

This short form prospectus is a base shelf prospectus. This short form prospectus has been filed under legislation in each of the provinces of Canada (other than Quebec) that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form base shelf prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of Charlotte's Web Holdings, Inc. at 2425 - 55th Street, Suite 200, Boulder, Colorado, USA 80301, telephone: (855) 790-8169, and are also available electronically at www.sedar.com.

SHORT FORM BASE SHELF PROSPECTUS

New Issue and/or Secondary Offering

April 8, 2019



CHARLOTTE'S WEB

STANLEY BROTHERS

CHARLOTTE'S WEB HOLDINGS, INC.

C\$500,000,000

**Common Shares
Preferred Shares
Warrants
Subscription Receipts
Units**

Charlotte's Web Holdings, Inc. (the "**Company**", "**Charlotte's Web**", "**us**", "**we**" or "**our**") may offer, issue and sell, as applicable, from time to time common shares ("**Common Shares**"), preferred shares ("**Preferred Shares**"), warrants ("**Warrants**") to acquire any of the other securities that are described in this short form base shelf prospectus (the "**Prospectus**"), subscription receipts ("**Subscription Receipts**") convertible into other Securities (as defined below), units ("**Units**") comprised of one or more of any of the other Securities that are described in this Prospectus, or any combination of such Securities (all of the foregoing collectively, the "**Securities**" and individually, a "**Security**"), for up to an aggregate offering price of C\$500,000,000 (or its equivalent in any other currencies), in one or more transactions during the 25-month period that this Prospectus, including any amendments hereto, remains effective.

We will provide the specific terms of any offering of Securities, including the specific terms of the Securities with respect to a particular offering and the terms of such offering, in one or more prospectus supplements (each a "**Prospectus Supplement**") to this Prospectus. The Securities may be offered separately or together or in any combination, and as separate series. One or more securityholders of the Company may also offer and sell Securities under this Prospectus. See "**Secondary Sales**".

In addition, the Securities may be offered and issued in consideration for the acquisition of other businesses, assets or securities by the Company or one of its subsidiaries. The consideration for any such acquisition may consist of the

Securities separately, a combination of Securities or any combination of, among other things, Securities, cash and assumption of liabilities.

Prospective investors should be aware that the purchase of any Securities may have tax consequences that may not be fully described in this Prospectus or in any Prospectus Supplement, and should carefully review the tax discussion, if any, in the applicable Prospectus Supplement and in any event consult with a tax adviser.

All information permitted under applicable securities laws to be omitted from this Prospectus will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this Prospectus except in cases where an exemption from such delivery has been obtained. For the purposes of applicable securities laws, each Prospectus Supplement will be incorporated by reference into this Prospectus as of the date of the Prospectus Supplement and only for the purposes of the distribution of the Securities to which that Prospectus Supplement pertains. You should read this Prospectus and any applicable Prospectus Supplement carefully before you invest in any Securities offered pursuant to this Prospectus.

Our Securities may be offered and sold pursuant to this Prospectus through underwriters, dealers, directly or through agents designated from time to time at amounts and prices and other terms determined by us or any selling securityholders. In connection with any underwritten offering of Securities, the underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Securities offered at levels other than those that might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See "*Plan of Distribution*". A Prospectus Supplement will set out the names of any underwriters, dealers, agents or selling securityholders involved in the sale of our Securities, the amounts, if any, to be purchased by underwriters, the plan of distribution for such Securities, including the net proceeds we expect to receive from the sale of such Securities, if any, the amounts and prices at which such Securities are sold, the compensation of such underwriters, dealers or agents and other material terms of the plan of distribution.

The Securities may be sold from time to time in one or more transactions at a fixed price or prices or at non-fixed prices. If offered on a non-fixed price basis, the Securities may be offered at market prices prevailing at the time of sale, at prices determined by reference to the prevailing price of a specified security in a specified market or at prices to be negotiated with purchasers, in which case the compensation payable to an underwriter, dealer or agent in connection with any such sale will be decreased by the amount, if any, by which the aggregate price paid for Securities by the purchasers is less than the gross proceeds paid by the underwriter, dealer or agent to the Company or any selling securityholder. The price at which the Securities will be offered and sold may vary from purchaser to purchaser and during the period of distribution.

