

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

FORM 10-K

Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2022

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File Number: 000-54677

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

Delaware
(State or other jurisdiction of incorporation or organization)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The aggregate market value of the registrant's common stock held by non-affiliates as of June 30, 2022, the last day of the registrant's most recently completed second fiscal quarter, based upon the closing price of the registrant's common stock as reported by the OTC:QB Marketplace on such date, was approximately \$6 million. This calculation does not reflect a determination that persons are affiliates for any other purposes.

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

As of March 24, 2023, the issuer had 152,104,789 shares of issued and outstanding common stock, par value \$0.0001.

DOCUMENTS INCORPORATED BY REFERENCE. Certain portions of the registrant's definitive proxy statement to be delivered to its shareholders in connection with the registrant's 2023 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K. Such definitive proxy statement will be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

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

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

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

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

FORWARD LOOKING STATEMENTS

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

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

PART I

ITEM 1. BUSINESS

Overview

CV Sciences, Inc. ("CV Sciences," "we," "our" or "us") is a consumer wellness company specializing in hemp extracts and other proven, science-backed, natural ingredients and products, which are sold through a range of sales channels from business-to-business ("B2B") to business-to-consumer ("B2C"). Our +PlusCBD™ branded products are sold at select retail locations throughout the U.S. and are 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. We follow 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 and regulatory standards and specifications. With a commitment to science, +PlusCBD™ product benefits in healthy people are supported by human clinical research data, in addition to three published clinical case studies available on PubMed.gov. +PlusCBD™ was the first hemp extract supplement brand to invest in the scientific evidence necessary to receive self-affirmed Generally Recognized as Safe ("GRAS") status. Our primary offices and facilities are located in San Diego, California. Our common stock is traded on the OTC:QB market, under the trading symbol CVSI.

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

Current Operations

We currently manufacture and distribute more than 50 products and expect to continue to add new products to our portfolio to enhance our line of hemp-based CBD and herbal supplements. We also expect to develop and launch new product lines and brands to address consumer needs and demand. Our mission and core values inform our product development and market positioning.

Our Mission:

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

Our Core Values:

- Provide the best products.
- Look to nature and lean into science to create extraordinary products that transform health, so people can best navigate the course of their lives.
- Have a net positive impact on our customers, our employees, and our planet.
- Be bold and brave.
- Positively affect people's lives - even if it means taking a bold or unconventional approach.

We develop, manufacture, market and sell herbal supplements and CBD products under the following brands: *PlusCBD™*, *ProCBD™*, *HappyLane™*, *CV™Acute*, *CV™Defense*, and *PlusCBD™ Pet* in the Health Care market sector including nutraceutical, beauty care, specialty foods, and pet products.

- ***PlusCBD™*** - Our award-winning line of products available in softgel, tinctures, topicals, and gummies. It was our first brand to market, released in 2014, and is the top-selling brand of hemp-derived CBD in the natural product retail market. *PlusCBD™* is backed by published research, third party safety testing, and rigorous quality standards.
- ***PlusCBD™ Pet*** - Products under our *PlusCBD™ Pet* brand offer all the hemp extract benefits offered by *PlusCBD™* for human use, but they are formulated just for cats and dogs. *PlusCBD™ Pet* provides physical and emotional support to help address the stress and physical discomfort keeping pets from being their best. Available in easy to use liquids and flavors: beef, chicken, salmon, and peanut butter.
- ***ProCBD™*** - Products under our *ProCBD™* brand are available exclusively through health practitioners. These clinical strength formulas are designed to fit seamlessly with patient care plans. Available in softgels, liquids, and roll-ons.

- **HappyLane™** - Our worry-free CBD for those looking to avoid even trace amounts of THC. *HappyLane™* features different softgels, roll-ons, liquids, chews, and gummies in unique flavors and easy to use form factors, all with less than 0.00% THC.
- **CV™Immunity** - Our award-winning line of non-CBD daily and intensive immune support products.
 - **CV™Acute** - A clinically supported immunity product for intense support. *CV™Acute* features formulas and ingredients backed by clinical research and cited by the World Health Organization for immune support.
 - **CV™Defense** - A clinically supported immunity product for daily support. *CV™Defense* features formulas and ingredients (PEA) backed by six double-blind placebo-controlled clinical trials.

Hemp-based CBD is one of more than 100 cannabinoids found in hemp and is non-psychoactive. Our U.S. based operations oversee our raw material supply chain, raw material processing, product development and manufacturing, and sales and marketing. We will continue to scale operations to accommodate market conditions.

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

Our first product candidate, CVSI-007, combines CBD and nicotine in treatment of smokeless tobacco use and addiction. There are currently no drugs approved by the U.S. Food and Drug Administration (“FDA”) for treatment of smokeless tobacco use and addiction. The worldwide smokeless tobacco addiction treatment market is estimated at greater than \$2 billion. We believe this product candidate will provide treatment options for this significant unmet medical need. CVSI-007 is based on proprietary formulations, processes and technology. In May 2016, we filed a patent application for the technology implemented for CVSI-007 with the U.S. Patent and Trademark Office (“USPTO”). On May 19, 2020, we received a formal notice of issuance from the USPTO for our patent application 15/426,617. The patent covers methods of treating smokeless tobacco addiction by administering pharmaceutical formulations containing CBD and nicotine. We are pursuing similar patent protection in other key markets throughout the world. As of December 31, 2022, our patent has been granted in 10 countries, including the United States, Australia, Canada, Germany, Spain, France, Great Britain, Italy, Netherlands, and Japan.

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

During the year ended December 31, 2022, management implemented, and continues to make and implement, strategic cost reductions, including reductions in employee headcount, vendor spending, and the delaying of certain expenses related to our drug development activities in order to ensure the success of our business. In addition, on July 12, 2021, we entered into a lease termination agreement for our old facility located in San Diego, California. Our old facility consisted of approximately 30,000 square feet of leased office, production, lab and warehouse space and had a total lease obligation of \$3.8 million. We ceased using the old facility on June 2, 2022. Our new facility consists of approximately 6,000 square feet of leased office and warehouse space located in San Diego with a total lease obligation of \$0.4 million. During the year ended December 31, 2022, we started outsourcing the majority of our manufacturing, warehousing and fulfillment functions.

Description of our Subsidiaries

CV Sciences was incorporated under the name Foreclosure Solutions, Inc. in the State of Texas on December 9, 2010. On July 25, 2013, CannaVest Corp., a Texas corporation (“CannaVest Texas”), merged with CV Sciences, a wholly-owned Delaware subsidiary of CannaVest Texas, to effectuate a change in the Company's state of incorporation from Texas to Delaware. On January 4, 2016, we filed a Certificate of Amendment of Certificate of Incorporation reflecting our corporate name change to “CV Sciences, Inc.”, effective on January 5, 2016. In addition, on January 4, 2016, we amended our Bylaws to reflect our corporate name change to “CV Sciences, Inc.” As of the date of this Annual Report, we do not own any interest in any subsidiaries.

Government Regulation

We are subject to local and federal laws and regulations pertaining to the sale of hemp derived CBD products in our operating jurisdictions. We maintain required licenses for sourcing, manufacturing, and distribution; we also monitor changes in laws, regulations, treaties, and agreements on a continuous basis. We derive our revenue from the manufacture, marketing and distribution of hemp extracts and other proven, science-backed, natural ingredients and products.

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

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

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

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

To date, and to our knowledge based upon publicly available information, the FDA has neither issued regulations elaborating on the exclusionary clauses nor has it taken any enforcement action in the courts asserting a violation of the exclusionary clauses. However, the FDA has issued a number of warning letters to companies unlawfully marketing CBD products. In many of these cases, the manufacturers made unsubstantiated claims about the product being effective for the treatment of medical conditions (e.g., cancer, Alzheimer's disease, opioid withdrawal, anxiety and COVID-19), despite not having obtained drug approvals. Other warning letters were issued to companies for a variety of reasons, including: marketing CBD products as dietary supplements despite those products which contain CBD not meeting the definition of a dietary supplement; adding CBD to human and animal foods and marketing CBD products for infants and children and other vulnerable populations; selling CBD products that people may confuse for traditional foods or beverages and that may result in unintentional consumption or overconsumption of CBD; and selling unapproved animal drugs containing CBD that are intended for use in food-producing animals. Some of these letters were co-signed by the U.S. Federal Trade Commission ("FTC") and cited the companies for making claims about the efficacy of CBD and other ingredients which were not substantiated by competent and reliable scientific evidence. In December 2020, the FTC announced it had entered into settlement agreements with six companies marketing CBD products including oils, gummies, creams, and others with deceptive health claims about serious health conditions. The settlements included monetary penalties ranging from \$20,000 to \$85,000. The FTC announced another such enforcement action and settlement in May 2021, ordering consumer redress of over \$30,000. The FDA has also issued warning letters to dietary supplement manufacturers objecting to the designation of CBD infused products as dietary supplements on the basis that CBD was not a permissible dietary supplement ingredient.

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

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

In October 2021, Assembly Bill 45 passed in California, permitting the retail sale of products containing hemp-derived CBD including dietary supplements, topicals, over-the-counter and pet products.

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

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

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

Sales and Distribution

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

36% of our net revenue for the year ended December 31, 2022 was attributable to sales of new products launched since May 2021. During this time period, we launched the following new products:

- PlusCBD™ Calm and Sleep, to support healthy stress response and improve sleep cycles,
- PlusCBD™ Relief Softgels, to promote healthy inflammatory response and manage occasional soreness,
- PlusCBD™ Pain Relief topicals, to pinpoint sources of minor pain and aches, and

- ProCBD™, a full product line exclusively through health care practitioners.

Markets, Geography, Seasonality, and Major Customers

Our products are predominantly sold in North America and primarily in the retail space. Based on our current and historical balance sheets and statement of operations, it does not appear that our business or operations experience any seasonality with respect to our sales, as any such seasonality appears to be unpredictable. Although we believe our customers' historical buying patterns and budgetary cycles may be a factor that impacts our annual and quarterly sales results, we are not able to reliably predict our sales based on seasonality because outside factors (timing of orders, introduction of new products, and other economic factors impacting our industry) can also substantially impact our sales patterns during the year.

Furthermore, because the majority of our sales are spread amongst various retailers, distributors, and direct consumers, our largest customer only accounted for approximately 2% of our sales in the year ended December 31, 2022. As a result, we do not believe our financial condition and results of operations is dependent on any one particular major customer.

Working Capital Items

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

Competition

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

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

Intellectual Property

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

In May 2016, we filed a patent application for our product candidate CVSI-007 with the USPTO. On May 19, 2020, we received formal notice of issuance from the USPTO for our patent application 15/426,617. The patent covers methods of treating smokeless tobacco addiction by administering pharmaceutical formulations containing CBD and nicotine. We are pursuing similar patent protection in other key markets throughout the world. As of December 31, 2022, our patent has been granted in 10 countries, including the United States, Australia, Canada, Germany, Spain, France, Great Britain, Italy, Netherlands, and Japan.

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

Research and Development

Our research and development costs have consisted primarily of salaries and related personnel expense, facilities and equipment expense and other costs. We charge all research and development expenses to operations as incurred in the ongoing development of new consumer products and in development of our drug candidate CVSI-007. We established a cross-functional innovation process for our consumer products development using a modified stage gate process. Our new product development activities include ideation and feasibility, product development, scaleup and validation, and product launch. We incurred research and development expenses of \$0.3 million and \$1.2 million, respectively, for the years ended December 31, 2022 and 2021.

Raw Materials and Product Manufacturing

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

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

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

Environmental Matters

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

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

Employees

We believe that our future success will depend, in part, on our ability to continue to attract, hire, and retain qualified personnel. As of December 31, 2022, we had a total of 44 employees, which included 42 full-time and 2 part-time employees, compared to 71 employees as of December 31, 2021. As discussed elsewhere in this Annual Report, during the year ended December 31, 2022, we reduced our employee headcount in connection with our efforts to decrease our costs. In addition to our full-time employees, we contract with third-parties for the conduct of certain marketing, sales and manufacturing efforts as well as certain preclinical, clinical and manufacturing activities related to drug development efforts. Employee health and safety in the workplace is one of our core values. The COVID-19 pandemic underscored for us the importance of keeping our employees safe and healthy. In response to the pandemic, we took actions aligned with the World Health Organization and the Centers for Disease Control and Prevention in an effort to protect our employees, so they could more safely and effectively perform their work. We have no collective bargaining agreements with our employees, and none are represented by labor unions. Management believes the Company has good relationships with its employees.

Company Websites

We maintain a corporate Internet website at: www.cvsciences.com. In addition, we sell our products online at: www.pluscbdoil.com. The contents of these websites are not incorporated in or otherwise to be regarded as part of this Annual Report.

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

ITEM 1A. RISK FACTORS

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of December 31, 2022, our primary facility consists of approximately 6,000 square feet of leased office and warehouse space located in San Diego, California. The lease term is three years through May 31, 2025 with a total lease obligation of approximately \$0.4 million. On July 12, 2021, we entered into a lease termination (“Termination Agreement”) agreement for our old facility located in San Diego. Under the Termination Agreement, we needed to vacate our old facility no later than July 31, 2022. We ceased using the old facility on June 2, 2022. In accordance with the agreement, we received a base rent reimbursement of \$0.1 million from the landlord for the period from June 2, 2022 to July 31, 2022. Please see Note 14, Leases, to our financial statements included in Part IV in this Annual Report for more information.

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

ITEM 3. LEGAL PROCEEDINGS

For a description of our material pending legal proceedings, please see Note 13, Commitments and Contingencies, to our financial statements included in Part IV in this Annual Report.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

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

Holders of Common Stock

As of March 24, 2023, there were 30 registered holders of our common stock. The actual number of holders of our common stock is greater than the number of registered holders, and includes holders who are beneficial owners, but whose securities are held in "nominee" or "street name" by brokers or other nominees.

Dividend Policy

No cash dividends were paid on our common stock in the 2022 and 2021 fiscal years and the Board of Directors has not considered any change in this practice, nor does it expect to consider any such change in this practice in the foreseeable future.

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

Equity Compensation Plan Information

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

Unregistered Sales of Equity Securities

During the quarter ended December 31, 2022, we issued an aggregate of 2,000,000 restricted shares of common stock of the Company to our legal counsel as consideration for legal services provided. The shares were issued in reliance on the exemption from registration provided for under Section 4(a)(2) of the Securities Act of 1933 and/or Section 506 of Regulation D promulgated thereunder.

