and appropriate.

5 3. The Court approves, as to form and content, the Notice attached as Exhibit C to the
6 Stipulation and the Summary Notice attached as Exhibit D to the Stipulation, and finds that the
7 dissemination of the Notice and Stipulation and the publication of the Summary Notice, substantially
8 in the manner and form set forth in ¶3.2 of the Stipulation, meets the requirements of applicable law
9 and due process, is the best notice practicable under the circumstances, and shall constitute due and
10 sufficient notice to all Persons entitled thereto of all matters relating to the Settlement.

11 4. Within fourteen (14) business days following entry of this Order CV Sciences shall
12 publish the Notice via a press release, shall file a Current Report on Form 8-K with the SEC attaching
13 the Notice, and shall post the Notice, together with this Stipulation, on the “Investors” section of its
14 website.

15 5. Also within fourteen (14) business days following entry of this Order, CV Sciences
16 shall publish the Summary Notice one time in the national editions of *Investor’s Business Daily*.

17 6. All costs incurred in providing notice shall be paid by CV Sciences.

18 7. At least ten (10) calendar days before the Settlement Hearing, CV Sciences’ Counsel
19 shall file with the Court an appropriate affidavit or declaration with respect to filing and posting the
20 Notice and Summary Notice.

21 8. All current CV Sciences shareholders shall be bound by all orders, determinations, and
22 judgments concerning the Settlement, whether favorable or unfavorable to current CV Sciences
23 shareholders.

24 9. Pending final determination of whether the Settlement should be approved, no current
25 CV Sciences shareholder, either directly, representatively, or in any other capacity, shall commence
26 or prosecute against any of the Released Persons, any action or proceeding in any court or tribunal
27 asserting any of the Released Claims.

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1 10. All papers in support of the Settlement shall be filed with the Court and served at least
2 twenty-eight (28) calendar days before the Settlement Hearing and all reply memoranda in support of
3 such motion shall be filed with the Court and served at least seven (7) calendar days before the
4 Settlement Hearing.

5 11. Any current record holders and beneficial owners of common stock of CV Sciences
6 may appear and show cause, if he, she, or it has any reason why the terms of the Settlement should
7 not be approved as fair, reasonable, and adequate, or why a Judgment should not be entered thereon,
8 provided, however, unless otherwise ordered by the Court, no current CV Sciences shareholder shall
9 be heard or entitled to contest the approval of all or any of the terms and conditions of the Settlement,
10 or, if approved, the Judgment to be entered thereon approving the same, unless that Person has, at
11 least fourteen (14) calendar days before the Settlement Hearing, filed with the Clerk of the Court and
12 served on the following counsel (delivered by hand or sent by First-Class Mail) appropriate proof of
13 stock ownership, along with written objections, including the basis therefor, and copies of any papers
14 and briefs in support thereof:

15 Counsel for Plaintiff:

16 John P. Aldrich
17 ALDRICH LAW FIRM, LTD.
18 1601 S. Rainbow Blvd., Suite 160
19 Las Vegas, Nevada 89146

20 Counsel for Defendants:

21 Jeffery A. Garofalo
22 PROCOPIO, CORY, HARGRAVES
23 & SAVITCH, LLP
24 10000 W. Charleston Blvd., Suite 140
25 Las Vegas, Nevada 89135