In connection with any offering of Securities, other than an "at-the-market distribution" (as defined under applicable Canadian securities legislation), unless otherwise specified in a Prospectus Supplement, the underwriters, dealers or agents, as the case may be, may over-allot or effect transactions which stabilize, maintain or otherwise affect the market price of the Securities at a level other than those which otherwise might prevail on the open market. Such transactions may be commenced, interrupted or discontinued at any time. A purchaser who acquires Securities forming part of the underwriters', dealers' or agents' over-allocation position acquires those Securities under this Prospectus and the Prospectus Supplement relating to the particular offering of Securities, regardless of whether the over-allocation position is ultimately filled through the exercise of the over-allotment option or secondary market purchases. See "*Plan of Distribution*". No underwriter, dealer or agent involved in an "at-the-market distribution" under this Prospectus, no affiliate of such an underwriter, dealer or agent and no person or company acting jointly or in concert with such underwriter, dealer or agent will over-allot Securities in connection with such distribution or effect any other transactions that are intended to stabilize or maintain the market price of the Securities.

The issued and outstanding Common Shares are listed on the Canadian Securities Exchange (the "CSE") under the symbol "CWEB". On April 5, 2019, the last trading day prior to the date of this Prospectus, the closing price of the Common Shares on the CSE was C\$29.30. **Unless otherwise specified in the applicable Prospectus Supplement, each series or issue of Securities (other than Common Shares) will not be listed on any securities exchange. Accordingly, there is currently no market through which the Securities (other than Common Shares) may be sold and purchasers may not be able to resell any such Securities purchased under this Prospectus and the Prospectus Supplement relating to such Securities. This may affect the pricing of such Securities in the secondary market, the transparency and availability of trading prices, the liquidity of such Securities and the extent of issuer regulation.**

The Company has two classes of issued and outstanding shares: the Common Shares and the proportionate voting shares ("**Proportionate Voting Shares**"). The Common Shares are "restricted securities" within the meaning of such term under applicable Canadian securities laws. The Common Shares and the Proportionate Voting Shares are

substantially identical with the exception of the multiple voting rights and conversion rights attached to the Proportionate Voting Shares. Each Common Share is entitled to one vote per Common Share and each Proportionate Voting Share is entitled to 400 votes per Proportionate Voting Share on all matters upon which the holders of shares are entitled to vote, and holders of Common Shares and Proportionate Voting Shares will vote together on all matters subject to a vote of holders of both those classes of shares as if they were one class of shares, except to the extent that a separate vote of holders as a separate class is required by law or provided by our articles. The Proportionate Voting Shares are convertible into Common Shares at a ratio of 400 Common Shares for every one Proportionate Voting Share at any time at the option of the holders thereof and automatically in certain other circumstances. See “*Description of the Share Capital of the Company - Common Shares and Proportionate Voting Shares - Conversion Conditions*”. The holders of Common Shares benefit from contractual provisions that give them certain rights in the event of a take-over bid for the Proportionate Voting Shares. See “*Description of the Share Capital of the Company - Take-Over Bid Protection*”.

The directors and certain officers of the Company reside outside of Canada. Each of these individuals have appointed the following agents for service of process:

<u>Name of Director or Officer</u>	<u>Name and Address of Agent</u>
Joel Stanley, Director	DLA Piper (Canada) LLP, 2800 Park Place, 666 Burrard St, Vancouver, BC V6C 2Z7, Canada
Jared Stanley, Director	DLA Piper (Canada) LLP, 2800 Park Place, 666 Burrard St, Vancouver, BC V6C 2Z7, Canada
John Held, Director	DLA Piper (Canada) LLP, 2800 Park Place, 666 Burrard St, Vancouver, BC V6C 2Z7, Canada
Shane Hoyne, Director	DLA Piper (Canada) LLP, 2800 Park Place, 666 Burrard St, Vancouver, BC V6C 2Z7, Canada
Hesaam Moallem, President and Chief Executive Officer	DLA Piper (Canada) LLP, 2800 Park Place, 666 Burrard St, Vancouver, BC V6C 2Z7, Canada
Richard Mohr, Chief Financial Officer	DLA Piper (Canada) LLP, 2800 Park Place, 666 Burrard St, Vancouver, BC V6C 2Z7, Canada
Juan Sartori, Director	DLA Piper (Canada) LLP, 2800 Park Place, 666 Burrard St, Vancouver, BC V6C 2Z7, Canada
William West, Director	DLA Piper (Canada) LLP, 2800 Park Place, 666 Burrard St, Vancouver, BC V6C 2Z7, Canada
Stephen Lerner, Chief Operating Officer	DLA Piper (Canada) LLP, 2800 Park Place, 666 Burrard St, Vancouver, BC V6C 2Z7, Canada
Eugenio Mendez, Chief Growth Officer	DLA Piper (Canada) LLP, 2800 Park Place, 666 Burrard St, Vancouver, BC V6C 2Z7, Canada
<u>Name of Expert</u>	<u>Name and Address of Agent</u>
Frost Brown Todd LLC	DLA Piper (Canada) LLP, 2800 Park Place, 666 Burrard St, Vancouver, BC V6C 2Z7, Canada

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that resides outside of Canada, even if the party has appointed an agent for service of process.

An investment in the Securities is speculative and involves significant risks. Readers should carefully review and evaluate the risk factors contained in this Prospectus, the applicable Prospectus Supplement and in the documents incorporated by reference herein before purchasing any Securities. See “*Cautionary Note Regarding Forward-Looking Statements*” and “*Risk Factors*”.

The Company is not making an offer of the Securities in any jurisdiction where such offer is not permitted.

Unless otherwise specified in a Prospectus Supplement relating to any Securities offered, certain legal matters in connection with the offering of Securities will be passed upon on behalf of the Company by DLA Piper (Canada) LLP as to matters relating to Canadian law and by DLA Piper LLP (US) as to matters relating to United States law.

No underwriter has been involved in the preparation of this Prospectus nor has any underwriter performed any review of the contents of this Prospectus.

Our head office is located at 2425 - 55th Street, Suite 200, Boulder, Colorado, United States 80301 and our registered and records office is located at 2800 Park Place, 666 Burrard Street, Vancouver, British Columbia, Canada V6C 2Z7.

The Company currently derives, and is expected to continue to derive, its revenues from the production and distribution of hemp-based wellness products in certain states in the United States. All Hemp (as defined below) produced and sold by the Company constitutes Hemp under the 2018 Farm Bill (as defined below), as well as the laws of the states in which the Company produces and sells such Hemp.

The 2018 Farm Bill became law on December 20, 2018. Prior to this enactment, all Cannabis (as defined below) grown in the United States was scheduled as a controlled substance under the U.S. Controlled Substances Act (the “CSA”), and as a result, the cultivation or sale of Hemp for any purpose in the United States without a Schedule I registration with the U.S. Drug Enforcement Agency (the “DEA”) was, unless exempted by the 2014 Farm Bill (as defined below), illegal. The 2018 Farm Bill removed Hemp and THC (as defined below) in Hemp from the list of controlled substances under the CSA. The 2018 Farm Bill has also redefined Hemp to include its “derivatives, extracts, and cannabinoids”, and accordingly removed popular Hemp products, such as Hemp-derived cannabidiol (“CBD”) from the purview of the DEA.

The 2018 Farm Bill amends the Agricultural Marketing Act of 1946 with permanent amendments that categorize Hemp as an agricultural commodity under the regulatory purview of the U.S. Department of Agriculture (“USDA”).

The 2018 Farm Bill requires that hemp production occur in compliance with plans administered by individual states or tribal governments, or by the USDA. Over a one-year transition period, state Hemp plans that document the existence of procedures for tracking properties where Hemp is grown, verifying that the crop is Hemp, and enforcing against violations of the law, will be submitted to the USDA. It is expected that state and tribal Hemp plans will be guided by regulations promulgated by the USDA, which the USDA intends to make publicly available as part of the formal rulemaking process in Fall 2019 to accommodate the 2020 Hemp planting season. This rulemaking process will include publishing of a proposed rule, a notice-and-comment period, and promulgation of a final rule. The USDA was scheduled to hold an initial listening session via webinar on March 13, 2019. The USDA must act on such plans within sixty days and has no authority to reject any plan that conforms to the relevant provisions. For Hemp production in any state or tribal territory for which the USDA has not approved a Hemp plan, the USDA will have primary regulatory authority, production must comply with the USDA’s Hemp plan, and the producer must have a license issued by the USDA. State and tribal governments may impose separate restrictions or requirements on Hemp cultivation and the sale of Hemp products; however, they cannot interfere with the interstate transportation or shipment of Hemp or Hemp products.