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

Issuer Repurchases of Equity Securities

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

ITEM 6. [RESERVED]

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

The following discussion of our financial condition and results of operations for the years ended December 31, 2022 and 2021 should be read in conjunction with our financial statements and the notes to those statements that are included elsewhere in this Annual Report. Our discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of various factors, many of which are out of our control. We use words such as "anticipate," "estimate," "plan," "project," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could," and similar expressions to identify forward-looking statements.

OVERVIEW

We are a consumer wellness company specializing in hemp extracts and other proven, science-backed, natural ingredients and products, which are sold through a range of sales channels from B2B to B2C. Our +PlusCBD™ branded products are sold at select retail locations throughout the U.S. and are 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. We follow all guidelines for GMP and the Company's products are processed, produced, and tested throughout the manufacturing process to confirm strict compliance with company and regulatory standards and specifications. With a commitment to science, +PlusCBD™ product benefits in healthy people are supported by human clinical research data, in addition to three published clinical case studies available on PubMed.gov. +PlusCBD™ was the first hemp extract supplement brand to invest in the scientific evidence necessary to receive self-affirmed GRAS status. Our primary offices and facilities are located in San Diego, California. Our common stock is traded on the OTC:QB market under the trading symbol CVSI.

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

We continue to work on our strategic review, which includes consideration of an inbound or outbound merger, sale, acquisition or other options for the Company.

Results of Operations

Comparison of the Years ended December 31, 2022 vs. December 31, 2021

Revenues and gross profit

	Year ended December 31,		Change	
	2022	2021	Amount	%
	(in thousands)			
Product sales, net	\$ 16,205	\$ 20,048	\$ (3,843)	(19)%
Cost of goods sold	10,655	11,432	(777)	(7)%
Gross profit	\$ 5,550	\$ 8,616	\$ (3,066)	(36)%
Gross margin	34.2 %	43.0 %		

Revenue by channel

	Year ended December 31, 2022		Year ended December 31, 2021	
	Amount (in thousands)	% of product sales, net	Amount (in thousands)	% of product sales, net
Business-to-business ("B2B") sales	\$ 9,040	55.8 %	\$ 12,548	62.6 %
Business-to-consumer ("B2C") sales	7,165	44.2 %	7,500	37.4 %
Product sales, net	\$ 16,205	100.0 %	\$ 20,048	100.0 %

We had product sales of \$16.2 million and gross profit of \$5.6 million, representing a gross margin of 34.2% in 2022 compared to product sales of \$20.0 million and gross profit of \$8.6 million, representing a gross margin of 43.0% in 2021. Our net product sales decreased by \$3.8 million or 19% in 2022 when compared to 2021. The decline is primarily due to lower retail sales in our retail channel, mostly resulting from reduced sales to independent natural product retailers and FDM accounts. The total number of units sold during the year ended December 31, 2022 decreased by 22% compared to the year ended December 31, 2021, partially offset by higher sales prices of 3% in the second half of 2022. Our revenue in 2022 was negatively impacted by supply chain challenges with certain contract manufacturers. In addition, 36% of our net revenue for the year ended December 31, 2022 was from new products launched since May 2021. During this time period, we launched the following new products:

- PlusCBD™ Calm and Sleep, to support healthy stress response and improve sleep cycles,
- PlusCBD™ Relief Softgels, to promote healthy inflammatory response and manage occasional soreness,
- PlusCBD™ Pain Relief topicals, to pinpoint sources of minor pain and aches, and
- ProCBD™, a full product line exclusively through health care practitioners.

Cost of goods sold consists primarily of raw materials, packaging, manufacturing overhead (including payroll, employee benefits, stock-based compensation, facilities, depreciation, supplies and quality assurance costs), merchant card fees and shipping. Cost of goods sold in 2022 increased as a percentage of revenue compared to 2021, mostly due to higher product costs, partially offset by warehouse and production cost savings. The gross profit decrease of \$3.1 million or 36% to \$5.6 million in 2022 was mostly driven by the decline in product sales. Gross margins decreased from 43.0% in 2021 to 34.2% in 2022. The decrease is primarily due to higher overhead cost and associated volume deleverage and increased production cost.

Research and development expense

	Year ended December 31,		Change	
	2022	2021	Amount	%
	(in thousands)			
Research and development expense	\$ 307	\$ 1,185	\$ (878)	(74)%
Percentage of product sales, net	1.9 %	5.9 %		

Research and development ("R&D") expense decreased to \$0.3 million in 2022 compared to \$1.2 million in 2021. The decrease is mostly related to reduced activities in our drug development program of \$0.7 million as a result of reduced activities for preclinical work, development cost associated with the active pharmaceutical ingredient ("API") and expenses paid to outside consultants. The remaining decrease in R&D expense is related to reduced new product development activities for our consumer products.

Selling, general and administrative expense

	Year ended December 31, 2022		Year ended December 31, 2021	
	Amount	% of product sales, net	Amount	% of product sales, net
	(in thousands)		(in thousands)	
Sales expense	\$ 3,773	23.3 %	\$ 4,889	24.4 %
Marketing expense	4,425	27.3 %	7,056	35.2 %
General & administrative expense	3,892	24.0 %	13,932	69.5 %
Selling, general and administrative expense	\$ 12,090	74.6 %	\$ 25,877	129.1 %

Selling, general and administrative ("SG&A") expenses decreased by \$13.8 million, or 53%, to \$12.1 million in 2022, from \$25.9 million in 2021. Additionally, SG&A expense as percentage of product sales, net decreased from 129.1% in 2021 to 74.6% in 2022.

- Sales expense decreased due to lower payroll, commission, technology expense and outside services fees. Payroll decreased as a result of lower sales employee headcount. Commission expense decreased as a result of lower B2B sales.
- Marketing expense decreased due to lower payroll, stock-based compensation and reduced marketing activities.
- General and administrative ("G&A") expense decreased by \$10.0 million compared to 2021, of which \$3.8 million was due to lower impairment charges in 2022 compared to 2021. In 2022, we recorded an intangible asset impairment charge of \$1.2 million compared to a goodwill and intangible asset impairment charge of \$5.0 million in 2021. In addition, G&A expense in 2022 decreased as a result of the recognition of the employee retention credit of \$2.5 million, offset by the impact of the lease modification of \$0.7 million in 2021. The remaining decrease of \$4.4 million is a result of our ongoing efforts to reduce our overall cost structure. We were able to reduce our expenses for rent, legal, professional services, insurance, payroll, depreciation and stock-based compensation.

Non-GAAP Financial Measures

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

in addition to GAAP financial measures, since Adjusted EBITDA eliminates from our results specific financial items that have less bearing on our core operating performance.

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

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

A reconciliation from our net loss to Adjusted EBITDA, a non-GAAP measure, for the years ended December 31, 2022 and 2021 is detailed below:

	Year ended December 31,	
	2022	2021
Net loss	\$ (8,214)	\$ (15,554)
Depreciation	992	1,153
Interest expense	1,541	140
Income tax benefit	(47)	(87)
EBITDA	(5,728)	(14,348)
Stock-based compensation (1)	1,009	3,210
Gain on extinguishment of debt (2)	(127)	(2,945)
Gain on lease termination (3)	—	(906)
Goodwill and intangible asset impairment (4)	1,234	5,033
Employee retention credit benefit (5)	(2,516)	—
Adjusted EBITDA	<u>\$ (6,128)</u>	<u>\$ (9,956)</u>

- (1) Represents stock-based compensation expense related to stock options awarded to employees, consultants and non-executive directors based on the grant date fair value using the Black-Scholes valuation model. For more information, please see Note 10, Stock-Based Compensation, to our financial statements included in Part IV in this Annual Report.
- (2) Represents gain on extinguishment of debt related to the forgiveness of our PPP loan during the year ended December 31, 2021. For more information, please see Note 8, Debt, to our financial statements included in Part IV in this Annual Report. It also represents the gain on extinguishment of our convertible note during the year ended December 31, 2022. For more information, please see Note 7, Convertible Note, to our financial statements included in Part IV in this Annual Report.
- (3) Represents gain associated with the lease termination agreement for our main facility during the year ended December 31, 2021. For more information, please see Note 14, Leases, to our financial statements included in Part IV in this Annual Report.
- (4) Represents the goodwill and intangible asset impairment charge. For more information, please see Note 5, Goodwill and Intangible Assets, to our financial statements included in Part IV in this Annual Report.
- (5) Represents benefits related to the employee retention credit. For more information, please see Note 2, Summary of Significant Accounting Policies, to our financial statements included in Part IV in this Annual Report.

Liquidity and Capital Resources

During the year ended December 31, 2022, our primary sources of capital came from (i) cash generated from our operations, (ii) existing cash, (iii) government loans, and (iv) proceeds from third-party financings, including the sale of shares of our common stock and convertible preferred stock, as well as convertible and non-convertible promissory notes, to certain investors. As of December 31, 2022, we had approximately \$0.6 million of cash and negative working capital of approximately \$2.2 million. During the year ended December 31, 2022, we used cash in operating activities of approximately \$1.9 million.

We believe that a combination of factors, mainly consisting of the highly competitive environment and the continued effects of the COVID-19 pandemic, have adversely impacted our business operations for the year ended December 31, 2022. Due to a low barrier entry market with a lack of a clear regulatory framework, we face intense competition from both licensed and illicit market operators that may also sell herbal supplements and hemp-based CBD consumer products. Because we operate in a market that is rapidly evolving and expanding globally, our customers may choose to obtain CBD products from our competitors, and our success depends on our ability to attract and retain our customers from purchasing CBD products elsewhere. To remain competitive, we intend to continue to innovate new products, build brand awareness, and make significant investments in our business strategy by introducing new products into the markets in which we operate, adopt quality assurance protocols and procedures, build our market presence, and undertake further research and development.

Furthermore, COVID-19 and international conflicts still continue to have an impact on worldwide economic activity, and the ongoing effects thereof, amongst other factors, have adversely impacted, and may continue to adversely impact, many aspects of our business. Management implemented, and continues to make and implement, strategic cost reductions, including reductions in employee headcount, vendor spending, and the delaying of certain expenses related to our drug development activities. In addition, on July 12, 2021, we entered into a lease termination agreement for our old facility located in San Diego, California. Our old facility consisted of approximately 30,000 square feet of leased office, production, lab and warehouse space and had a total lease obligation of \$3.8 million. We ceased using the old facility on June 2, 2022. Our new facility consists of approximately 6,000 square feet of leased office and warehouse space located in San Diego, with a total lease obligation of \$0.4 million. During the year ended December 31, 2022, we started outsourcing the majority of our manufacturing, warehousing and fulfillment functions. To the extent that we feel it is necessary and in the best interest of the Company and our shareholders, we may also take further actions that alter our operations in order to ensure the success of our business.

CARES Act

On April 15, 2020, we applied for a loan from JPMorgan Chase Bank, N.A., as lender, pursuant to the Paycheck Protection Program (the "PPP") of the CARES Act as administered by the U.S. Small Business Administration (the "SBA"). On April 17, 2020, the loan was approved, and we received proceeds in the amount of \$2.9 million (the "PPP Loan"). On September 8, 2021, we received confirmation from the Lender that the SBA approved our PPP Loan forgiveness application for the entire PPP Loan, including all accrued interest to date. The forgiveness of the PPP Loan was recognized as a gain on debt extinguishment in our financial results for the year ended December 31, 2021.

The CARES Act also provides an employee retention credit, which is a refundable tax credit against certain employment taxes of up to a maximum of \$5,000 for each employee in 2020 and \$7,000 per employee per quarter from January to September 2021. We determined that we qualify for the tax credit under the CARES Act and filed our amended tax returns in March and August 2022. We expect to receive \$2.5 million of tax credits under the relief provisions. However, as discussed in further detail below, pursuant to the Streeterville Note, within three trading days of receipt by the Company of any employee retention credit funds owed to the Company under the CARES Act, such amounts must be paid to Streeterville pursuant to the terms of the Streeterville Note.

First Insurance Funding Agreements

In November 2022, we entered into a finance agreement with First Insurance Funding in order to fund a portion of our insurance policies. The amount financed is \$0.2 million, which incurs interest at an annual rate of 6.32%. We are required to make monthly payments of \$27,900 from November 2022 through July 2023. The outstanding balance as of December 31, 2022 was \$0.2 million.

In October 2021, we entered into a financing agreement with First Insurance Funding in order to fund a portion of our insurance policies. The amount financed was \$0.4 million and incurred interest at a rate of 4.17%. We were required to make monthly payments of \$45,000 from November 2021 through July 2022. There was no outstanding balance as of December 31, 2022.

Tumim SPA

On December 8, 2020, we entered into a Common Stock Purchase Agreement (“SPA”) with Tumim Stone Capital, LLC (“Tumim”), pursuant to which Tumim committed to purchase up to \$10.0 million in shares of our common stock from time to time. The SPA provided, among other things, that we may direct, every three trading days, Tumim to purchase a number of shares of our common stock not to exceed an amount determined based upon the trading volume and stock price of our shares. Effective November 15, 2021, the Company and Tumim mutually agreed to terminate the SPA. During the year ended December 31, 2021, we sold 10,021,804 shares of common stock pursuant to the SPA and recognized proceeds of \$4.4 million.

November 2021 SPA

In November 2021, we entered into a Securities Purchase Agreement (the "November 2021 SPA"), in addition to certain other agreements, with an institutional investor providing for the sale and issuance in series of registered direct offerings of convertible promissory notes (each a "Note", and collectively, the "Notes") in the aggregate original principal amount of up to \$5.3 million, which Notes were offered pursuant to prospectus supplements to the Company's shelf registration statement Form S-3 (Registration No. 333-237772). At the initial closing of the offering, we sold and issued Notes in the aggregate original principal amount of \$1.06 million. The Notes issued in November were fully converted into an aggregate of 12,597,580 shares of our common stock at a price of \$0.08 per share. The Notes had an original issue discount ("OID") of 6%, resulting in gross proceeds to the Company of \$1.0 million at the initial closing.

On March 25, 2022, we sold and issued additional Notes in the aggregate principal amount of \$1.06 million (the "Second Tranche"). The Notes issued in the Second Tranche also had an OID of 6%, resulting in gross proceeds of the Company of \$1.0 million. The Notes issued in the Second Tranche were scheduled to mature on September 25, 2022.