26 All such objections must identify the case number and must be filed with the Court at:

27 Clerk of the Court
28 Eighth Judicial District, Clark County
 200 Lewis Ave.
 Las Vegas, Nevada 89011

1 Any current CV Sciences shareholder who does not make his, her, or its objection in the
2 manner provided herein shall be deemed to have waived such objection and shall forever be
3 foreclosed from making any objection to the fairness, reasonableness, or adequacy of the Settlement
4 as incorporated in the Stipulation and to the award of attorneys' fees and expenses to Plaintiffs'
5 Counsel, unless otherwise ordered by the Court, but shall otherwise be bound by the Judgment to be
6 entered and the releases to be given. Neither the Stipulation (including any Exhibits attached thereto)
7 nor the Settlement, nor any act performed or document executed pursuant to or in furtherance of the
8 Stipulation or the Settlement: (a) is or may be deemed to be, or may be offered, attempted to be
9 offered, or used in any way by the Settling Parties as a presumption, a concession, or an admission
10 of, or evidence of, any fault, wrongdoing, or liability of the Settling Parties or of the validity of any
11 Released Claims; or (b) is intended by the Settling Parties to be offered or received as evidence, or
12 used by any other person in any other actions or proceedings, whether civil, criminal, or
13 administrative. The Released Persons may file the Stipulation and/or the Judgment in any action that
14 may be brought against them, in order to support a defense or counterclaim based on principles of res
15 judicata, collateral estoppel, full faith and credit, release, standing, good faith settlement, judgment
16 bar or reduction or any other theory of claim preclusion or issue preclusion or similar defense or
17 counterclaim, and any of the Settling Parties may file the Stipulation and documents executed
18 pursuant thereto and in furtherance thereof in any action to enforce the Settlement.

19 12. The Court reserves the right to adjourn the date of the Settlement Hearing or modify
20 any other dates set forth herein without further notice to the current CV Sciences shareholders, and
21 retains jurisdiction to consider all further applications arising out of or connected with the Settlement.
22 The Court may approve the Settlement, with such modifications as may be agreed to by the Settling
23 Parties, if appropriate, without further notice to the current CV Sciences shareholders.

24 IT IS SO ORDERED.

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26 DATED: September 21, 2022

/s/ Timothy C. Williams

THE HONORABLE TIMOTHY C. WILLIAMS

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DISTRICT COURT
CLARK COUNTY, NEVADA

GIRARD DEPOTI, Derivatively on Behalf of CV)
SCIENCES, INC.,)
)
Plaintiff,)
)
vs.)
)
JOSEPH DOWLING, MICHAEL J. MONA, JR.,)
MICHAEL J. MONA, III, GARY R. SLIGAR,)
and JAMES A. MCNULTY,)
)
Defendants,)
)
- and -)
)
CV SCIENCES, INC.,)
)
Nominal Party.)

Case No. A-18-782513-C

**EXHIBIT C – NOTICE OF
PROPOSED SETTLEMENT**

1 **TO: ALL CURRENT RECORD SHAREHOLDERS AND THE BENEFICIAL OWNERS**
2 **OF THE COMMON STOCK OF CV SCIENCES, INC. (“CV SCIENCES” OR THE**
3 **“COMPANY”) AS OF JULY 28, 2022 (THE “RECORD DATE”) (“CURRENT CV**
4 **SCIENCES SHAREHOLDERS”)**

5 **PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. THIS**
6 **NOTICE RELATES TO A PROPOSED SETTLEMENT AND DISMISSAL OF THE**
7 **ABOVE-CAPTIONED CONSOLIDATED SHAREHOLDER DERIVATIVE ACTION**
8 **(THE “ACTION”) BY ENTRY OF THE JUDGMENT BY THE COURT AND**
9 **CONTAINS IMPORTANT INFORMATION REGARDING YOUR RIGHTS. YOUR**
10 **RIGHTS MAY BE AFFECTED BY THESE LEGAL PROCEEDINGS. IF THE**
11 **COURT APPROVES THE SETTLEMENT, YOU WILL BE FOREVER BARRED**
12 **FROM CONTESTING THE APPROVAL OF THE PROPOSED SETTLEMENT AND**
13 **FROM PURSUING THE RELEASED CLAIMS.**

14 **IF YOU HOLD CV SCIENCES COMMON STOCK FOR THE BENEFIT OF**
15 **ANOTHER, PLEASE PROMPTLY TRANSMIT THIS DOCUMENT TO SUCH**
16 **BENEFICIAL OWNER.**

17 **THE RECITATION OF THE BACKGROUND AND CIRCUMSTANCES OF THE**
18 **SETTLEMENT CONTAINED HEREIN DOES NOT CONSTITUTE THE FINDINGS**
19 **OF THE COURT. IT IS BASED ON REPRESENTATIONS MADE TO THE COURT**
20 **BY COUNSEL FOR THE PARTIES.**

21 Notice is hereby provided to you of the proposed settlement (the “Settlement”) of the above-
22 referenced shareholder derivative lawsuit as well as related suits. This Notice is provided by Order
23 of the District Court of Clark County, Nevada (the “Court”). It is not an expression of any opinion
24 by the Court. It is to notify you of the terms of the proposed Settlement, and your rights related
25 thereto.