Prior to enactment of the 2018 Farm Bill, the 2014 Farm Bill regulated the domestic production of hemp at the federal level. Under this regime, states (through their departments of agriculture) and institutions of higher education, and their contractual designees, are authorized to grow or cultivate Hemp pursuant to an agricultural pilot program for research purposes. The 2014 Farm Bill sanctions, but does not require, states to establish agricultural pilot programs for the growth and cultivation of Hemp for research purposes, including commercial marketing research (i.e. sales). As a result, variances in states’ laws and regulations emerged. Federal appropriations riders passed subsequent to the 2014 Farm Bill prohibited federally-appropriated agencies, the DEA, from enforcing against Hemp and Hemp-derived products in interstate commerce, a protection that the 2018 Farm Bill preserves (and extends to enforcement efforts by states and Native American tribes). At least forty-one states established such programs, including Kentucky, Colorado, and Oregon, some of them with broader permissions (and more sophisticated regulatory frameworks) than others.

The 2014 Farm Bill is limited in that it only protects Hemp grown or cultivated as part of an agricultural pilot program established pursuant to the 2014 Farm Bill. Accordingly, the 2014 Farm Bill does not permit the growth or cultivation of Hemp outside the context of an agricultural pilot program. The 2014 Farm Bill is also limited in that—like the 2018 Farm Bill—it does not pre-empt state or local law, leaving up to each state whether to sanction the production of Hemp in its jurisdiction. For this reason—under the jurisdiction of state or local law—a handful of states have taken law enforcement or regulatory action against Hemp and

Hemp-derived products, including Hemp-derived products that contain CBD.

The 2014 Farm Bill predates the 2018 Farm Bill and remains intact until one (1) year after the USDA establishes a Hemp plan under the 2018 Farm Bill or until a state or Native American tribe has approved a Hemp plan for its jurisdiction. It is anticipated that many states will rely on their existing pilot program regimes in submitting a 2018 Farm Bill plan to assume primary regulatory authority over hemp production. At least three states, including Kentucky, have submitted a Hemp plan for approval by the USDA under the 2018 Farm Bill, but the USDA has not yet approved any Hemp plan. Because the 2018 Farm Bill permits state and Native American tribes to regulate Hemp and Hemp-derived products more restrictively than the 2018 Farm Bill, variances in these jurisdictions' laws and regulations on Hemp are likely to persist.

Although the DEA no longer regulates Hemp, the U.S. Food and Drug Administration (the "FDA") retains its authority to regulate ingestible and topical products, including those that contain Hemp and Hemp extracts such as CBD. As a producer and marketer of Hemp-derived products, the Company must comply with the FDA regulations applicable to manufacturing and marketing dietary supplements. These include regulations for food facility registration; current good manufacturing practice ("cGMPs") regulations; nutrition and allergen labeling and label claim regulations; rules for submission of received serious adverse event reports; and safety requirements, including, as applicable, new dietary ingredient ("NDI") and generally recognized as safe ("GRAS") regulations.

Shortly after the 2018 Farm Bill was signed into law, the FDA issued a statement by Commissioner Dr. Scott Gottlieb on the agency's regulation of products containing Cannabis and Cannabis-derived compounds, in which the FDA confirmed its authority to regulate ingestible and topical products, including those that contain Hemp and Hemp extracts such as CBD.

The Commissioner restated the FDA's concerns over drug claims being made about products that contain CBD or other cannabis-derived compounds, as well as the agency's position that under the Food, Drug and Cosmetic Act ("FD&C Act") CBD cannot be marketed in a dietary supplement because a product containing CBD was approved as a drug and substantial clinical trials studying CBD as a new drug were made public prior to the marketing of any food or dietary supplements containing CBD, and therefore dietary supplements or food are precluded from containing this ingredient (the "IND Preclusion"). The Company believes there are significant arguments against this position in that all conditions of the applicable statute must be met before the IND Preclusion applies.