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

In April 2022, the volume weighted average price ("VWAP") of the Company's common stock was below \$0.10 for more than 5 days, which constituted a price default in accordance with the Notes. As a result, from the date of such default and for so long as such default remained uncured, the Notes that remained outstanding accrued interest at a rate of 15% per annum. Following such default, the holder also added a 15% per annum default premium to the outstanding balance in accordance with the Notes.

On August 18, 2022, we entered into the Cancellation Agreement and Mutual General Release (the "Cancellation Agreement") with the holder of the Notes issued in March, pursuant to which we paid the investor a total sum of \$675,000 in full satisfaction and repayment of the Notes issued in March. Upon execution of the Cancellation Agreement, the March Notes, including the Company's obligations thereunder, were canceled and terminated.

The Notes were senior to other indebtedness of the Company. There was no outstanding balance on any of the Notes as of December 31, 2022.

March 2022 Purchase Agreement

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

Streeterville Note

In August 2022, we entered into a note purchase agreement with Streeterville Capital, LLC ("Streeterville"), pursuant to which we issued and sold to Streeterville a secured promissory note ("Streeterville Note") in the original principal amount of \$2.0 million. The Streeterville Note carries an original issuance discount of \$400,000. We incurred additional debt issuance costs of \$23,000. As a result, we received aggregate net proceeds of approximately \$1.6 million in connection with the sale and issuance of the Streeterville Note. We are required to make weekly repayments to Streeterville on the Streeterville Note in the following amounts: (a) \$40,000 for the first eight weeks; and (b) \$56,000 thereafter until the Streeterville Note is paid in full. The unpaid amount of the Streeterville Note, any interest, fees, charges and late fees accrued shall be due and payable in full nine months from August 19, 2022 (the "Maturity Date"); provided, however, that within three trading days of the Company's receipt of any employee retention credit funds owed under the CARES Act, such amounts are required to be paid to Streeterville; provided, further, that if at least \$1.0 million in CARES Act proceeds are not remitted to Streeterville within ninety days of August 19, 2022, the outstanding balance under the Streeterville Note will be increased by five percent (5%). The Company did not receive the CARES Act proceeds within ninety days of August 19, 2022; as a result, the outstanding balance of the Streeterville Note was increased by five percent (5%). The Streeterville Note is secured by all of the Company's assets. The outstanding balance of the Streeterville Note as of December 31, 2022 was \$1.0 million.

Tax Liability

During the first quarter of 2019, we issued 2,950,000 Restricted Stock Units ("RSU's") to our founder, former President and Chief Executive Officer, Michael Mona Jr. ("Mona Jr."). The vesting of the RSU's is treated as a taxable compensation and thus subject to income tax withholdings. No amounts were withheld (either in cash or the equivalent of shares of common stock from the vesting of the RSU's) or included in our payroll tax filing at the time of vesting. During the year ended December 31, 2020, we reported the taxable compensation associated with the RSU release to the taxing authorities and included the amount in Mona Jr.'s W-2 for 2019. Although the primary tax liability is the responsibility of Mona Jr., we are secondarily liable and thus have recorded the liability on our balance sheet as of December 31, 2021 and December 31, 2022. The liability may be relieved once the tax amount is paid by Mona Jr. and the Company has received the required taxing authority documentation from Mona Jr. As of December 31, 2022, Mona Jr. has not provided us with proof that he filed and paid his taxes for 2019. Refer to Note 12. *Related Parties* and Note 13. *Commitments and Contingencies* to our financial statements included in Part IV in this Annual Report on Form 10-K for additional information.

Going Concern

U.S. GAAP requires management to assess a company's ability to continue as a going concern within one year from the financial statement issuance and to provide related note disclosure in certain circumstances. Our financial statements and corresponding notes have been prepared assuming the Company will continue as a going concern. For the year ended December 31, 2022, the Company generated negative cash flows from operations of \$1.9 million and had an accumulated deficit of \$87.7 million. Management anticipates that the Company will be dependent, for the near future, on additional investment capital to fund our operations and growth initiatives. The Company intends to position itself so that it will be able to raise additional funds through the capital markets, issuance of debt, and/or securing lines of credit in order to continue its operations. However, there can be no assurances that additional working capital will be available to us on favorable terms, or at all, which would be likely to have a material adverse effect on the Company's ability to continue its operations.

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

A summary of our changes in cash flows for the years ended December 31, 2022 and 2021 is provided below:

	Year ended December 31,	
	2022	2021
	(in thousands)	
Net cash flows provided by (used in):		
Operating activities	\$ (1,885)	\$ (7,485)
Investing activities	—	(35)
Financing activities	1,121	4,370
Net decrease in cash	(764)	(3,150)
Cash, beginning of year	1,375	4,525
Cash, end of year	\$ 611	\$ 1,375

Operating Activities

Net cash used in operating activities includes our net loss adjusted for non-cash expenses such as stock-based compensation, depreciation and amortization, bad debt expense and other non-cash items. Operating assets and liabilities primarily include balances related to funding of inventory purchases and customer accounts receivable and can fluctuate significantly from day to day and period to period depending on the timing of inventory purchases and customer behavior.

Net cash used in operating activities was \$1.9 million in 2022 compared to \$7.5 million in 2021, a reduction of \$5.6 million. The reduction in our cash usage in operating activities was due to our reduced net loss, adjusted for non-cash items of \$4.0 million and improvements in our changes in working capital by \$1.6 million. Our changes in working capital improved from \$1.9 million in 2021 to \$3.6 million in 2022, mostly due to additional cash collections from accounts receivable, improved usage of our inventory, and reductions in prepaids and other assets, partially offset by increased cash outflow for accounts payables and accrued expenses. Our net loss, adjusted for non-cash items, improved from \$9.4 million in 2021 to \$5.4 million in 2022 mostly related to our cost reduction measures across the organization. Our net loss declined by \$7.3 million from \$15.6 million in 2021 to \$8.2 million in 2022. Non-cash adjustments declined by \$3.4 million from a total of \$6.2 million in 2021 to \$2.8 million in 2022, mostly due to lower intangible/goodwill impairment and reduced stock-based compensation. In addition, non-cash adjustments for 2022 included note discount and interest expense of \$1.6 million and our recognized ERC credit of \$2.5 million. In 2021, we recognized a gain on debt extinguishment for our PPP loan of \$2.9 million and a gain on lease modification of \$1.0 million.

Investing Activities

We did not use any cash in investing activities in 2022. Investing activity in 2021 was not material.

Financing Activities

Net cash provided by financing activities was \$1.1 million in 2022 compared to \$4.4 million in 2021. Our financing activities for 2022 consisted of proceeds from issuance of preferred stock of \$0.6 million, convertible notes of \$1.0 million, and note payable of \$1.6 million, partially offset by repayments of our insurance financing of \$0.3 million, convertible notes of \$0.7 million, and note payable of \$1.0 million. In 2021, we received proceeds from the issuance of common stock under our SPA with Tumim of \$4.4 million and proceeds from issuance of convertible notes of \$0.8 million, partially offset by repayments of our insurance financing of \$0.8 million.

Inflation

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

Known Trends or Uncertainties

There can be no assurance that the Company's business and corresponding financial performance will not be adversely affected by general economic or consumer trends. In particular, global economic conditions remain constrained, and if such conditions continue, recur or worsen, this may have a material adverse effect on the Company's business, financial condition and results of operations. Additionally, inflation has risen, Federal Reserve interest rates have increased recently, and the general consensus among economists suggests that we should continue to expect a higher recession risk to continue over the next year, all of which may also materially adversely affect our business and corresponding financial position and cash flows. Additionally, in March 2023, Silicon Valley Bank and Signature Bank were closed and taken over by the FDIC, which created significant market disruption and uncertainty for those who bank with those institutions, and which raised significant concern regarding the stability of the banking system in the United States, and in particular with respect to regional banks. If other banks and financial institutions enter receivership or become insolvent in the future in response to financial conditions affecting the banking system and financial markets, our ability to access our cash and cash equivalents may be threatened and such events could have a material adverse effect on our business and financial condition.

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

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

As discussed in this Annual Report, the world has been affected due to the COVID-19 pandemic, and thus, there remains uncertainty as to the effect of COVID-19 on our business in both the short and long-term.

Critical Accounting Policies

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

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

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

In-process research & development ("IPR&D") has an indefinite life and is not amortized until completion and development of the project, at which time the IPR&D becomes an amortizable asset. Until such time as the projects are either completed or abandoned, we test those assets for impairment at least annually at year end, or more frequently at interim periods, by evaluating qualitative factors which could be indicative of impairment. Qualitative factors being considered include, but are not limited to, macro-economic conditions, progress on drug development activities, and overall financial performance. If impairment indicators are present as a result of our qualitative assessment, we will test those assets for impairment by comparing the fair value of the assets to their carrying value. Quantitative factors being considered include, but are not limited to, the current project status, forecasted changes in the timing or amounts required to complete the project, forecasted changes in timing or changes in the future cash flows to be generated by the completed products, a probability of success of the ultimate project and changes to other market-based assumptions, such as discount rates, current Company market capitalization and estimates of the fair value of the Company's reporting units. Upon completion or abandonment, the value of the IPR&D assets will be amortized to expense over

the anticipated useful life of the developed products, if completed, or charged to expense when abandoned if no alternative future use exists.

As a result of our intangible asset impairment test, we recorded an intangible asset impairment charge of \$1.2 million for the year ended December 31, 2022. As of December 31, 2022, the carrying value of the Company's IPR&D asset approximates its estimated fair value of \$0.3 million.

Revenue Recognition – The majority of our revenue contracts represent a single performance obligation related to the fulfillment of customer orders for the purchase of our products, which is primarily related to our *Plus CBD™* line of products. Net sales reflect the transaction prices for these contracts based on our selling list price, which is then reduced by estimated costs for trade promotional programs, consumer incentives, and allowances and discounts used to incentivize sales growth and build brand awareness. We recognize revenue at the point in time that control of the ordered product is transferred to the customer, which is typically upon shipment to the customer or other customer-designated delivery point. We accrue for estimated sales returns by customers based on historical sales return results. The computation of the sales return and discount allowances require that management makes certain estimates and assumptions that affect the timing and amounts of revenue and liabilities recorded. Shipping and handling fees charged to customers are included in product sales and totaled \$0.1 million for each of the years ended December 31, 2022 and 2021. Taxes collected from customers that are remitted to governmental agencies are accounted for on a net basis and not included as revenue.

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

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

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

Recent Accounting Pronouncements

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

Off-Balance Sheet Arrangements

None.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended) are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and to ensure that information required to be disclosed is accumulated and communicated to management, including our principal executive and financial officers, to allow timely decisions regarding disclosure. Our Chief Executive Officer (CEO) and our Chief Financial Officer (CFO), with assistance from other members of management, have reviewed the effectiveness of our disclosure controls and procedures as of December 31, 2022 and, based on their evaluation, have concluded that the disclosure controls and procedures were effective as of such date.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Under the supervision of and with the participation of our management, we assessed the effectiveness of our internal control over financial reporting as of December 31, 2022, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). Based on our evaluation under this framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2022.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ATTESTATION REPORT OF THE REGISTERED PUBLIC ACCOUNTING FIRM

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

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Information required by this item will be contained in our definitive proxy statement to be filed with the Securities and Exchange Commission in connection with our 2023 Annual Meeting of Stockholders, or the Definitive Proxy Statement, which is expected to be filed not later than 120 days after the end of our fiscal year ended December 31, 2022 and is incorporated herein by reference.

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

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

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item will be contained in our Definitive Proxy Statement, which is expected to be filed not later than 120 days after the end of our fiscal year ended December 31, 2022 and is incorporated herein by reference.

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

Information required by this item will be contained in our Definitive Proxy Statement, which is expected to be filed not later than 120 days after the end of our fiscal year ended December 31, 2022 and is incorporated herein by reference.

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

Information required by this item will be contained in our Definitive Proxy Statement, which is expected to be filed not later than 120 days after the end of our fiscal year ended December 31, 2022 and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required by this item will be contained in our Definitive Proxy Statement, which is expected to be filed not later than 120 days after the end of our fiscal year ended December 31, 2022 and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

1. Financial Statements

The following financial statements of the Company are submitted herewith:

Report of Independent Registered Public Accounting Firm

Balance Sheets as of December 31, 2022 and 2021

Statements of Operations for the years ended December 31, 2022 and 2021

Statements of Stockholders' (Deficit) Equity for the years ended December 31, 2022 and 2021

Statements of Cash Flows for the years ended December 31, 2022 and 2021

Notes to Financial Statements

2. Financial Statement Schedules

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

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

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

ITEM 16. FORM 10-K SUMMARY

None.