26 **I. WHY THE COMPANY HAS ISSUED THIS NOTICE**

27 Your rights may be affected by the Settlement of the following actions:

- 28 • *Depoti v. Dowling, et al*, Case No. A-18-782513-C (Nev. Dist. Ct.-Clark Cty.)
- *Radcliffe v. Dowling, et al.*, Case No. A-19-794377-B (Nev. Dist. Ct.-Clark Cty.)
- *Tarangelo v. Mona, Jr., et al.*, Case No. A-19-789153-B (Nev. Dist. Ct.-Clark Cty.)
- *Francis v. Mona, Jr., et al.*, Case No. 2:18-cv-02284-GMN-NJK (D. Nev.)
- *Berry v. Dowling, et al.*, Case No. 3:20-CV-01072-AJB-DEB (S.D. Cal.)
- *Menna v. Dowling, et al.*, Case No. 37-2021 -00019613-CU-SL-CTL (San Diego Sup.
Ct.)

Plaintiffs in these actions (the “Derivative Actions”) Girard Depoti, Richard Tarangelo, John
Radcliffe, David Francis, David Menna, and Phillip Berry (on behalf of themselves and derivatively

1 on behalf of CV Sciences) (collectively “Plaintiffs”), individual defendants Joseph Dowling, Michael
2 J. Mona, Jr., Michael J. Mona III, Gary R. Sligar, James A. McNulty, Stephen M. Schmitz, Bart P.
3 Mackay, Larry Raskin, Edward A. Wilson, Beth Altman, Paul Blake, Terri Funk Graham, and Joseph
4 Maroon (“Individual Defendants”) and nominal defendant CV Sciences have agreed upon terms to
5 settle the Action and have signed a written Stipulation of Settlement (“Stipulation”) setting forth those
6 settlement terms. Together, the Individual Defendants and nominal defendant CV Sciences are
7 referred to as “Defendants.”

8 On November 14, 2022, at 1:30 p.m., Courtroom 16C, 200 Lewis Ave., Las Vegas,
9 Nevada 89011, the Court will hold a hearing (the “Settlement Hearing”) in the Action. The purpose
10 of the Settlement Hearing is to determine, pursuant to Nevada Rule of Civil Procedure 23.1:
11 (i) whether the terms of the Settlement are fair, reasonable, and adequate and should be approved; (ii)
12 whether a final judgment should be entered; (iii) the amount of attorneys’ fees and expenses to be
13 awarded; and (iv) such other matters as may be necessary or proper under the circumstances.

14 **II. SUMMARY OF THE ACTION**

15 **A. Description of the Derivative Actions and Settlement**

16 Plaintiffs, on behalf of CV Sciences, brought the respective Derivative Actions purportedly to
17 remedy, among other things, alleged breaches of fiduciary duty against current and former directors
18 and officers of CV Sciences.

19 According to its public filings, CV Sciences has two business divisions: pharmaceuticals and
20 consumer products. The pharmaceutical division develops “synthetically-formulated cannabidiol-
21 based medicine,” while the consumer products division “delivers botanical-based cannabidiol
22 products that enhance quality of life.”

23 The Company’s chief pharmaceutical product is or was at the relevant times identified as
24 CVSI-007, a chewing gum product that combines cannabidiol and nicotine in treatment of smokeless
25 tobacco use and addiction. The Company described CVSI-007 as its “lead drug candidate” with a
26 market that has been estimated at “greater than \$2 billion.”

27 The Derivative Actions allege that on May 16, 2016, certain of the Individual Defendants
28 caused the Company to file a patent application with the US Patent Trademark Office (“USPTO”) for

1 CVSI-007, titled “Pharmaceutical Formulations Containing Cannabidiol and Nicotine For Treating
2 Smokeless Tobacco Addiction.” On February 7, 2017, the Individual Defendants caused the
3 Company to file a continuing patent application under the same title, Patent #15/426,617 (the “Patent
4 Application”).