Importantly, the Commissioner acknowledged there are pathways for FDA to consider with regard to circumstances in which certain Cannabis-derived compounds such as CBD might be permitted in a food or dietary supplement. Dr. Gottlieb emphasized that FDA has authority to issue a regulation that would allow these naturally-occurring hemp compounds in a food or dietary supplement. He also stated that FDA is now evaluating whether to pursue such a process, and clarified that the agency would consider doing so if it determines that all other requirements in the FD&C Act are met, including those required for food additives or new dietary ingredients.

The Commissioner reiterated these efforts on February 26, 2019, at a meeting of state agriculture leaders at the National Association of State Departments of Agriculture. At this meeting, the Commissioner announced that the FDA will convene its first public meeting in April 2019 to discuss products that contain Hemp-derived ingredients, including food and dietary supplement products. The Commissioner also recently announced his plans to resign by April 2019. The announcement may delay the public meeting process, but is not expected to have any significant long term impact. On April 2, 2019 the FDA announced that it would conduct its first hearing to review cannabis-derived compounds as they pertain to food, drinks and dietary supplements on May 31. The results of such public hearing and any potential effect on FDA regulations remain unknown at this time. This matter is still in active discussion with the FDA and is unresolved as of the date of this Prospectus.

While the Company disagrees with the position of the FDA, there is a risk that this agency could take enforcement action against the Company.

Legal barriers applicable to selling Hemp and Hemp-derived CBD products result from a number of factors, including the fact that both Hemp and marijuana are derived from the Cannabis plant, the rapidly-changing patchwork of state laws governing Hemp and Hemp-derived CBD, and the FDA's position that CBD products cannot be marketed as food or dietary supplements, i.e., the IND Preclusion.

Any investment in the Securities is speculative due to a variety of factors, including the nature of the Company's business. An investment in the Securities should only be made by persons who can afford a total loss of their investment. Legislative and regulatory uncertainties, along with difficulties concerning potential enforcement activities by U.S. federal, state and local governments (or discretion exercised thereby), represent significant risks concerning the Company's business activities. These risks include, but are not limited to:

- positions asserted by the FDA concerning products containing derivatives from Hemp;
- uncertainty surrounding the characterization of cannabinoids as a dietary ingredient by the FDA; and
- enforcement activities by state and/or local law enforcement and regulatory authorities under the auspice of individual state law, regardless of any potential conflict thereby with federal law.

If the Company's operations are found to be in violation of any of such laws or any other governmental regulations, the Company may be subject to penalties, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of the Company's operations or asset seizures, any of which could adversely affect the Company's business and financial results. If the FDA takes action against the Company or the CBD industry notwithstanding the regulatory regime surrounding the 2018 Farm Bill, this could have a material adverse effect on the Company's business, financial condition and results of operations including the cessation of operations entirely. Failure to comply with FDA requirements may result in, among other things, injunctions, product withdrawals, recalls, product seizures, fines and criminal prosecutions. The Company's suppliers, service providers and distributors may elect, at any time, to breach or otherwise cease to participate in supply, service or distribution agreements, or other relationships, on which the Company's operations rely. Loss of its suppliers, service providers or distributors would have a material adverse effect on the Company's business and operational results. The Company sells its products on a limited basis in international jurisdictions and there is the possibility that any such international jurisdiction could determine that the Company was not compliant with applicable local regulations. If the Company's sales therein were found to be in violation of such international regulations the Company may be subject to enforcement actions in such jurisdictions.

Materially all of the Company's assets, liabilities and operations are exposed to U.S. Hemp-related activities.

The disclosure set forth above relating to U.S. regulatory matters in respect of the 2018 Farm Bill and the Company's Hemp activities is supported by a legal opinion provided to the Company by Frost Brown Todd LLC (Lexington, Kentucky). See "*Regulatory Framework — United States Regulatory Matters*".

See "*Risk Factors*" for more information about the risks concerning the Company's business and operations. See all "*Risk Factors*" in the IPO Prospectus, incorporated by reference herein.

See "*Regulatory Framework — United States Regulatory Matters*".