EXHIBIT INDEX

Exhibit No.	Description of Exhibit	Form	File No.	Exhibit	Filing Date	Filed Herewith
2.1	Agreement and Plan of Merger, dated as of July 25, 2013, by and between CannaVest Corp., a Texas corporation, and CannaVest Corp., a Delaware corporation.	10-Q	000-54677	2.1	August 13, 2013	
2.2	Agreement and Plan of Reorganization by and among CannaVEST Corp., CANNAVEST Merger Sub, Inc., CANNAVEST Acquisition LLC, CanX, Inc., and The Starwood Trust, as the Shareholder Representative	8-K	000-54677	2.1	January 4, 2016	
2.3	Amendment No. 1 to the Agreement and Plan of Reorganization, dated as of March 16, 2017, by and among the Company, CANNAVEST Acquisition LLC, and the Starwood Trust, as the Shareholder Representative	10-Q	000-54677	10.4	May 9, 2017	
3.1	Certificate of Incorporation of CannaVest Corp., as filed on July 26, 2013.	10-Q	000-54677	3.1	August 13, 2013	
3.2	Bylaws of CannaVest Corp., dated as of June 26, 2013.	10-Q	000-54677	3.2	August 13, 2013	
3.3	Certificate of Amendment to Certificate of Incorporation of CannaVest Corp., as filed on January 4, 2016	10-K	000-54677	3.3	April 14, 2016	
3.4	Certificate of Incorporation of the Company, as amended.	10-Q	000-54677	3.4	May 16, 2016	
3.5	Amendment to the Bylaws of the Company, as amended.	8-K	000-54677	3.1	March 22, 2017	
3.6	Bylaws of the Company, as amended.	10-Q	000-54677	3.6	May 9, 2017	
3.7	Amendment to the Bylaws of the Company, as amended.	8-K	000-54677	3.1	June 14, 2021	
3.8	Certificate of Designation of Preference, Rights and Limitations of Convertible Preferred Stock.	8-K	000-54677	3.1	April 1, 2022	
3.9	Certificate of Amendment to Certificate of Incorporation of CV Sciences, Inc., as filed on June 6, 2022	10-Q	000-54677	3.9	August 15, 2022	
4.1	CannaVest Corp. Specimen Stock Certificate	8-K	000-54677	4.1	July 31, 2013	
4.2	Description of Registrant's Securities.	10-K	000-54677	4.2	April 4, 2022	
4.3	Form of Base Indenture between CV Sciences, Inc. and Wilmington Savings Fund	8-K	000-54677	4.1	November 15, 2021	
4.4	Form of Supplemental Indenture	8-K	000-54677	4.2	November 15, 2021	
4.5	Form of Senior Convertible Note	8-K	000-54677	4.3	November 15, 2021	
4.6	Form of Second Supplemental Indenture	8-K	000-54677	4.2	March 28, 2022	
4.7	Form of Warrant, dated March 30, 2022	8-K	000-54677	4.1	April 1, 2022	
4.8	Form of Placement Agent Warrant, dated March 30, 2022	8-K	000-54677	4.2	April 1, 2022	
10.1 †	Form of Stock Option Grant Notice and Form of Stock Option Agreement.	S-8	333-199173	4.2	October 6, 2014	
10.6 †	Amended and Restated 2013 Equity Incentive Plan, as amended.	8-K	000-54677	10.1	June 17, 2019	
10.7 †	Employment Agreement, dated July 6, 2016, by and between the Company and Michael J. Mona, Jr.	10-Q	000-54677	10.1	November 1, 2016	
10.8 †	Employment Agreement, dated July 6, 2016, by and between the Company and Joseph Dowling	10-Q	000-54677	10.2	November 1, 2016	
10.10 †	Non-Qualified Stock Option Agreement, by and between the Company and Michael J. Mona, Jr., dated July 6, 2016.	10-Q	000-54677	10.4	November 1, 2016	

Exhibit No.	Description of Exhibit	Form	File No.	Exhibit	Filing Date	Filed Herewith
10.11 †	Non-Qualified Stock Option Agreement, by and between the Company and Joseph Dowling, dated July 6, 2016.	10-Q	000-54677	10.5	November 1, 2016	
10.17 †	Amendment to Employment Agreement, dated March 16, 2017, by and between the Company and Michael Mona, Jr.	10-Q	000-54677	10.5	May 9, 2017	
10.19 †	Amendment to Stock Option Agreement, dated March 16, 2017, to that certain Non-Qualified Stock Option Agreement, dated July 6, 2016, by and between the Company and Michael Mona, Jr.	10-Q	000-54677	10.7	May 9, 2017	
10.20 †	Amendment to Stock Option Agreement, dated March 16, 2017, to that certain Non-Qualified Stock Option Agreement, dated July 6, 2016, by and between the Company and Joseph Dowling.	10-Q	000-54677	10.8	May 9, 2017	
10.22 †	Non-Qualified Stock Option Agreement, dated March 15, 2017, by and between the Company and Michael Mona, Jr.	10-Q	000-54677	10.10	May 9, 2017	
10.23 †	Non-Qualified Stock Option Agreement, dated April 7, 2017, by and between the Company and Joseph Dowling.	10-K	000-54677	10.23	March 30, 2018	
10.26 †	Employment Agreement, dated June 8, 2018, by and between the Company and Mr. Mona, Jr.	10-Q	000-54677	10.1	August 1, 2018	
10.27 †	Restricted Stock Unit Award Agreement, dated June 8, 2018, by and between the Company and Mr. Michael Mona, Jr.	10-Q	000-54677	10.2	August 1, 2018	
10.28 †	Employment Agreement, dated June 14, 2018, by and between the Company and Mr. Joseph Dowling.	10-Q	000-54677	10.3	August 1, 2018	
10.30	Consent to Judgment.	10-Q	000-54677	10.5	August 1, 2018	
10.31	Consent to Judgment.	10-Q	000-54677	10.6	August 1, 2018	
10.32 †	Employment Agreement, dated December 26, 2018, by and between the Company and Mr. Joerg Grasser.	10-K	000-54677	10.32	March 12, 2019	
10.34	Promissory Note, dated April 15, 2020, by and between the Company and JP Morgan Chase Bank, N.A.	8-K	000-54677	10.1	April 21, 2020	
10.35 †	Employment Agreement, dated June 23, 2021, by and between the Company and Mr. Joseph Dowling	8-K	000-54677	10.1	June 29, 2021	
10.36 †	Amendment No. 1 to Employment Agreement dated December 26, 2018, by and between the Company and Mr. Joerg Grasser, dated June 26, 2021.	8-K	000-54677	10.1	July 30, 2021	
10.37	Securities Purchase Agreement, dated November 14, 2021.	8-K	000-54677	10.1	November 15, 2021	
10.38 †	Employment Agreement, dated December 17, 2021, by and between the Company and Mr. Joerg Grasser.	8-K	000-54677	10.1	December 21, 2021	
10.39	Form of Securities Purchase Agreement, dated March 30, 2022.	8-K	000-54677	10.1	April 1, 2022	
10.40 †	Amendment to amended and restated Equity Incentive Plan, as amended, dated March 30, 2022.	10-K	000-54677	10.40	April 4, 2022	
10.41	Note Purchase Agreement, dated August 19, 2022	8-K	000-54677	10.1	August 25, 2022	
10.42	Secured Promissory Note, dated August 19, 2022	8-K	000-54677	10.2	August 25, 2022	
10.43	Security Agreement, dated August 19, 2022	8-K	000-54677	10.3	August 25, 2022	
10.44	Cancellation Agreement and Mutual Release, dated August 19, 2022	8-K	000-54677	10.4	August 25, 2022	
10.45 †	Amendment No. 1 to Executive Employment Agreement, dated January 5, 2023, by and between the Company and Mr. Joseph Dowling					X

Exhibit No.	Description of Exhibit	Form	File No.	Exhibit	Filing Date	Filed Herewith
10.46 †	Amendment No. 1 to Executive Employment Agreement, dated January 5, 2023, by and between the Company and Mr. Joerg Grasser					X
23.1	Consent of Haskell & White LLP, Independent Registered Public Accounting Firm.					X
31.1*	Certification of the Principal Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.					X
31.2*	Certification of the Principal Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.					X
32.1*	Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2*	Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101 INS*	Inline XBRL Instance Document**					X
101 SCH*	Inline XBRL Taxonomy Extension Schema Document**					X
101 CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document**					X
101 LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document**					X
101 PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document**					X
101 DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document**					X
104**	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101 attachments)					X

* Filed herewith.

† Indicates a management contract or compensatory plan or arrangement.

** The XBRL related information in Exhibit 101 shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

SIGNATURES

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

CV Sciences, Inc.
(Registrant)

By /s/ Joseph D. Dowling
Joseph D. Dowling
Chief Executive Officer
Dated March 30, 2023

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

Signature

Title

Date

<u>/s/ Joseph D. Dowling</u> Joseph D. Dowling	Chief Executive Officer and Director (Principal Executive Officer)	March 30, 2023
<u>/s/ Joerg Grasser</u> Joerg Grasser	Chief Financial Officer (Principal Financial and Accounting Officer)	March 30, 2023
<u>/s/ Jamie Corroon</u> Jamie Corroon	Director	March 30, 2023
<u>/s/ Bill McCorkle</u> Bill McCorkle	Director	March 30, 2023

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

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

Opinion on the Financial Statements

We have audited the accompanying balance sheets of CV Sciences, Inc. (the “Company”) as of December 31, 2022 and 2021, the related statements of operations, stockholders’ (deficit) equity, and cash flows for each of the years then ended, and the related notes (collectively, the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years then ended, in conformity with U.S. generally accepted accounting principles.

Going Concern

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

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provides a reasonable basis for our opinion.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (CONTINUED)

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Impairment Evaluation of Indefinite-Lived Intangible Assets

Critical Audit Matter Description

As disclosed in Notes 2 and 5 to the financial statements, indefinite-lived intangible assets are tested for impairment at least annually and more frequently if indicators of impairment require the performance of an interim impairment assessment. As a result of management's assessment, the Company recognized an impairment charge of \$1,234,000 related to indefinite-lived intangible assets during the year ended December 31, 2022.

Our assessment of management's impairment test is significant to our audit because the Company's indefinite-lived intangible assets are material to the financial statements and management's assessment process involves significant judgments with respect to estimating the fair value of the Company's reporting units.

How the Critical Audit Matter was Addressed in the Audit

We obtained management's impairment assessment analysis and performed the following procedures:

- We made inquiries of management to obtain an understanding of the Company's process to evaluate indefinite-lived intangible assets for impairment to ensure consistency with U.S. generally accepted accounting principles.
- We evaluated management's assessment of qualitative and quantitative impairment indicators.
- We assessed management's estimates of the Company's enterprise value, the estimated fair value of the Company's reporting units and the estimated fair value of indefinite-lived intangible assets and tested the reasonableness of significant assumptions and underlying data used by management.
- We tested the mathematical accuracy of the computed impairment charges.

/s/ Haskell & White LLP
HASKELL & WHITE LLP

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

Irvine, California
March 30, 2023

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

	As of December 31,	
	2022	2021
Assets		
Current assets:		
Cash	\$ 611	\$ 1,375
Accounts receivable, net	766	2,041
Inventory	6,563	8,624
Prepaid expenses and other	3,190	2,146
Total current assets	11,130	14,186
Property and equipment, net	575	1,717
Right of use assets	275	—
Intangibles, net	251	1,485
Other assets	505	678
Total assets	\$ 12,736	\$ 18,066
Liabilities and stockholders' (deficit) equity		
Current liabilities:		
Accounts payable	\$ 2,284	\$ 2,624
Accrued expenses	9,690	10,915
Convertible notes	—	612
Operating lease liability - current	117	—
Debt, net of debt discounts	1,223	310
Total current liabilities	13,314	14,461
Operating lease liability - net of current portion	188	—
Deferred tax liability	11	62
Total liabilities	13,513	14,523
Commitments and contingencies (Note 13)		
Stockholders' (deficit) equity		
Preferred stock, par value \$0.0001; 10,000 shares authorized; 1 and no shares issued as of December 31, 2022 and 2021, respectively; no shares outstanding as of December 31, 2022 and 2021	—	—
Common stock, par value \$0.0001; 790,000 and 190,000 shares authorized as of December 31, 2022 and 2021, respectively; 152,104 and 112,482 shares issued and outstanding as of December 31, 2022 and 2021, respectively	15	11
Additional paid-in capital	86,897	83,007
Accumulated deficit	(87,689)	(79,475)
Total stockholders' (deficit) equity	(777)	3,543
Total liabilities and stockholders' (deficit) equity	\$ 12,736	\$ 18,066

The accompanying notes are an integral part of these statements.

See Report of Independent Registered Public Accounting Firm.

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

	For the Years Ended December 31,	
	2022	2021
Product sales, net	\$ 16,205	\$ 20,048
Cost of goods sold	10,655	11,432
Gross profit	5,550	8,616
Operating expenses:		
Research and development	307	1,185
Selling, general and administrative	12,090	25,877
Total operating expenses	12,397	27,062
Operating loss	(6,847)	(18,446)
Gain on debt extinguishment	(127)	(2,945)
Interest expense, net	1,541	140
Loss before income taxes	(8,261)	(15,641)
Income tax benefit	(47)	(87)
Net loss	(8,214)	(15,554)
Deemed dividend for beneficial conversion of Series A Convertible Preferred Stock	920	—
Net loss attributable to common stockholders	\$ (9,134)	\$ (15,554)
Weighted average common shares outstanding, basic and diluted	138,034	107,817
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.07)	\$ (0.14)

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

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

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount			
Balance - December 31, 2020	—	\$ —	100,664	\$ 10	\$ 75,123	\$ (63,921)	\$ 11,212
Issuance of common stock from exercise of stock options	—	—	2	—	—	—	—
Issuance of common stock under equity commitment	—	—	10,022	1	4,406	—	4,407
Issuance of common stock from note conversion	—	—	1,794	—	268	—	268
Stock-based compensation	—	—	—	—	3,210	—	3,210
Net loss	—	—	—	—	—	(15,554)	(15,554)
Balance - December 31, 2021	—	—	112,482	11	83,007	(79,475)	3,543
Issuance of preferred stock and common stock warrants, net of issuance costs	1	280	—	—	274	—	554
Conversion of preferred stock	(1)	(280)	10,000	1	279	—	—
Beneficial conversion charge for preferred stock conversion	—	(920)	—	—	920	—	—
Deemed dividend	—	920	—	—	(920)	—	—
Issuance of common stock from note conversion	—	—	24,126	2	1,944	—	1,946
Issuance of common stock for services	—	—	5,496	1	384	—	385
Stock-based compensation	—	—	—	—	1,009	—	1,009
Net loss	—	—	—	—	—	(8,214)	(8,214)
Balance - December 31, 2022	—	\$ —	152,104	\$ 15	\$ 86,897	\$ (87,689)	\$ (777)

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

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

	For the years ended December 31,	
	2022	2021
OPERATING ACTIVITIES		
Net loss	\$ (8,214)	\$ (15,554)
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Depreciation and amortization	992	1,153
Stock-based compensation	1,009	3,210
Note discount and interest expense	1,563	72
Gain on debt extinguishment	(127)	(2,945)
Gain on lease modification	—	(972)
Employee retention credit benefit	(2,516)	—
Impairment of goodwill and intangible assets	1,234	5,033
Loss on disposal of fixed assets	150	25
Bad debt expense	—	74
Non-cash lease expense	70	350
Deferred taxes	(51)	(94)
Other	449	247
Change in operating assets and liabilities:		
Accounts receivable, net	1,065	(989)
Inventory	2,061	216
Prepaid expenses and other	1,680	1,045
Accounts payable and accrued expenses	(1,250)	1,644
Net cash flows used in operating activities	(1,885)	(7,485)
INVESTING ACTIVITIES		
Purchase of equipment	—	(35)
Net cash flows used in investing activities	—	(35)
FINANCING ACTIVITIES		
Proceeds from issuance of preferred stock and common stock warrants	700	—
Issuance costs related to issuance of preferred stock and common stock warrants	(146)	—
Proceeds from convertible notes	1,000	1,000
Debt issuance costs related to convertible notes	(46)	(229)
Proceeds from note payable	2,000	—
Debt issuance costs related to note payable	(423)	—
Proceeds from issuance of common stock	—	4,407
Repayment of convertible notes	(675)	—
Repayment of note payable	(953)	—
Repayment of unsecured debt	(336)	(808)
Net cash flows provided by financing activities	1,121	4,370
Net decrease in cash	(764)	(3,150)
Cash, beginning of year	1,375	4,525
Cash, end of year	\$ 611	\$ 1,375

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

	For the years ended December 31,	
	2022	2021
Supplemental cash flow disclosures:		
Interest paid	\$ 6	\$ 10
Income taxes paid	\$ 2	\$ 13
Supplemental disclosure of non-cash transactions:		
Purchase of insurance through issuance of note payable (Note 8)	\$ 245	\$ 397
Conversion of convertible debt	\$ (1,284)	\$ (230)
Derecognition of operating ROU asset related to operating lease termination	\$ —	\$ (2,773)
Forgiveness of PPP loan	\$ —	\$ (2,945)
Services paid with common stock	\$ 385	\$ —

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

1. ORGANIZATION AND BUSINESS

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The Company does not have any subsidiaries.