5 On April 27, 2017, the USPTO issued a non-final rejection on the
6 Company’s Patent Application and mailed CVSI a letter regarding the non-final rejection of the Patent
7 Application on June 6, 2017. All of the Derivative Actions allege that on December 14, 2017, the
8 USPTO issued a “*final*” rejection on the Company’s Patent Application and mailed CVSI a letter
9 regarding the *final* rejection of the Patent Application on December 20, 2017.

10 On August 20, 2018, Citron Research published a tweet alleging that the Individual
11 Defendants failed to disclose the December 14, 2017 “*final*” rejection of the Patent Application. The
12 Derivative Actions allege that upon publication of the tweet, CV Sciences stock “plunged” over 63%,
13 from \$9.20 to \$3.40.

14 The Derivative Actions were filed between October 2018 and October 2020.

15 **B. The Settlement Negotiations**

16 In July 2020, Plaintiffs sent a comprehensive settlement demand to counsel for the
17 Defendants, which Defendants responded thereto; however, the Settling Parties were unable to reach
18 agreement at that time. At the end of 2021, the Settling Parties re-engaged in good faith settlement
19 negotiations, both in writing and telephonically, which included exchanging various drafts of
20 proposed corporate governance reforms, until they reached an agreement in principle to settle the
21 Derivative Actions.

22 **III. TERMS OF THE PROPOSED DERIVATIVE SETTLEMENT**

23 The principal terms, conditions, and other matters that are part of the Settlement, which are
24 subject to approval by the Court, are summarized below. This summary should be read in conjunction
25 with, and is qualified in its entirety by reference to, the text of the Stipulation, which has been filed
26 with the Court.

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1 In connection with the Settlement of the Action, within one hundred eighty (180) days after
2 final approval of the Settlement, CV Sciences will adopt such resolutions and amend appropriate
3 committee charters to the extent applicable to ensure adherence to the Corporate Governance Reforms
4 set forth below (“Reforms”). The Reforms will be maintained for a minimum of three (3) years from
5 the Effective Date of the Stipulation.

6 **1. Annual Risk Assessment**

7 The Board shall be responsible for the oversight of risk management policies of the Company.
8 The Company shall agree that under the supervision of the Chief Financial Officer (“CFO”), the
9 Company shall perform a risk assessment pertaining to business and financial reporting risks. The
10 CFO shall report the results of the annual risk assessments to the Board. Also, the Board shall be
11 responsible for monitoring CV Sciences’ compliance with all risk assessment and reporting conducted
12 by CV Sciences’ employees. The Board shall be responsible for identifying material risks relating to
13 CV Sciences’ compliance. To ensure that it is sufficiently informed to effectively fulfill these
14 responsibilities, the Board shall receive and review annual reports from the CFO. The CFO and the
15 Board shall also have free access to management and Company employees for the purpose of
16 identifying material risks relating to CV Sciences’ compliance.

17 **2. Improvements to the Audit Committee**

18 CV Sciences shall amend its Bylaws as necessary to require the existence of an Audit
19 Committee. The Company shall amend its Audit Committee Charter as follows:

- 20 a. The Audit Committee shall be expanded to consist of at least two members who shall meet
21 the within independence requirements;
- 22 b. The Audit Committee shall solicit input as necessary to review the accuracy of disclosures
23 related to issues within their expertise, including, without limitation: (i) communications with
24 and activities relating to the relevant regulatory authorities, including but not limited to the
25 SEC; (ii) operations, enterprise risks, and compliance matters that may have a material impact
26 on the Company’s operational performance, financial health, stability, or liquidity, (iii) updates
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- 1 to the Company’s specialty pharmaceutical business; or (iv) any other matter required to be
2 disclosed under state and federal securities laws and regulations;
- 3 c. All Company employees shall be required to cooperate with Audit Committee investigations.
4 Any failure to cooperate shall be grounds for discipline by the Board, including, but not
5 limited to, termination, in the sole discretion of the Board. This applies to all Company
6 employees, including, but not limited to, the Chief Executive Officer (“CEO”), Chief
7 Financial Officer (“CFO”), and the Chairman of the Board;
- 8 d. The Audit Committee Charter shall make clear that in its oversight capacity, the Audit
9 Committee has the duty to oversee that the Company implements and maintains internal
10 controls over accounting and financial reporting and reporting systems and to oversee the
11 integrity, accuracy completeness, and timeliness of the Company’s financial statements and
12 related public filings and disclosures;
- 13 e. The Audit Committee shall receive annually a report listing all trades in CV Sciences
14 securities engaged in by Section 16 officers;
- 15 f. The Audit Committee shall compile a list of potential independent auditors and conduct the
16 necessary preemptive due diligence to ensure that the Company is not without a registered
17 independent auditor for more than 30 days upon the resignation or termination of its current
18 registered independent auditor;
- 19 g. The Audit Committee shall be responsible for monitoring compliance with CV Sciences’
20 Code of Ethics. In the event that a violation of the Code of Ethics is sufficiently material to
21 trigger a disclosure obligation, the Audit Committee shall report the violation to the full Board
22 in writing;
- 23 h. The Audit Committee shall report to the Compensation Committee on an annual basis
24 regarding the CEO’s and CFO’s contribution to CV Sciences’ culture of ethics and
25 compliance with applicable laws, rules, and regulations;
- 26 i. The Audit Committee shall have the authority to retain separate and independent advisors or
27 counsel to aid in fulfilling its responsibilities under its charter, which shall be at CV Sciences’
28 expense;

- 1 j. The Audit Committee shall keep the Board apprised of its activities and shall directly advise
- 2 the Board in detail of its material findings on a periodic basis; and
- 3 k. CV Sciences shall post the amended Audit Committee Charter on its website.

4 **3. Improvements to the Chief Compliance Officer (“CCO”) Position**

5 The Company’s Code of Ethics acknowledges that the Company has a CCO. The Company
6 shall ensure that the CCO’s responsibilities include the following, to the extent they do not already:

- 7 a. managing and overseeing the Company’s compliance program, and informing the entire
- 8 Board regarding progress toward meeting program goals;
- 9 b. overseeing the Company’s communications with the U.S. Patent Trademark Office
- 10 (“USPTO”);
- 11 c. quarterly communication to the Audit Committee, evaluating the Company’s compliance
- 12 program, and where necessary, recommend action; and
- 13 d. working with the Company’s Audit Committee to evaluate the adequacy of CV Sciences’
- 14 internal controls, including meeting with the Audit Committee quarterly to discuss ongoing
- 15 and potential litigation and compliance issues.

16 **4. Employee Training and Risk Assessment**

17 CV Sciences shall institute annual employee training concerning risk assessment and
18 compliance at CV Sciences, as follows:

- 19 a. CV Sciences’ CCO shall be charged with primary responsibility for education pursuant to this
- 20 provision;
- 21 b. annual training shall be mandatory for all directors, officers and employees of CV Sciences;
- 22 and
- 23 c. training shall include coverage of risk assessment and compliance, CV Sciences’ Code of
- 24 Ethics, communications with government regulatory agencies, and insider trading policies and
- 25 other applicable policies established by CV Sciences to be observed in connection with work
- 26 performed for CV Sciences.
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1 The Stipulation provides for the entry of the Judgment dismissing the Derivative Actions
2 against the Defendants with prejudice and, as explained in more detail in the Stipulation, barring and
3 releasing certain known or unknown claims that have been or could have been brought in any court
4 by the Plaintiffs in the Derivative Actions on behalf of CV Sciences or by CV Sciences, or any of its
5 shareholders, against CV Sciences and the Defendants relating to any of the claims or matters that
6 were or could have been alleged or asserted in the pleadings or papers filed in the Derivative Actions.
7 The Stipulation further provides that the entry of the Judgment will bar and release any known or
8 unknown claims that have been or could have been brought in any court by the Defendants and CV
9 Sciences against Plaintiffs or Plaintiffs' Counsel related to any of the claims or matters that were or
10 could have been alleged or asserted in any of the pleadings or papers filed in the Derivative Actions
11 or based upon or arising out of the institution, prosecution, assertion, settlement, or resolution of the
12 Derivative Actions.