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GLOSSARY

In this Prospectus, unless otherwise indicated or the context otherwise requires, the following terms shall have the indicated meanings. Words importing the singular include the plural and vice versa and words importing a gender include any genders. A reference to an agreement means the agreement as it may be amended, supplemented or restated from time to time.

“**2014 Farm Bill**” means section 7606 of the Agricultural Act of 2014;

“**2018 Farm Bill**” means the Agricultural Improvement Act of 2018;

“**Advance Notice Provisions**” has the meaning ascribed thereto under the heading “*Description of the Share Capital of the Company — Advance Notice Provisions*”;

“**Articles**” has the meaning ascribed thereto under the heading “*Description of the Share Capital of the Company*”;

“**BCBCA**” means the *Business Corporations Act* (British Columbia), as amended;

“Board” or **“Board of Directors”** means the board of directors of the Company;

“business day” means a day other than a Saturday, Sunday or a day on which the principal chartered banks located in Vancouver, British Columbia are not open for business;

“Cannabis” means *Cannabis sativa L.*;

“CBD” means cannabidiol, a phytocannabinoid derived from the Cannabis plant;

“CDA” means the Colorado Department of Agriculture;

“CDPHE” means the Colorado Department of Public Health and Environment;

“CDSA” means the *Controlled Drugs and Substances Act* (Canada);

“cGMPs” means current good manufacturing practices;

“Charlotte’s Web” has the meaning ascribed thereto on the face page hereof;

“Common Shares” has the meaning ascribed thereto on the face page hereof;

“Company” has the meaning ascribed thereto on the face page hereof;

“CSA” means the U.S. Controlled Substances Act;

“CWB” means Charlotte’s Web, Inc., a wholly owned subsidiary of the Company that was redomiciled in and amalgamated under the laws of Delaware;

“DEA” means the U.S. Drug Enforcement Agency;

“DSHEA” has the meaning ascribed thereto under the heading *“Regulatory Framework — United States Regulatory Matters — FDA Regulation”*;

“Exchange Act” means the Securities Exchange Act of 1934, as amended;

“FDA” means the U.S. Food and Drug Administration;

“FD&C Act” means the Food, Drug, and Cosmetic Act;

“GRAS” means generally recognized as safe;

“hemp” means any part of the Cannabis plant having no more than three-tenths of one percent (0.3%) concentration of THC on a dry-weight basis;

“Hemp” means the plant *Cannabis sativa L.* and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a THC concentration of not more than 0.3% on a dry weight basis;

“IND” means investigations as a new drug;

“IND Preclusion” has the meaning ascribed thereto under the heading *“Regulatory Framework — United States Regulatory Matters — FDA Regulation”*;

“IPO Prospectus” has the meaning ascribed thereto under the heading *“Documents Incorporated by Reference”*;

“NDI” means new dietary ingredient;

“Notice Date” has the meaning ascribed thereto under the heading *“Description of the Share Capital of the Company — Advance Notice Provisions”*;

“ODA” has the meaning ascribed thereto under the heading *“Regulatory Framework — United States Regulatory Matters — State Regulation of Hemp — Oregon”*;

“Odd Lot” has the meaning ascribed thereto under the heading *“Description of the Share Capital of the Company — Take-Over Bid Protection”*;

“Preferred Shares” has the meaning ascribed thereto on the face page hereof;

“Prospectus” has the meaning ascribed thereto on the face page hereof;

“Prospectus Supplement” has the meaning ascribed thereto on the face page hereof;

“PVS Offer” has the meaning ascribed thereto under the heading *“Description of the Share Capital of the Company — Take-Over Bid Protection”*;

“Stanley Brothers” means, collectively, Josh Stanley, Joel Stanley, Jesse Stanley, Jon Stanley, Jordan Stanley, Jared Stanley and J. Austin Stanley;

“**Subscription Receipts**” has the meaning ascribed thereto on the face page hereof;

“**THC**” means delta-9 tetrahydrocannabinol;

“**USDA**” means the United States Department of Agriculture;

“**U.S. Securities Act**” means the United States Securities Act of 1933, as amended;

“**Warning Letter**” has the meaning ascribed thereto under the heading “*Regulatory Framework — United States Regulatory Matters — FDA Regulation*”; and

“**Warrants**” has the meaning ascribed thereto on the face page hereof.