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

Concentrations of Credit Risk - As of December 31, 2022, the Federal Deposit Insurance Corporation ("FDIC") provided insurance coverage of up to \$0.3 million per depositor per bank. The Company has not experienced any losses in such accounts and does not believe that the Company is exposed to significant risks from excess deposits. The Company's cash balance in excess of FDIC limits totaled \$0.4 million as of December 31, 2022. The Company has not experienced any such losses in these accounts to date, and believes that the financial institutions at which such amounts are held are stable; however, no assurance can be provided.

The Company sources its raw materials from suppliers in Europe and the U.S. One supplier of shipping and fulfillment services and one supplier for online marketing services accounted for 27% and 13% of our outstanding accounts payable as of December 31, 2022, respectively. There was no other concentration of suppliers and no concentration of accounts receivable or revenue as of and for the years ended December 31, 2022 and 2021.

Fair Value Measurements - Fair value is defined as the price that would be received from the sale of an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The carrying values of accounts receivable, other current assets, accounts payable, and certain accrued expenses as of December 31, 2022 and 2021, approximate their fair value due to the short-term nature of these items. The Company's notes payable balance also approximates fair value as of December 31, 2022, as the interest rates on the notes payable approximate the rates available to the Company as of this date. The accounting guidance establishes a three-level hierarchy for disclosure that is based on the extent and level of judgment used to estimate the fair value of assets and liabilities.

- Level 1 - uses unadjusted quoted prices that are available in active markets for identical assets or liabilities. The Company does not have any cash equivalents or restricted cash as of December 31, 2022 and 2021. The Company does not have any liabilities that are valued using inputs identified under a Level 1 hierarchy as of December 31, 2022 and 2021.
- Level 2 - uses inputs other than quoted prices included in Level 1 that are either directly or indirectly observable through correlation with market data. These include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs to valuation models or other pricing methodologies that do not require significant judgment because the inputs used in the model, such as interest rates and volatility, can be corroborated by readily observable market data. Except as described below under the caption Goodwill

CV SCIENCES, INC.
NOTES TO FINANCIAL STATEMENTS

and Intangible Assets, the Company did not have any assets or liabilities that are valued using inputs identified under a Level 2 hierarchy as of December 31, 2022 and 2021.

- Level 3 - uses one or more significant inputs that are unobservable and supported by little or no market activity, and that reflect the use of significant management judgment. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques, and significant management judgment or estimation. The Company did not have any assets or liabilities that are valued using inputs identified under a Level 3 hierarchy as of December 31, 2022 and 2021.

Liquidity Considerations – U.S. GAAP requires management to assess a company's ability to continue as a going concern within one year from the financial statement issuance and to provide related note disclosure in certain circumstances. The accompanying financial statements and notes have been prepared assuming the Company will continue as a going concern. For the year ended December 31, 2022, the Company generated negative cash flows from operations of \$1.9 million and had an accumulated deficit of \$87.7 million. Management anticipates that the Company will be dependent, for the near future, on additional investment capital to fund operations, growth initiatives and to continue to make and implement strategic cost reductions, including reductions in employee headcount, vendor spending, and delaying expenses related to its drug development activities. The Company intends to position itself so that it will be able to raise additional funds through the capital markets, issuance of debt, and/or securing lines of credit. In March 2022, the Company closed a second tranche of its convertible note offering and a convertible preferred stock financing, which resulted in gross proceeds to the Company before closing expenses of approximately \$1.0 million and \$0.7 million, respectively. In addition, in August 2022, the Company issued and sold a secured promissory note to Streeterville Capital, LLC (the "Streeterville Note"), which resulted in net proceeds to the Company of \$1.6 million. In connection with the sale and issuance of the Streeterville Note, on August 18, 2022, the Company entered into a Cancellation Agreement and Mutual Release (the "Cancellation Agreement") with an institutional investor, pursuant to which the Company paid the investor a total sum of \$0.7 million in full satisfaction and repayment of those convertible promissory notes issued to the investor on March 25, 2022. Upon execution of the Cancellation Agreement, these notes, including the Company's obligations thereunder, were cancelled and terminated.

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") signed into law on March 27, 2020 and the subsequent extension of the CARES Act, the Company was eligible for a refundable employee retention tax credit subject to certain criteria. The Company determined that it qualifies for the tax credit under the CARES Act. In March and August 2022, the Company claimed employee retention tax credits, which are recognized as a reduction to general and administrative expenses of \$2.5 million during the year ended December 31, 2022. The amount is included in prepaid expenses and other in the Company's balance sheet as of December 31, 2022 (Note 16).

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

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

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

Management has determined the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition and credit history, and current economic conditions. As of December 31, 2022 and 2021, the Company maintained an allowance for doubtful accounts related to accounts receivable in the amount of \$0.4 million and \$0.5 million, respectively.

Inventory – Inventory is stated at lower of cost or net realizable value, with cost being determined on an average cost basis. Cost includes costs directly related to manufacturing and distribution of the products. Primary costs include raw materials, packaging, manufacturing overhead, shipping and depreciation of manufacturing equipment and production facilities. Manufacturing overhead includes payroll, employee benefits, utilities, maintenance and property taxes. Total shipping and handling costs were

CV SCIENCES, INC.
NOTES TO FINANCIAL STATEMENTS

\$2.2 million and \$1.8 million for the years ended December 31, 2022 and 2021, respectively, and are recorded in cost of goods sold.

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

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

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

Impairment of Long-Lived Assets – In accordance with ASC Topic 360, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Company reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of property and equipment is measured by comparing its carrying value to the undiscounted projected future cash flows that the assets are expected to generate. If the carrying amount of an asset is not recoverable, the Company recognizes an impairment loss based on the excess of the carrying amount of the long-lived asset over its respective fair value, which is generally determined as the present value of estimated future cash flows or at the appraised value. The impairment analysis is based on significant assumptions of future results made by management, including revenue and cash flow projections. Circumstances that may lead to impairment of property and equipment include a significant decrease in the market price of a long-lived asset, a significant adverse change in the extent or manner in which a long-lived asset is being used or in its physical condition and a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset including an adverse action or assessment by a regulator. As of December 31, 2022 and 2021, the Company determined that long-lived assets were not impaired.

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

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

Goodwill and Intangible Assets – The Company evaluates the carrying value of goodwill and intangible assets annually during the fourth quarter in accordance with ASC Topic 350, *Intangibles Goodwill and Other*, and between annual evaluations if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Such circumstances could include, but are not limited to (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator.

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

CV SCIENCES, INC.
NOTES TO FINANCIAL STATEMENTS

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

During the fourth quarter of 2021, the Company performed its annual goodwill impairment analysis following the steps laid out in ASC 350-20-35-3C. The Company's annual impairment analysis includes a qualitative assessment to determine if it is necessary to perform the quantitative impairment test. In performing a qualitative assessment, the Company reviewed events and circumstances that could affect the significant inputs used to determine if the fair value is less than the carrying value of goodwill. The Company determined that a triggering event had occurred to necessitate performing the quantitative impairment test. After performing the quantitative impairment test in accordance with ASC 350-20-35-3C, the Company determined that goodwill was impaired by \$2.8 million for the year ended December 31, 2021. The Company did not have any goodwill as of December 31, 2022 and 2021.

The Company classifies intangible assets into three categories: (1) intangible assets with definite lives subject to amortization; (2) intangible assets with indefinite lives not subject to amortization; and (3) goodwill. As of December 31, 2022, the Company only has in-process research & development ("IPR&D") with an indefinite life. IPR&D is not amortized until completion and development of the project, at which time the IPR&D becomes an amortizable asset. Until such time as the projects are either completed or abandoned, the Company tests those assets for impairment at least annually at year end, or more frequently at interim periods, by evaluating qualitative factors which could be indicative of impairment. Qualitative factors being considered include, but are not limited to, macro-economic conditions, progress on drug development activities, and overall financial performance. If impairment indicators are present as a result of the Company's qualitative assessment, the Company will test those assets for impairment by comparing the fair value of the assets to their carrying value. Quantitative factors being considered include, but are not limited to, the current project status, forecasted changes in the timing or amounts required to complete the project, forecasted changes in timing or changes in the future cash flows to be generated by the completed products, a probability of success of the ultimate project and changes to other market-based assumptions, such as current Company market capitalization. Upon completion or abandonment, the value of the IPR&D assets will be amortized to expense over the anticipated useful life of the developed products, if completed, or charged to expense when abandoned if no alternative future use exists.

The Company completed its annual impairment assessment during the fourth quarter of 2022 and 2021. The Company evaluated, on the basis of the weight of the evidence, the significance of all identified events and circumstances that could affect the significant inputs used to determine the fair value of the IPR&D for determining whether it is more likely than not that the IPR&D asset is impaired. After assessing the totality of events and circumstances and their potential effect on significant inputs to the fair value determination, the Company determined that it is more likely than not that the IPR&D asset is impaired. As such, the Company has estimated the fair value of the IPR&D and performed the quantitative impairment test. Based on the quantitative impairment test, the Company determined that its IPR&D is impaired by \$1.2 million for the year ended December 31, 2022. An intangible asset impairment charge of \$2.2 million was recorded during the year ended December 31, 2021.

Revenue Recognition – The majority of the Company's revenue contracts represent a single performance obligation related to the fulfillment of customer orders for the purchase of its products. Net sales reflect the transaction prices for these contracts based on the Company's selling list price, which is then reduced by estimated costs for trade promotional programs, consumer incentives, and allowances and discounts used to incentivize sales growth and build brand awareness. The Company recognizes revenue at the point in time that control of the ordered product is transferred to the customer, which is typically upon shipment to the customer or other customer-designated delivery point. The Company accrues for estimated sales returns by customers based on historical sales return results. The computation of the sales return and other allowances require that management makes certain estimates and assumptions that effect the timing and amounts of revenue and liabilities recorded. Shipping and handling fees charged to customers are included in product sales and totaled \$0.1 million for the years ended December 31, 2022 and 2021. Taxes collected from customers that are remitted to governmental agencies are accounted for on a net basis and not included as revenue.

CV SCIENCES, INC.
NOTES TO FINANCIAL STATEMENTS

The following represents product sales by retail (B2B) and e-commerce (B2C) channels for the years ended December 31, 2022 and 2021:

	For the years ended December 31,			
	2022		2021	
	(in thousands)		(in thousands)	
	Amount	% of product sales, net	Amount	% of product sales, net
Retail sales (B2B)	\$ 9,040	55.8 %	\$ 12,548	62.6 %
E-Commerce sales (B2C)	7,165	44.2 %	7,500	37.4 %
Product sales, net	<u>\$ 16,205</u>	<u>100.0 %</u>	<u>\$ 20,048</u>	<u>100.0 %</u>

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

Research and Development Expense – Research and development costs are charged to expense as incurred and include, but are not limited to, employee salaries and benefits, cost of inventory used in product development and consulting service fees. Research and development expense was \$0.3 million and \$1.2 million for the years ended December 31, 2022 and 2021, respectively.

Advertising – The Company supports its products with advertising to build brand awareness of the Company’s various products in addition to other marketing programs executed by the Company’s marketing team. The Company believes the continual investment in advertising is critical to the development and sale of its products. Advertising costs of \$1.2 million and \$1.3 million were expensed as incurred during each of the years ended December 31, 2022 and 2021, respectively.

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

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

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

Income Taxes – Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the related temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized when the rate change is enacted. Valuation allowances are recorded to reduce deferred tax assets to the amount that will more likely than not be realized. In accordance with ASC Topic 740, *Income Taxes*, the Company recognizes the effect of uncertain income tax positions only if the positions are more likely than not of being sustained in an audit, based on the technical merits of the position. Recognized uncertain income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in

CV SCIENCES, INC.
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recognition or measurement are reflected in the period in which those changes in judgment occur. The Company recognizes both interest and penalties related to uncertain tax positions as part of the income tax provision. As of December 31, 2022 and 2021, the Company did not have a liability for unrecognized tax uncertainties. The Company is subject to routine audits by taxing jurisdictions.

Comprehensive Loss – Comprehensive loss is defined as a change in equity during a period from transactions and other events and circumstances from non-owner sources. There have been no items qualifying as other comprehensive loss and, therefore, the Company's comprehensive loss was the same as its reported net loss for the years ended December 31, 2022 and 2021.

Recent Accounting Pronouncements Not Yet Adopted

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments and subsequent amendments to the initial guidance: ASU 2018-19, ASU 2019-04 and ASU 2019-05* (collectively, "Topic 326"). Topic 326 requires measurement and recognition of expected credit losses for financial assets held. Topic 326 was to be effective for reporting periods beginning after December 15, 2019, with early adoption permitted. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842) Effective Dates*, which deferred the effective dates for the Company, as a smaller reporting company, until fiscal year 2023. The Company currently plans to adopt the guidance at the beginning of fiscal 2023. The Company is currently evaluating the potential impact of Topic 326 on the Company's financial statements.

Recently Adopted Accounting Standards

In August 2020, the FASB issued ASU No. 2020-06, *Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* ("ASU 2020-06"). ASU 2020-06 simplifies the accounting for convertible debt instruments and convertible preferred stock by reducing the number of accounting models and limiting the number of embedded conversion features separately recognized from the primary contract. The guidance also includes targeted improvements to the disclosures for convertible instruments and earnings per share. ASU 2020-06 is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years and early adoption is permitted in annual reporting periods ending after December 15, 2020. The Company adopted this guidance as of January 1, 2021, using the full retrospective method of adoption. Adoption of this guidance eliminated the presentation of the beneficial conversion feature on the statement of operations, delayed recognition of beneficial conversion amounts until they are triggered, and had no other material impact on the Company.