13 **IV. PLAINTIFFS' COUNSEL'S ATTORNEYS' FEES AND EXPENSES**

14 After negotiating the principal terms of the Settlement, counsel for the Settling Parties, and the
15 insurer, acting by and through their counsel, separately negotiated the attorneys' fees and expenses
16 that the Individual Defendants would pay or cause to be paid to Plaintiffs' Counsel based on the
17 substantial benefits conferred upon the Company by the Reforms.

18 In consideration of the substantial benefits conferred upon the Company as a direct result of
19 the Settlement and the efforts of Plaintiffs and Plaintiffs' Counsel in the Derivative Matters, the
20 Individual Defendants shall pay or cause to be paid two hundred seventy-five thousand dollars
21 (\$275,000.00) to Plaintiffs' Counsel for their attorneys' fees and costs (the "Fee and Expense
22 Award"), subject to Court approval. Additionally, Plaintiffs may apply to the Court for service
23 awards not to exceed \$1,000 per Plaintiff ("Service Awards"), to be paid out of such Fee and Expense
24 Amount awarded by the Court.

25 **V. REASONS FOR THE SETTLEMENT**

26 Counsel for the Parties believe that the Settlement is in the best interests of CV Sciences and
27 its shareholders.

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1 **A. Why Did Plaintiffs Agree to Settle?**

2 Plaintiffs believe that the claims asserted in the Derivative Actions have merit. Without
3 conceding the merit of any of Defendants’ defenses or the lack of merit of any of Plaintiffs’ own
4 allegations, and in light of the benefits of the Settlement, as well as to avoid the potentially protracted
5 time, expense, and uncertainty associated with continued litigation, including potential trials and
6 appeals, Plaintiffs have concluded that it is desirable that the Derivative Actions be fully and finally
7 settled and satisfied in the manner, and upon the terms and conditions, set forth in this Stipulation.
8 Plaintiffs and Plaintiffs’ Counsel recognize the significant risk, expense, and length of continued
9 proceedings necessary to prosecute the Derivative Actions against the Defendants through trials and
10 possible appeals. Plaintiffs’ Counsel has also taken into account the uncertain outcome and the risk
11 of any litigation, especially complex litigation such as the Derivative Actions, as well as the
12 difficulties and delays inherent in such litigation.

13 Plaintiffs and Plaintiffs’ Counsel believe that the Settlement set forth in this Stipulation is fair,
14 reasonable and adequate; confers substantial benefits upon CV Sciences and its stockholders; and
15 would serve the best interests of CV Sciences and its stockholders.

16 **B. Why Did the Defendants Agree to Settle?**

17 The Defendants dispute the allegations in the Derivative Actions. Defendants state that minute-
18 by-minute data indicates that nearly the entirety of the decrease in the Company’s stock on August 20,
19 2018 occurred prior to Citron Research’s tweet. Defendants also state that Citron Research’s tweet
20 consisted exclusively of publicly available information from a screenshot of the USPTO’s website,
21 which Citron Research embellished and restated in a misleading fashion for the ostensible goal of
22 purposefully decreasing the Company’s share price as part of a short-selling scheme. Citron Research
23 has since been investigated by the Federal Bureau of Investigation (FBI) for its short-selling practices.
24 In February 2022, the FBI raided the home of Citron Research’s founder and seized computers and
25 other information as part of its investigation. Defendants also assert that it is well-understood among
26 patent practitioners and the USPTO that a “final rejection” or other “office action” does not mean a
27 patent application is no longer “pending” or viable, as many such applications result in issued patents.

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1 The patent application process does not end with an initial or even final rejection. Interviews and
2 amendments after such actions play an extremely significant role in generating patents.

3 The Defendants enter into the Stipulation and Settlement without in any way acknowledging
4 any fault, liability, or wrongdoing of any kind. The Defendants have denied and continue to deny
5 vigorously each and all of the claims and contentions alleged in the Derivative Actions and assert that
6 all claims and contentions alleged in the Derivative Actions are completely without merit. The
7 Individual Defendants assert that at all relevant times, they acted in good faith and in a manner they
8 reasonably believed to be in the best interests of the Company and its stockholders. Further, the
9 Individual Defendants assert that all of the statements alleged in the Derivative Actions were true and
10 non-actionable, particularly in light of Defendants' success in obtaining approval by the USPTO of
11 the Patent Application. Finally, Defendants assert that various of the Derivative Actions would have
12 been stayed or consolidated (like the Berry Action was stayed) as there was no reason for the filing of
13 multiple duplicative derivative actions, and that any judgment in its favor would have constituted *res*
14 *judicata* in the other Derivative Actions.