ABOUT THIS PROSPECTUS

Readers should rely only on the information contained or incorporated by reference in this Prospectus and any applicable Prospectus Supplement in connection with an investment in the Securities. No person is authorized by the Company to provide any information or to make any representation other than as contained in this Prospectus (or incorporated by reference herein) or any Prospectus Supplement in connection with the issue and sale of the Securities offered hereunder. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give readers of this Prospectus. We are not making an offer of Securities in any jurisdiction where the offer is not permitted.

Readers should not assume that the information contained or incorporated by reference in this Prospectus is accurate as of any date other than the date of this Prospectus or the respective dates of the documents incorporated by reference herein, unless otherwise noted herein or as required by law. It should be assumed that the information appearing in this Prospectus, any Prospectus Supplement and the documents and the information contained in any document incorporated by reference is accurate only as of the date of that document unless specified otherwise. The business, financial condition, results of operations and prospects of the Company may have changed since those dates.

This Prospectus shall not be used by anyone for any purpose other than in connection with an offering of Securities in compliance with applicable securities laws. We do not undertake to update the information contained or incorporated by reference herein, including any Prospectus Supplement, except as required by applicable securities laws. Information contained on, or otherwise accessed through, our website shall not be deemed to be a part of this Prospectus and such information is not incorporated by reference herein.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference into this Prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of Charlotte’s Web Holdings, Inc. at 2425 - 55th Street, Suite 200, Boulder, Colorado, USA 80301, telephone: (855) 790-8169, and are also available electronically at www.sedar.com.

The following documents, filed by the Company with the various securities commissions or similar authorities in each of the provinces of Canada (except Quebec), are specifically incorporated by reference into and form an integral part of this Prospectus:

- (a) final long form prospectus dated August 23, 2018 (“**IPO Prospectus**”);
- (b) material change report dated September 6, 2018 regarding completion of our initial public offering and closing of private placement of Common Shares;
- (c) audited consolidated financial statements as at and for the years ended December 31, 2018 and 2017;
- (d) management’s discussion and analysis for the year ended December 31, 2018; and
- (e) material change report dated February 4, 2019 regarding the appointment of Eugenio Mendez as Chief Growth Officer and Stephen Lerner as Chief Operating Officer.

Any statement contained in this Prospectus or in a document incorporated or deemed to be incorporated by reference in this Prospectus will be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained in this Prospectus or in any other subsequently filed document which

also is, or is deemed to be, incorporated by reference into this Prospectus modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this Prospectus.

Any document of the type required by National Instrument 44-101 - *Short Form Prospectus Distributions* to be incorporated by reference into a short form prospectus, including any annual information forms, material change reports (except confidential material change reports), business acquisition reports, interim financial statements, annual financial statements (in each case, including any applicable exhibits containing updated earnings coverage information) and the independent auditor's report thereon, management's discussion and analysis and information circulars of the Company filed by the Company with securities commissions or similar authorities in Canada after the date of this Prospectus and prior to the completion or withdrawal of any offering under this Prospectus shall be deemed to be incorporated by reference into this Prospectus. The documents incorporated or deemed to be incorporated herein by reference contain meaningful and material information relating to the Company and readers should review all information contained in this Prospectus, the applicable Prospectus Supplement and the documents incorporated or deemed to be incorporated by reference herein and therein.

Upon a new annual information form and annual consolidated financial statements being filed by the Company with the applicable Canadian securities commissions or similar regulatory authorities in Canada during the period that this Prospectus is effective, the previous annual information form (including the IPO Prospectus incorporated by reference in substitution thereof), the previous annual consolidated financial statements and all interim consolidated financial statements and in each case the accompanying management's discussion and analysis of financial condition and results of operations, and material change reports, filed prior to the commencement of the financial year of the Company in which the new annual information form is filed shall be deemed to no longer be incorporated into this Prospectus for purpose of future offers and sales of Securities under this Prospectus. Upon interim consolidated financial statements and the accompanying management's discussion and analysis of financial condition and results of operations being filed by the Company with the applicable Canadian securities commissions or similar regulatory authorities during the period that this Prospectus is effective, all interim consolidated financial statements and the accompanying management's discussion and analysis of financial condition and results of operations filed prior to such new interim consolidated financial statements and management's discussion and analysis of financial condition and results of operations shall be deemed to no longer be incorporated into this Prospectus for purposes of future offers and sales of Securities under this Prospectus. In addition, upon a new management information circular for an annual meeting of shareholders being filed by the Company with the applicable Canadian securities commissions or similar regulatory authorities during the period that this Prospectus is effective, the previous management information circular filed in respect of the prior annual meeting of shareholders shall no longer be deemed to be incorporated into this Prospectus for purposes of future offers and sales of Securities under this Prospectus.