In November 2021, the FASB issued ASU No. 2021-10, "Government Assistance (Topic 832): *Disclosures by Business Entities about Government Assistance* ("ASU 2021-10"). ASU 2021-10 requires entities to provide disclosures on government assistance transactions during its annual reporting periods. The disclosures include information around the nature of the transaction, the related accounting policies used to account for the transaction, the effect of the transaction on the entity's financial statements, and any significant terms and conditions of the agreements, including commitments and contingencies. ASU 2021-10 is effective for fiscal years beginning after December 15, 2021 and early adoption is permitted. The Company adopted this guidance as of January 1, 2022, using the prospective method of adoption. Adoption of this guidance did not have a material impact on the Company or its disclosures.

3. INVENTORY

Inventory as of December 31, 2022 and 2021 was comprised of the following (in thousands):

	December 31,	
	2022	2021
Raw materials	\$ 3,563	\$ 4,023
Work in process	1,020	1,286
Finished goods	1,980	3,315
	<u>\$ 6,563</u>	<u>\$ 8,624</u>

During the years ended December 31, 2022 and 2021, the Company recorded additions to the inventory provision of \$0.3 million and \$0.1 million, respectively. The Company had no inventory outside the United States as of December 31, 2022 and 2021.

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4. PROPERTY AND EQUIPMENT

Property and equipment, net, as of December 31, 2022 and 2021 were as follows (in thousands):

	Useful Lives	December 31,	
		2022	2021
Office furniture and IT equipment	3 - 5 years	\$ 1,392	\$ 2,592
Tenant improvements	*	—	1,967
Laboratory and other equipment	5 years	—	691
		1,392	5,250
Less: accumulated depreciation		(817)	(3,533)
		<u>\$ 575</u>	<u>\$ 1,717</u>

* Tenant improvements were amortized over the lesser of the remaining term of the related lease or the estimated useful life of the tenant improvements.

Depreciation expense for the years ended December 31, 2022 and 2021 was \$1.0 million and \$1.2 million, respectively. During the year ended December 31, 2022, the Company sold or disposed of property and equipment with original cost of \$3.9 million and recognized a loss on disposal of \$0.2 million. During the years ended December 31, 2022 and 2021, the Company recorded accelerated depreciation for tenant improvements associated with the lease termination agreement for its main facility.

5. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following as of December 31, 2022 and 2021 (in thousands):

	Gross Carrying Amount	Accumulated Amortization	Impairment	Net Carrying Amount	Useful Life (Years)
Balance - December 31, 2022:					
In-process research and development	\$ 1,485	\$ —	\$ (1,234)	\$ 251	—
Trade names	100	(100)	—	—	5
Non-compete agreements	77	(77)	—	—	5
Intangible assets	<u>\$ 1,662</u>	<u>\$ (177)</u>	<u>\$ —</u>	<u>\$ 251</u>	
Goodwill	\$ —	\$ —	\$ —	\$ —	—
Balance - December 31, 2021:					
In-process research and development	\$ 3,730	\$ —	\$ (2,245)	\$ 1,485	—
Trade names	100	(100)	—	—	5
Non-compete agreements	77	(77)	—	—	5
Intangible assets	<u>\$ 3,907</u>	<u>\$ (177)</u>	<u>\$ —</u>	<u>\$ 1,485</u>	
Goodwill	\$ 2,788	\$ —	\$ (2,788)	\$ —	—

During the year ended December 31, 2021, the Company performed an annual goodwill impairment analysis following the steps laid out in ASC 350-20-35-3C. The Company's annual impairment analysis included a qualitative assessment to determine if it was necessary to perform the quantitative impairment test. In performing a qualitative assessment, the Company reviewed events and circumstances that could affect the significant inputs used to determine if the fair value is less than the carrying value of goodwill. The Company determined that a triggering event had occurred to necessitate performing the quantitative impairment test. After performing the quantitative impairment test in accordance with ASC 350-20-35-3C, the Company determined that goodwill was impaired by \$2.8 million. As a result, the Company recorded this impairment to reduce total goodwill on its balance sheet as of December 31, 2021 and recorded the corresponding impairment expense, which is included in selling, general and administrative expense in the Company's statements of operations for the year ended December 31, 2021. The Company did not have any goodwill as of December 31, 2022 and 2021.

The Company evaluated, on the basis of the weight of the evidence, the significance of all identified events and circumstances that could affect the significant inputs used to determine the fair value of the IPR&D for determining whether it is more likely than not that the IPR&D asset is impaired. After assessing the totality of events and circumstances and their potential effect on significant inputs to the fair value determination, the Company determined that it is more likely than not that the IPR&D asset is impaired. As such, the Company has estimated the fair value of the IPR&D and performed the quantitative impairment test. Based on the quantitative impairment test, the Company determined that its IPR&D is impaired by \$1.2 million. As a result, the Company recorded this impairment to reduce its intangible assets on its balance sheet as of December 31, 2022 and recorded the corresponding impairment expense, which is included in selling, general and administrative expense in the Company's statements of operations for the year ended December 31, 2022. The Company also recorded an impairment charge to reduce its intangible assets of \$2.2 million during the year ended December 31, 2021.

The Company did not incur costs to renew or extend the term of acquired intangible assets for the years ended December 31, 2022 and 2021. There was no amortization expense for the years ended December 31, 2022 and 2021 and there will be no future amortization expense.

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6. ACCRUED EXPENSES

Accrued expenses as of December 31, 2022 and 2021 were as follows (in thousands):

	December 31,	
	2022	2021
Accrued payroll tax - Mona (Note 12)	\$ 6,694	\$ 6,694
Accrued payroll expenses	1,447	2,329
Other accrued liabilities	1,549	1,892
	<u>\$ 9,690</u>	<u>\$ 10,915</u>

7. CONVERTIBLE NOTES

Convertible notes as of December 31, 2022 and 2021 were as follows (in thousands):

	December 31,	
	2022	2021
Principal amount	\$ 2,120	\$ 1,060
Less: Original issuance discount ("OID")	(120)	(60)
Less: Debt issuance costs	(275)	(229)
Net proceeds	1,725	771
Default premium	179	—
Conversion of note into common shares	(1,514)	(230)
Accretion of OID and amortization of debt issuance costs	395	71
Repayment	(675)	—
Settlement	(110)	—
Carrying amount	<u>\$ —</u>	<u>\$ 612</u>

On November 14, 2021, the Company entered into a securities purchase agreement (the "SPA"), with an institutional investor (the "Investor") providing for the sale and issuance in series of registered direct offerings of senior convertible notes (the "Notes") in the aggregate original principal amount of up to \$5.3 million (the "Offering"). On November 17, 2021, at the initial closing of this Offering, the Company sold and issued \$1.06 million in aggregate principal amount of Notes to the Investor pursuant to a prospectus supplement to its effective shelf registration statement Form S-3 (Registration No. 333-237772) (the "Registration Statement"). The Notes had an OID of 6%, resulting in net proceeds to the Company of \$1.0 million before other debt issuance costs, and mature on May 17, 2022. The Notes did not bear interest except upon the occurrence of an event of default. After the occurrence of an event of default, the Notes accrued interest at the rate of 15% per annum. The Notes were senior to other indebtedness of the Company.

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

In the event of the occurrence of an event of default, each holder of a Note could require the Company to redeem all or any portion of the Notes (including all accrued and unpaid interest and late charges thereon), in cash, at the greater of the face value and a 15% redemption premium or (10% if such event of default is a price default) to the greater of the face value and the equity

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value of the common stock underlying the Notes. The equity value of the common stock underlying the Notes was calculated using the greatest closing sale price of the common stock on any trading day immediately preceding such event of default and the date the entire payment is made. Additionally, the Company had the option to redeem, at any time, any portion of the outstanding Notes in cash with a 15% redemption premium to the greater of the face value of the Notes or the equity value of its common stock.

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

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

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

During the year ended December 31, 2022, the volume weighted average price ("VWAP") of the Company's common stock was below \$0.10 for more than 5 days, which constituted a price default in accordance with the Notes. As a result, from the date of such default and for so long as such default remained uncured, the Notes that remained outstanding accrued interest at a rate of 15% per annum. Following such default, the holder also added a 15% per annum default premium to the outstanding balance in accordance with the Notes.

During the years ended December 31, 2022 and 2021, holders of certain Notes converted amounts payable under such Notes into an aggregate of 24,126,311 and 1,794,291 shares of Company common stock at a weighted average conversion price of \$0.05 and \$0.13 per share, resulting in a reduction of the Note balance of \$1.3 million and \$0.2 million, respectively. In addition, the Company recognized additional interest expense associated with the conversion of \$0.6 million and \$38,000 during the years ended December 31, 2022 and 2021, respectively.

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

8. DEBT

Debt as of December 31, 2022 and 2021 was as follows (in thousands):

	December 31,	
	2022	2021
Note payable, net of discount and costs	\$ 1,005	\$ —
Insurance financing	218	310
Total debt	\$ 1,223	\$ 310

Note Payable

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

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

The unpaid amount of the Streeterville Note, any interest, fees, charges and late fees accrued shall be due and payable in full within three (3) Trading Days of receipt by the Company of any employee retention credit funds owed to the Company under the CARES Act, provided, further, that if at least \$ 1.0 million in CARES Act proceeds are not remitted to Streeterville within ninety days of August 19, 2022, the outstanding balance under the Streeterville Note will be increased by five percent (5%). The Company did not receive the CARES Act proceeds within ninety days of August 19, 2022; as a result, the outstanding balance of the Streeterville Note was increased by five percent (5%). The Streeterville Note is secured by all of the Company's assets as set forth in the Security Agreement dated August 19, 2022.

Insurance Financing

In October 2021, the Company entered into a finance agreement with First Insurance Funding ("First Insurance") in order to fund a portion of its insurance policies. The amount financed was \$0.4 million and incurred interest at a rate of 4.17%. The Company was required to make monthly payments of \$45,000 from November 2021 through July 2022. There was no outstanding balance as of December 31, 2022.

In November 2022, the Company entered into a financing agreement with First Insurance in order to fund a portion of its insurance policies for the upcoming policy year. The amount financed is \$0.2 million and incurs interest at a rate of 6.32%. The Company is required to make monthly payments of \$27,900 from November 2022 through July 2023. The outstanding balance as of December 31, 2022 was \$0.2 million.

Paycheck Protection Program

On April 15, 2020, the Company applied for a loan from JPMorgan Chase Bank, N.A. (the "Lender"), pursuant to the Paycheck Protection Program of the CARES Act as administered by the U.S. Small Business Administration. On April 17, 2020, the loan was approved, and the Company received proceeds in the amount of \$ 2.9 million (the "PPP Loan").

On September 8, 2021, the Company received confirmation from the Lender that the SBA approved the Company's PPP Loan forgiveness application for the entire PPP Loan, including all accrued interest to date. The forgiveness of the PPP Loan was recognized as a gain on debt extinguishment in the financial results for the year ended December 31, 2021.

9. STOCKHOLDERS EQUITY

Common Stock

On June 6, 2022, the Company filed a Certificate of Amendment to its Certificate of Incorporation with the Secretary of State of the State of Delaware, pursuant to which the number of shares of all classes of the Company's capital stock authorized for issuance was increased from 200,000,000 shares to 800,000,000 shares, and the number of shares of common stock authorized for issuance was correspondingly increased from 190,000,000 shares to 790,000,000 shares. The number of shares of preferred stock authorized for issuance was not impacted by the amendment. As of December 31, 2022 and 2021, the Company had 152,104,000 and 112,482,000 shares of common stock issued and outstanding, respectively.

During the year ended December 31, 2022, the Company issued 5,496,000 shares of common stock to a vendor as compensation for \$0.4 million of services provided to the Company.

On December 8, 2020, the Company entered into a SPA with Tumim Stone Capital, LLC ("Tumim") to issue and sell up to \$10.0 million in shares of the Company's common stock. The SPA provided, among other things, that the Company may direct, every three trading days, Tumim to purchase a number of shares not to exceed an amount determined based upon the trading volume and stock price of the Company's shares. During the year ended December 31, 2021, the Company sold 10,021,804 shares of common stock pursuant to the SPA and recognized proceeds of \$4.4 million. The Company and Tumim terminated the SPA effective November 15, 2021.

Preferred Stock

On March 30, 2022, the Company closed a registered direct offering with an institutional investor for the issuance and sale of an aggregate of 700 shares of the Company's Series A Convertible Preferred Stock ("Preferred Stock") and warrants to purchase up to an aggregate of 10,000,000 shares of common stock, par value \$0.0001 per share, for gross proceeds of \$0.7 million, or net cash proceeds of \$0.6 million after deducting \$0.1 million related to placement agent's fees and other offering expenses. Shares of the Preferred Stock had a stated value of \$1,000 per share and were convertible into an aggregate of 10,000,000 shares of common stock at a conversion price of \$0.07 per share at any time. The warrants have an exercise price of \$0.10 per share. In addition, the Company issued designees of the placement agent warrants to purchase up to 750,000 shares of common stock at an exercise price of \$0.0875 per share, and their fair value of \$0.1 million was recorded as an additional offering cost. In April 2022, the investor converted all of the 700 outstanding shares of Preferred Stock into an aggregate of 10,000,000 shares of common stock. The Company recognized a beneficial conversion charge of \$0.9 million during the year ended December 31, 2022, which represents the in-the-money value of the conversion rate as of the date of conversion.

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

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

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

The embedded conversion feature was evaluated and bifurcation from the Preferred Stock equity host was not considered necessary.

Warrants

The following represents a summary of the warrants outstanding as of December 31, 2022 and 2021:

Issue Date	Classification	Exercise Price	Expiration Date	Number of Shares Underlying Warrants	
				December 31, 2022	December 31, 2021
March 30, 2022	Equity	\$ 0.1000	May 26, 2025	10,000,000	—
March 30, 2022	Equity	\$ 0.0875	May 26, 2025	750,000	—
				<u>10,750,000</u>	<u>—</u>

10. STOCK-BASED COMPENSATION

As of December 31, 2022, there are 30,976,000 shares authorized for issuance under the CV Sciences, Inc. Amended and Restated 2013 Equity Incentive Plan (the "2013 Plan"). As of December 31, 2022, the Company had 6,807,781 authorized unissued shares reserved and available for issuance upon exercise and conversion of outstanding awards under the Amended 2013 Plan. On June 11, 2019, the Company's stockholders approved the addition of an automatic "evergreen" provision regarding the number of shares to be annually added to the 2013 Plan. As a result, the number of shares of common stock that may be automatically added to the 2013 Plan on January 1 of each year during the term of the plan, starting with January 1, 2020, would be the lesser of: (a) 4% of the total shares of the Company's common stock outstanding on December 31st of the prior year, (b) 4,000,000 shares of the Company's common stock, or (c) a lesser number of shares of the Company's common stock as determined by the Company's Board of Directors. After the completion of the year ended December 31, 2022, on January 1, 2023, the Company added 6,084,192 shares to the 2013 Plan pursuant to the evergreen provision.