15 The Individual Defendants are entering into the Stipulation solely because the Settlement
16 would eliminate the burden, expense, and uncertainties inherent in further litigation. The Individual
17 Defendants believe that the settlement of the Derivative Actions on the terms provided for in this
18 Stipulation is fair, reasonable, and adequate based upon the terms and procedures outlined therein.

19 CV Sciences acknowledges that the plaintiffs' pursuit of the Derivative Actions, and
20 subsequent resolution efforts were, in the aggregate, a contributing cause in the Company's
21 implementation of the Reforms A and that the settlement confers substantial benefits on the Company
22 and its stockholders.

23 **VI. SETTLEMENT HEARING**

24 On November 14, 2022, at 1:30 p.m., the Court will hold the Settlement Hearing in
25 Courtroom 16C, 200 Lewis Ave., Las Vegas, Nevada 89011. At the Settlement Hearing, the Court
26 will consider, pursuant to Nevada Rule of Civil Procedure 23.1, whether the terms of the Settlement
27 are fair, reasonable, and adequate and thus should be finally approved, the amount of an appropriate
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1 Fee and Expense Amount, and whether the Action should be dismissed with prejudice by entry of the
2 Judgment pursuant to the Stipulation.

3 **VII. RIGHT TO ATTEND SETTLEMENT HEARING**

4 Any current CV Sciences shareholder may, but is not required to, appear in person at the
5 Settlement Hearing. If you want to be heard at the Settlement Hearing, then you must first comply
6 with the procedures for objecting, which are set forth below. The Court has the right to change the
7 hearing dates or times without further notice. Thus, if you are planning to attend the Settlement
8 Hearing, you should confirm the date and time before going to the Court. **CV Sciences**
9 ***SHAREHOLDERS WHO HAVE NO OBJECTION TO THE SETTLEMENT DO NOT NEED TO***
10 ***APPEAR AT THE SETTLEMENT HEARING OR TAKE ANY OTHER ACTION.***

11 **VIII. RIGHT TO OBJECT TO THE SETTLEMENT AND PROCEDURES FOR**
12 **DOING SO**

13 You have the right to object to any aspect of the Settlement. You must object in writing, and
14 you may request to be heard at the Settlement Hearing. If you choose to object, then you must follow
15 these procedures.

16 **A. You Must Make Detailed Objections in Writing**

17 Any objections must be presented in writing and must contain the following information:

- 18 1. Your name, legal address, and telephone number;
- 19 2. The number of shares of CV Sciences stock you currently hold, together with third-
20 party documentary evidence, such as the most recent account statement, showing such share
21 ownership; and Proof of being a current CV Sciences shareholder as of July 28, 2022; and
- 22 3. A detailed statement of your objections to any matter before the Court and all grounds
23 therefore, including any supporting documents to be considered by the Court.

24 **B. You Must Timely File Written Objections with the Court and Deliver to**
25 **Counsel for Plaintiffs and the Defendants**

26 YOUR WRITTEN OBJECTIONS MUST BE ON FILE WITH THE CLERK OF THE
27 COURT NO LATER THAN October 31, 2022. The Court Clerk's address is:

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CLERK OF COURT

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Regional Justice Center
200 Lewis Ave
Las Vegas, Nevada 89011

YOU ALSO MUST DELIVER COPIES OF THE MATERIALS TO COUNSEL FOR
PLAINTIFFS AND THE DEFENDANTS SO THEY ARE RECEIVED NO LATER THAN
October 31, 2022. Counsel's addresses are:

Counsel for Plaintiff:

John P. Aldrich
ALDRICH LAW FIRM, LTD.
1601 S. Rainbow Blvd., Suite 160
Las Vegas, Nevada 89146

Counsel for Defendants:

Jeffery A. Garofalo
PROCOPIO, CORY, HARGRAVES
& SAVITCH, LLP
10000 W. Charleston Blvd., Suite 140
Las Vegas, Nevada 89135

Unless the Court orders otherwise, your objection will not be considered unless it is timely filed with
the Court and delivered to the above-referenced counsel for the Parties.