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

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

The Company recognized stock-based compensation expense of \$1.0 million and \$3.2 million for the years ended December 31, 2022 and 2021, respectively.

In June 2020, the Company's board of directors approved a stock option modification that reduced certain employees' and directors' stock option exercise prices to \$0.66. No other terms were modified. Stock options to purchase a total of 2,130,000 shares of common stock were modified. The modification to the existing stock options resulted in \$0.2 million incremental value of the stock options. The incremental value associated with the modification was recognized over the life of the remaining service period of the options. During the years ended December 31, 2022 and 2021, the Company recorded \$6 thousand and \$41 thousand in stock-based compensation associated with the repriced options, respectively.

Subsequent to December 31, 2022, the Company issued an aggregate of 7,450,000 stock options to employees, which stock options have a weighted average exercise price of \$0.04 per share.

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As of December 31, 2022, total unrecognized compensation cost related to non-vested stock-based compensation arrangements was \$0.2 million, which is expected to be recognized over a weighted-average period of 0.47 years.

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

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (in years)	Aggregate Intrinsic Value
Outstanding - December 31, 2021	30,163	\$ 0.49	5.5	\$ —
Granted	1,000	0.04	—	—
Exercised	—	—	—	—
Forfeited	(11,332)	0.51	—	—
Outstanding - December 31, 2022	<u>19,831</u>	0.46	3.5	—
Exercisable - December 31, 2022	<u>18,163</u>	0.48	3.0	—
Vested or expected to vest - December 31, 2022	<u>19,831</u>	\$ 0.46	3.5	\$ —

The Company has established performance milestones in connection with the drug development efforts for its lead drug candidate CVSI-007. The above table includes 4,250,000 vested performance-based options as of December 31, 2022, which were issued to Michael Mona Jr. ("Mona Jr.") outside of the 2013 Plan. As of December 31, 2022, there were 6,750,000 remaining unvested stock options granted to Mona Jr. outside of the 2013 Plan which are not included in the table above. These stock options vest upon the completion of future performance conditions, including those related to the Settlement Agreement with Mona Jr. (refer to Note 12). As of December 31, 2022, Mona Jr. has a total of 18,050,000 outstanding stock options with a weighted average exercise price of \$0.40.

There were no stock option exercises during the year ended December 31, 2022. Intrinsic value of stock options exercised during the year ended December 31, 2021 was immaterial.

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

	For the years ended December 31,	
	2022	2021
Volatility	123.5%	133.2%
Risk-Free Interest Rate	3.6%	0.9%
Expected Term (in years)	5.52	5.61
Dividend Rate	0.0%	0.0%
Fair Value Per Share on Grant Date	\$0.03	\$0.48

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

11. NET LOSS PER SHARE

Net loss per common share is computed using the two-class method, which is required due to the participating nature of the Preferred Stock (as defined and discussed in Note 9). Except with respect to voting and conversion rights, the rights of the holders of the Company's common stock and the Preferred Stock are identical. Each class of shares has the same rights to dividends.

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Although the Preferred Stock are participating securities, such securities do not participate in net losses, and therefore, do not impact the Company's net loss per share calculation as of December 31, 2022.

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

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

	For the years ended December 31,	
	2022	2021
Stock options	15,581	25,163
Performance stock options	11,000	13,000
Warrants	10,750	—
Convertible notes	—	3,179
Total	37,331	41,342

12. RELATED PARTIES

During the year ended December 31, 2019, the Company's former President and Chief Executive Officer, Michael Mona Jr. ("Mona Jr."), and the Company entered into a Settlement Agreement (the "Settlement Agreement"), pursuant to which the Company agreed that Mona Jr.'s resignation from the Company on January 22, 2019 was for Good Reason (as defined in Mona Jr.'s Employment Agreement) and agreed to extend the deadline for Mona Jr.'s exercise of his stock options for a period of five years. As of December 31, 2022, Mona Jr. had 11,300,000 fully vested outstanding stock options with a weighted average exercise price of \$0.42 per share. In exchange, Mona Jr. agreed that notwithstanding the terms of his Employment Agreement providing for acceleration of vesting of all stock options and RSU's upon a Good Reason resignation, certain of his unvested stock options would not immediately vest, but rather continue to vest if, and only if, certain Company milestones are achieved related to the Company's drug development efforts. These stock options were issued in July 2016 (6,000,000 options) and March 2017 (5,000,000 options) and 6,750,000 of these stock options have not vested as of December 31, 2022. The Company and Mona Jr. also agreed to mutually release all claims arising out of and related to Mona Jr.'s resignation and separation from the Company. As a result of the Settlement Agreement, the Company recorded stock-based compensation expense related to the accelerated vesting of the RSU's of \$5.1 million and the modification of certain stock options of \$2.7 million during the year ended December 31, 2019.

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

Company has received the required taxing authority documentation from Mona Jr. If the tax amount is not paid by Mona Jr., the Company would be liable for such withholding tax due. Additionally, the Company could be subject to penalties if the amounts are ultimately not paid. The Company does not believe that any such penalties are probable or reasonably possible as of December 31, 2022.

13. COMMITMENTS AND CONTINGENCIES

On March 17, 2015, Michael Ruth filed a shareholder derivative suit in Nevada District Court alleging breach of fiduciary duty and gross mismanagement (the "Ruth Complaint"). The claims are premised on the same events that were the subject of a purported class action filed in the Southern District of New York on April 23, 2014 (the "Sallustro Case"). On July 2, 2019, the court in the Sallustro Case entered a final order dismissing the complaint with prejudice. The Company did not make any settlement payment, and at no time was there a finding of wrongdoing by the Company or any of its directors. Regarding the Ruth Complaint, the Company and Mr. Ruth previously agreed to stay the action pending the conclusion of discovery in the Sallustro Case. Now that the Sallustro Case has been dismissed, the stay has been lifted. Plaintiff's counsel recently informed the Court that Mr. Ruth sold his shares of Company stock and thus he no longer has standing to pursue this claim. However, the Court allowed Plaintiff's counsel to substitute Company shareholder Otilda Lamont as the named plaintiff. On September 20, 2019, the Company filed a motion to dismiss the Ruth Complaint and the Court issued a ruling denying the motion to dismiss on November 24, 2020. A Third Amended Complaint was filed on December 11, 2020 substituting Otilda Lamont as plaintiff. The Company filed an answer to the Ruth Complaint on January 11, 2021. The parties agreed to a settlement in principle in January 2022 whereby the Company agreed to make certain corporate governance reforms in exchange for dismissal of the lawsuit. Plaintiff filed a Motion for Preliminary Approval of Proposed Settlement on June 1, 2022. The Court granted preliminary approval of the Proposed Settlement on February 7, 2023. A hearing seeking Final Approval of the Proposed Settlement will be held on May 15, 2023. If the Court grants Final Approval, the Company has 60 days to implement the corporate governance reforms. It is also anticipated that Plaintiff's counsel will file a motion seeking an award of attorney's fees.

On August 24, 2018, David Smith filed a purported class action complaint in Nevada District Court (the "Smith Complaint") alleging certain misstatements in the Company's public filings that led to stock price fluctuations and financial harm. Several additional individuals filed similar claims, and the Smith Complaint and each of the other suits all arise out of a report published by Citron Research on Twitter on August 20, 2018, suggesting that the Company misled investors by failing to disclose that the Company's efforts to secure patent protection for CVSI-007 had been "finally rejected" by the United States Patent and Trademark Office ("USPTO"). On November 15, 2018, the Court consolidated the actions and appointed Richard Ina, Trustee for the Ina Family Trust, as Lead Plaintiff for the consolidated actions. On January 4, 2019, Counsel for Lead Plaintiff Richard Ina, Trustee for the Ina Family Trust, filed a "consolidated amended complaint". On March 5, 2019, we filed a motion to dismiss the action. The Court denied the motion to dismiss on December 10, 2019, and the parties commenced discovery in the action. The parties attended mediation and reached a preliminary settlement to resolve this matter for a total of \$712,500. The settlement payment was paid through insurance. On March 9, 2022, the Nevada District Court issued an order granting preliminary approval of the settlement. On July 22, 2022, the Nevada District Court issued an order granting final approval of the settlement. The case has now been dismissed.

Arising out of the same facts and circumstances in the Smith Complaint, on June 11, 2020, Phillip Berry filed a derivative suit in the United States District Court for the Southern District of California alleging breaches of fiduciary duty against the Company and various defendants, and waste of corporate assets (the "Berry Complaint"). Defendants filed a motion to dismiss. On May 14, 2021, the District Court issued an order denying the motion to dismiss without prejudice but staying the action pending resolution of the Ina case. In addition to the Berry Complaint, five additional shareholder derivative suits have been filed which are premised on the same event as the Smith Complaint. This includes the most recent shareholder derivative action filed on April 13, 2021 by David Menna in the Superior Court of the State of California, County of San Diego. On May 19, 2020, the USPTO issued a patent pertaining to CVSI-007, which the Company believes negates and defeats any claims that the Company and the various defendants misled the market by not disclosing that the USPTO had finally rejected the patent. On July 28, 2022, the Company and the individual defendants involved in the case involving the Berry Complaint executed a global settlement agreement for the resolution of this action and the five other pending related shareholder derivative actions concerning the same underlying facts, pursuant to which neither the Company nor the individual defendants will pay any damages. The global settlement agreement contemplates the implementation by the Company of certain corporate reforms and payment of the plaintiffs' total attorneys' fees in the six related derivative actions, amounting to an aggregate of \$275,000. The settlement payment was paid through insurance. On September 15, 2022, the Superior Court of the State of California issued an order granting preliminary approval of the

settlement. On November 14, 2022, the Superior Court of the State of California issued an order granting final approval of the settlement. The case has now been dismissed.

On December 3, 2019, Michelene Colette and Leticia Shaw filed a putative class action complaint in the Central District of California, alleging the labeling on the Company's products violated the Food, Drug, and Cosmetic Act of 1938 (the "Colette Complaint"). On February 6, 2020, the Company filed a motion to dismiss the Colette Complaint. Instead of opposing our motion, plaintiffs elected to file an amended complaint on February 25, 2020. On March 11, 2020, we filed a motion to dismiss the amended complaint. The court issued a ruling on May 22, 2020 that stayed this proceeding in its entirety and dismissed part of the amended complaint. The portion of the proceeding that is stayed has remained stayed pending an announcement by the U.S. Food and Drug Administration promulgating rules that govern cannabidiol products (the "FDA Rules"). However, on January 26, 2023, the FDA announced that it does not intend to pursue rulemaking allowing the use of cannabidiol products in dietary supplements or conventional foods. As a result, on February 13, 2023, Plaintiffs filed a status report with the Court asking to have the stay lifted. The Company filed a written opposition. The Court will likely set a hearing on the matter. If the stay is lifted, management intends to vigorously defend the allegations.

On July 22, 2020, the Company filed a complaint in the San Diego Superior Court for declaratory relief to confirm the rescission of Mona Jr.'s employment agreement, which terminated certain severance and other post-termination compensation and benefits, as well as to recover amounts owed to the Company by Mona Jr. in connection with his purchase of a personal seat license ("PSL") for the Raiders Stadium and certain advance payments made on Mona Jr.'s behalf. The case was moved to an arbitration before the American Arbitration Association pursuant to the arbitration agreement in Mona Jr.'s employment agreement. Mona Jr. is seeking to obtain the terminated severance and other post-termination compensation and benefits under his employment agreement and reimbursement of legal fees associated with this action. On April 27, 2022, the arbitrator issued a final ruling awarding the Company amounts owed by Mona Jr. related to his purchase of the PSL and other advance payments made on Mona Jr. behalf for a total of \$0.3 million, including prejudgment interest. The arbitrator also awarded Mona Jr. termination severance and other post-termination compensation and benefits under his employment agreement for a total of \$0.6 million, including prejudgment interest. The net amount due to Mona Jr. of \$0.3 million was paid to Mona Jr., net of applicable payroll taxes, during the year ended December 31, 2022. Despite the Company's efforts to promptly pay the net amount awarded to Mona Jr., Mona Jr. filed a petition for confirmation of the arbitration award in the San Diego Superior Court case. On September 16, 2022, the court granted Mona Jr.'s petition to confirm the arbitration award. On November 18, 2022, the court entered judgment confirming the arbitration award. On December 8, 2022, Mona Jr. filed a motion for attorneys' fees, which the Company opposed on February 9, 2023. On January 31, 2023, the Company filed a motion to tax costs that is scheduled to be heard on June 9, 2023.

On November 5, 2021, Mona Jr. filed a complaint against the Company in Nevada state court seeking to recover federal and state taxes from the Company associated with the RSU release in 2019 - refer also to Note 12. *Related Parties*, for further information. On December 22, 2021, the Company filed a motion to dismiss the complaint. On September 12, 2022, the court denied the motion to dismiss the case. On November 3, 2022, the court ordered the case into arbitration. On December 6, 2022, Mona Jr. filed the complaint against the Company and its officers with the American Arbitration Association. On January 31, 2023, the Company and management filed a case in the San Diego Superior Court for declaratory relief, seeking to enjoin the arbitration on the grounds that Mona Jr. is barred from proceeding with the arbitration under the doctrines of res judicata and judicial estoppel based on the positions that Mona Jr. took against the Company in the case described above. Management intends to vigorously defend the allegations.

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

14. LEASES

In April 2022, the Company entered into a new lease agreement for its main office facility. The lease is for the Company's operations, warehouse, sales, marketing and back office functions. The facility is approximately 6,000 square feet and located in San Diego, California. The lease term is three years with a total lease obligation of approximately \$0.4 million. The lease does not include an option to renew. The operating lease is included in "Right of use assets" on the Company's December 31, 2022 Balance Sheet, and represents the Company's right to use the underlying asset for the lease term. The Company's obligation to make lease payments is included in "Operating lease liability - current" and "Operating lease liability" on the Company's December 31, 2022 Balance Sheet. Based on the present value of the lease payments for the remaining lease term, the Company recognized an operating lease asset of \$0.3 million and lease liabilities for operating leases of \$0.4 million, respectively, on May 1, 2022. As of December 31, 2022, the Company had an operating lease obligation and operating lease asset of \$0.3 million related to the new facility. Operating lease expense is recognized on a straight-line basis over the lease term. The Company recognized total lease costs of \$0.1 million and \$0.3 million for the years ended December 31, 2022 and 2021, respectively. Total lease costs was mostly comprised of operating lease costs. Short-term lease costs related to short-term operating leases and variable lease costs were immaterial. Cash paid for operating lease liabilities for the years ended December 31, 2022 and 2021 was \$0.1 million and \$0.4 million, respectively.

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

	December 31, 2022
Remaining lease term (in years)	2.42
Discount rate	7.0 %

Maturities of lease liabilities as of December 31, 2022 were as follows (in thousands):

Year ending December 31,		
2023	\$	135
2024		139
2025		59
Total		333
Less: imputed interest		28
Total lease liabilities	\$	305
Operating lease liability - current	\$	117
Operating lease liability - net of current portion		188
Total operating lease liability	\$	305

On July 12, 2021, the Company entered into a lease termination agreement (the "Agreement") for its main facility located in San Diego. Under the Agreement, the Company was required to vacate its facility no later than July 31, 2022. The Company recorded the transaction as a lease modification and remeasured its lease liability of \$3.8 million as of July 12, 2021 to its remaining lease obligations of \$0.1 million, with a corresponding adjustment to its right-of-use asset of \$2.8 million. As a result, the Company recorded an associated gain from the lease modification of \$0.9 million, of which \$0.2 million and \$0.7 million was recognized as a component of cost of goods sold and selling, general and administrative expense, respectively, in the statement of operations for the year ended December 31, 2021. The Company ceased using the facility on June 2, 2022. In accordance with the Agreement, the Company was entitled for a base rent reimbursement of \$0.1 million from the landlord for the period from June 2, 2022 to July 31, 2022. The Company received the amount from its previous landlord during the year ended December 31, 2022 and recorded the amount as a reduction of "Selling, general and administrative expenses."

CV SCIENCES, INC.
NOTES TO FINANCIAL STATEMENTS

15. INCOME TAXES

The Company is subject to taxation in the U.S. and California state jurisdictions. The Company's pretax loss for the years ended December 31, 2022 and 2021, were generated by domestic operations. The income tax benefit for the years ended December 31, 2022 and 2021 was comprised of the following (in thousands):

	For the years ended December 31,	
	2022	2021
Current:		
Federal	\$ —	\$ —
State	4	7
Total current tax expense	4	7
Deferred:		
Federal	(51)	(94)
State	—	—
Total deferred tax benefit	(51)	(94)
Income tax benefit	<u>\$ (47)</u>	<u>\$ (87)</u>

A reconciliation of the expected income tax benefit at the federal statutory rate of 21% for the years ended December 31, 2022 and 2021, and the income tax benefit reported in the financial statements is as follows:

	For the years ended December 31,			
	2022		2021	
	Amount	% of pretax income (loss)	Amount	% of pretax income (loss)
Income tax benefit at federal statutory rate	\$ (1,735)	21.0 %	\$ (3,285)	21.0 %
State taxes, net of federal effect	(456)	5.5	(761)	4.9
Other permanent differences	21	(0.3)	(41)	—
Stock-based compensation	1,795	(21.7)	236	(1.5)
NOL adjustments and other true-ups	722	(8.7)	—	—
R&D tax credits	(1)	—	(30)	0.2
Other	14	(0.2)	1,075	(6.9)
Increase (decrease) in valuation allowance	(407)	4.9	2,719	(17.4)
Income tax benefit	<u>\$ (47)</u>	<u>0.5 %</u>	<u>\$ (87)</u>	<u>0.3 %</u>

CV SCIENCES, INC.
NOTES TO FINANCIAL STATEMENTS

The following table summarizes the significant components of the Company's deferred tax assets and liabilities as of December 31, 2022 and 2021 (in thousands):

	December 31,	
	2022	2021
Deferred tax assets:		
Net operating loss carryforwards	\$ 9,280	\$ 8,109
Business credit carryforwards	948	948
Intangible assets	527	617
Stock-based compensation	4,416	6,364
Change to inventory	87	112
Operating lease liabilities	81	—
Accruals and reserves	2,351	2,470
Other	222	—
	<u>17,912</u>	<u>18,620</u>
Deferred tax liabilities:		
Operating lease assets	(73)	—
Property and equipment	(100)	(211)
CanX intangible assets	(67)	(384)
Other	—	3
	<u>(240)</u>	<u>(592)</u>
Valuation allowance	(17,683)	(18,090)
Net deferred tax liabilities	<u>\$ (11)</u>	<u>\$ (62)</u>

The valuation allowance increased by \$0.4 million for the year ended December 31, 2022 and increased by \$2.7 million for the year ended December 31, 2021.

Deferred tax assets and liabilities are provided for significant revenue and expense items recognized in different years for tax and financial reporting purposes. The Company periodically assesses the likelihood that it will be able to recover its deferred tax assets. The Company considers all available evidence, both positive and negative, including historical levels of income, expectations and risks associated with estimates of future taxable income, and ongoing prudent and feasible profits. As of December 31, 2022 and 2021, the Company established valuation allowances equal to the full amount of its deferred tax assets, net of certain tax liabilities, due to the uncertainties regarding the realization of the deferred tax assets in future years.

As of December 31, 2022, the Company had federal, California, and other state net operating loss (“NOL”) carryforwards of \$33.6 million, \$23.3 million, and \$6.6 million, respectively, which are available to offset future taxable income. Federal NOL carryforwards arising after 2017 of \$26.4 million do not expire. Federal NOL carryforwards arising before 2018 of \$7.2 million expire from 2036 to 2037. California NOL carryforwards of \$23.3 million expire from 2036 to 2041. Other state NOL carryforwards of \$6.6 million have various expirations from 2038 to 2041.

As of December 31, 2022, the Company had federal and California R&D credit carryforwards of approximately \$0.7 million and \$0.4 million, respectively, which are available to offset future taxable income. Federal R&D credit carryforwards expire from 2034 to 2041. California R&D credit carryforwards do not expire.

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

CV SCIENCES, INC.
NOTES TO FINANCIAL STATEMENTS

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

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

A reconciliation of the Company's unrecognized tax benefits for the years ended December 31, 2022 and 2021 is provided in the following table (in thousands):

	<u>2022</u>	<u>2021</u>
Balance as of January 1:	\$ 172	\$ 166
Increase in current year positions	—	6
Increase in prior year positions	—	—
Decrease in prior year positions	—	—
Balance as of December 31:	<u>\$ 172</u>	<u>\$ 172</u>

16. SUBSEQUENT EVENTS

Subsequent to December 31, 2022, the Company received cash payment related to CARES Act Employee Retention Credits of \$1.1 million from the IRS.

**AMENDMENT NO. 1 TO
EXECUTIVE EMPLOYMENT AGREEMENT**

THIS AMENDMENT NO. 1 TO EXECUTIVE EMPLOYMENT AGREEMENT (this "Amendment") is entered into as of January 5, 2023, by and between CV SCIENCES, INC., a Delaware corporation (the "Company"), and JOSEPH DOWLING ("Executive").

Recitals

A. The Company and Executive entered into that certain Executive Employment Agreement dated June 22, 2021 (the "Employment Agreement"); and

B. The parties desire to amend the Employment Agreement on the terms and conditions set forth herein.

Agreement

NOW, THEREFORE, in consideration of these premises, the mutual covenants and agreements of the parties hereunder, and for other good and valuable consideration the sufficiency and receipt of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Compensation. Section 2.1 of the Employment Agreement shall be amended and superseded, as follows:

"2.1 Base Salary. During the Term of this Agreement, the Company shall pay to Executive an annual base salary in such amounts as the Compensation Committee of the Board of Directors (the "Compensation Committee") shall recommend to the full Board of Directors for approval (the "Base Salary"). As of October 1, 2022, Executive's Base Salary shall be \$300,000. The Company shall withhold from any payroll or other amounts payable to Executive pursuant to this Agreement all federal, state, city or other taxes and contributions as are required pursuant to any law or governmental regulation or ruling now applicable or that may be enacted and become applicable in the future."

2. Deferred Compensation. Section 2.12 of the Employment Agreement shall be amended and superseded, as follows:

"2.12 Deferred Compensation. The Company has accrued deferred salary for Executive through September 30, 2022 ("Deferred Compensation"). Upon determination by the Board in its sole discretion, the Company may pay all Deferred Compensation at any time during the Term. Effective as of October 1, 2022, Executive shall accrue no additional Deferred Compensation."

3. Miscellaneous.

(a) No Further Amendment; Effect of Amendment. Except as expressly amended hereby, the Employment Agreement is in all respects ratified and confirmed and all the terms, conditions, and provisions thereof shall remain in full force and effect. This Amendment is limited precisely as written and shall not be deemed to be an amendment to any other term or condition of the Employment Agreement. This Amendment shall form a part of the Employment Agreement for all purposes, and the parties thereto and hereto shall be bound hereby. From and after the execution of this Amendment by the parties hereto, any reference to the Employment Agreement shall be deemed a reference to the Employment Agreement as

amended hereby. This Amendment shall be deemed to be in full force and effect from and after the execution of this Amendment by the parties hereto.

(b) Counterparts. This Amendment may be executed simultaneously in two or more counterparts, including counterparts bearing a facsimile signature copy, each of which shall be deemed an original but all of which together shall constitute one and the same agreement and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other. The Parties intend that a facsimile signature copy on this Amendment shall have the same force and effect as an original signature.

[Signatures on following page.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

COMPANY:

CV SCIENCES, INC.

By: /s/ Dr. Jamie Corroon

Name (print): Dr. Jamie Corroon

Its: Chairperson of the Compensation Committee

EXECUTIVE:

JOSEPH DOWLING

(sign): /s/ Joseph Dowling

**AMENDMENT NO. 1 TO
EXECUTIVE EMPLOYMENT AGREEMENT**

THIS AMENDMENT NO. 1 TO EXECUTIVE EMPLOYMENT AGREEMENT (this "Amendment") is entered into as of January 5, 2023, by and between CV SCIENCES, INC., a Delaware corporation (the "Company"), and JOERG GRASSER ("Executive").

Recitals

A. The Company and Executive entered into that certain Executive Employment Agreement dated December 17, 2021 (the "Employment Agreement"); and

B. The parties desire to amend the Employment Agreement on the terms and conditions set forth herein.

Agreement

NOW, THEREFORE, in consideration of these premises, the mutual covenants and agreements of the parties hereunder, and for other good and valuable consideration the sufficiency and receipt of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Compensation. Section 2.1 of the Employment Agreement shall be amended and superseded, as follows:

"2.1 Base Salary. During the Term of this Agreement, the Company shall pay to Executive an annual base salary in such amounts as the Compensation Committee of the Board of Directors (the "Compensation Committee") shall recommend to the full Board of Directors for approval (the "Base Salary"). As of October 1, 2022, Executive's Base Salary shall be \$235,000; The Company shall withhold from any payroll or other amounts payable to Executive pursuant to this Agreement all federal, state, city or other taxes and contributions as are required pursuant to any law or governmental regulation or ruling now applicable or that may be enacted and become applicable in the future."

2. Deferred Compensation. Section 2.8 of the Employment Agreement shall be amended and superseded, as follows:

"2.8 Deferred Compensation. The Company has accrued deferred Salary for Executive ("Deferred Compensation") through September 30, 2022. Upon determination by the Board in its sole discretion, the Company may pay all Deferred Compensation at any time during the Term. Effective as of October 1, 2022, Executive shall accrue no additional Deferred Compensation."

3. Miscellaneous.

(a) No Further Amendment; Effect of Amendment. Except as expressly amended hereby, the Employment Agreement is in all respects ratified and confirmed and all the terms, conditions, and provisions thereof shall remain in full force and effect. This Amendment is limited precisely as written and shall not be deemed to be an amendment to any other term or condition of the Employment Agreement. This Amendment shall form a part of the Employment Agreement for all purposes, and the parties thereto and hereto shall be bound hereby. From and after the execution of this Amendment by the parties hereto, any reference to the Employment Agreement shall be deemed a reference to the Employment Agreement as

amended hereby. This Amendment shall be deemed to be in full force and effect from and after the execution of this Amendment by the parties hereto.

(b) Counterparts. This Amendment may be executed simultaneously in two or more counterparts, including counterparts bearing a facsimile signature copy, each of which shall be deemed an original but all of which together shall constitute one and the same agreement and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other. The Parties intend that a facsimile signature copy on this Amendment shall have the same force and effect as an original signature.

[Signatures on following page.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

COMPANY:

CV SCIENCES, INC.

By: /s/ Joseph Dowling
Name (print): Joseph Dowling
Its: Chief Executive Officer

EXECUTIVE:

JOERG GRASSER

(sign): /s/ Joerg Grasser

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-199173) and the Registration Statement on Form S-3 (No. 333-237772) of CV Sciences, Inc. (the “Company”) of our report dated March 30, 2023, relating to our audits of the Company’s financial statements as of December 31, 2022 and 2021, and for each of the years then ended, included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022, which report includes an explanatory paragraph expressing substantial doubt regarding the Company’s ability to continue as a going concern.

/s/ HASKELL & WHITE LLP

HASKELL & WHITE LLP

Irvine, California
March 30, 2023

Exhibit 31.1

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

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

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

Dated: March 30, 2023

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

Exhibit 31.2

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

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

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

Dated: March 30, 2023

By: /s/ Joerg Grasser

Joerg Grasser
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Annual Report of CV Sciences, Inc. (the "Registrant") on Form 10-K for the year ended December 31, 2022 (the "Report"), I, Joseph D. Dowling, Chief Executive Officer of the Registrant, do hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

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

Dated: March 30, 2023

By: /s/ Joseph D. Dowling

Joseph D. Dowling
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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

In connection with the Annual Report of CV Sciences, Inc. (the "Registrant") on Form 10-K for the year ended December 31, 2022 (the "Report"), I, Joerg Grasser, Chief Financial Officer of the Registrant, do hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

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

Dated: March 30, 2023

By: /s/ Joerg Grasser

Joerg Grasser
Chief Financial Officer
(Principal Financial Officer)