Any Person or entity who fails to object or otherwise request to be heard in the manner
prescribed above will be deemed to have waived the right to object to any aspect of the Settlement or
otherwise request to be heard (including the right to appeal) and will be forever barred from raising
such objection or request to be heard in this or any other action or proceeding.

IX. HOW TO OBTAIN ADDITIONAL INFORMATION

This Notice summarizes the Stipulation. It is not a complete statement of the events of the
Action or the Stipulation.

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PLEASE DO NOT CALL, WRITE, OR OTHERWISE DIRECT QUESTIONS TO EITHER
THE COURT OR THE CLERK'S OFFICE.

DATED: September 21, 2022

BY ORDER OF THE
DISTRICT COURT OF CLARK COUNTY, NEVADA

CV Sciences, Inc. Announces Proposed Settlement of Shareholder Litigation

San Diego, CA - September 27, 2022 (GLOBE NEWSWIRE) - CV Sciences, Inc. (OTCQB:CVSI) (the “Company”, “CV Sciences”, “our”, “us” or “we”), a preeminent consumer wellness company specializing in hemp extracts and other proven science-backed, natural ingredients and products, announced today that CV Sciences has received preliminary approval of the proposed settlement of six shareholder derivative lawsuits pending in Nevada and California. These lawsuits alleged breach of fiduciary duty and other claims against current and former board members arising out of a tweet issued by Citron Research on August 20, 2018, suggesting that the Company misled investors by failing to disclose certain facts related to its efforts to secure patent protection for its product CVSI-007 from the United States Patent and Trademark Office (“USPTO”), which facts plaintiffs alleged made it less likely that the Company would obtain patent protection. Defendants at all times denied any wrongdoing. On May 19, 2020, the USPTO issued a patent pertaining to CVSI-007.

The settlement agreement was executed by on July 28, 2022. On September 21, 2022, the District Court of Clark County, Nevada granted a motion for preliminary approval of the settlement agreement. On November 14, 2022, at 1:30 p.m., the District Court of Clark County, Nevada will hold a hearing to determine whether to grant final approval of the settlement agreement. The proposed settlement, if approved by the court, will resolve all claims asserted the defendants in these shareholder actions without any admission, concession or finding of any fault, liability or wrongdoing by the Company or any defendant. CV Sciences and the individual defendants continue to deny any wrongdoing. The proposed settlement contemplates the implementation by the Company of certain corporate reforms and payment of \$275,000 in attorneys' fees to plaintiffs. The Company currently anticipates that all settlement payments will be paid through insurance, although no assurance can be provided.

Additional details regarding the proposed settlement are included in that Current Report on Form 8-K filed by CV Sciences with the Securities and Exchange Commission (“SEC”) on September 27, 2022. The Stipulation and Agreement of Settlement and Notice of Proposed Settlement (“Notice”) are available at <https://ir.cvsciences.com/governance-docs>. A copy of the Notice is attached.

[Notice of Settlement](#)

About CV Sciences, Inc.

CV Sciences, Inc. (OTCQB:CVSI) 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 B2B to B2C. The Company’s

PlusCBD™ branded products are sold at select retail locations throughout the U.S. and are one of 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. CV Sciences follows all guidelines for Good Manufacturing Practices (GMP) and the Company's products are processed, produced, and tested throughout the manufacturing process to confirm strict compliance with company 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. CV Sciences, Inc. has primary offices and facilities in San Diego, California. The Company also operates a drug development division focused on developing and commercializing CBD-based novel therapeutics. Additional information is available from OTCMarkets.com or by visiting www.cvsciences.com.

Forward Looking Statements

This press release may contain certain forward-looking statements and information, as defined within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and is subject to the Safe Harbor created by those sections. This material contains statements about expected future events and/or financial results that are forward-looking in nature and subject to risks and uncertainties. Such forward-looking statements by definition involve risk and uncertainties.

Contact Information

ir@cvsciences.com