References to our website in any documents that are incorporated by reference into this Prospectus and any Prospectus Supplement do not incorporate by reference the information on such website into this Prospectus or any Prospectus Supplement, and we disclaim any such incorporation by reference.

Any "template version" of "marketing materials" (as those terms are defined in National Instrument 41-101 - *General Prospectus Requirements*) pertaining to a distribution of Securities filed after the date of a Prospectus Supplement and before termination of the distribution of Securities offered pursuant to such Prospectus Supplement will be deemed to be incorporated by reference into the Prospectus Supplement for the purposes of the distribution of the Securities to which the Prospectus Supplement pertains.

A Prospectus Supplement containing the specific terms of an offering of Securities and other information in relation to the Securities will be delivered to prospective purchasers of such Securities together with this Prospectus and shall be deemed to be incorporated by reference into this Prospectus as of the date of such Prospectus Supplement but only for the purposes of the distribution of the Securities to which that Prospectus Supplement pertains.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus and the documents incorporated by reference herein contain certain "forward-looking statements" and "forward-looking information" within the meaning of applicable Canadian securities legislation (collectively, "**forward-looking statements**"). Forward-looking statements are neither historical facts nor assurances of future

performance. Instead, they are based on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, and other future conditions. Forward-looking statements can be identified by words such as “anticipate,” “believe,” “envision,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “target,” “potential,” “will,” “would,” “could,” “should,” “continue,” “contemplate” and other similar expressions, although not all forward-looking statements contain these identifying words. These forward-looking statements include all matters that are not historical facts. Forward-looking statements in this Prospectus, any Prospectus Supplement or the documents incorporated by reference herein and therein include, but are not limited to, statements with respect to:

- the performance of the Company’s business and operations;
- the intention to grow the business, operations and product offerings of the Company;
- the competitive conditions of the industry;
- applicable laws, regulations and any amendments thereof;
- the competitive and business strategies of the Company;
- the Company’s operations in the United States, the characterization and consequences of those operations under federal United States law and applicable State law, and the framework for the enforcement of applicable laws in the United States; and
- the general economic, financial market, regulatory and political conditions in which the Company operates.

Although we base the forward-looking statements contained in this Prospectus on assumptions that we believe are reasonable, we caution you that actual results and developments (including our results of operations, financial condition and liquidity, and the development of the industry in which we operate) may differ materially from those made in or suggested by the forward-looking statements contained in this Prospectus. In addition, even if results and developments are consistent with the forward-looking statements contained in this Prospectus, those results and developments may not be indicative of results or developments in subsequent periods. Certain assumptions made in preparing the forward-looking statements contained in this Prospectus include:

- the Company’s ability to implement our growth strategies and business plan;
- the Company’s ability to maintain strong business relationships with its customers, suppliers, wholesalers and distributors;
- the Company’s ability to keep pace with changing consumer preferences;
- ongoing ability to conduct business in the regulatory environments in which the Company operates and may operate in the future; and
- the absence of material adverse changes in the Company’s industry or the global economy.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We believe that these risks and uncertainties include, but are not limited to, those described or referenced in the “*Risk Factors*” section. These factors should not be construed as exhaustive and should be read with the other cautionary statements in this Prospectus. Although we have attempted to identify important risk factors, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results and developments to differ materially from those made in or suggested by the forward-looking statements contained in this Prospectus. If any of the these risks materialize, or if any of the above assumptions underlying forward-looking statements prove incorrect, actual results and developments may differ materially from those made in or suggested by the forward-looking statements contained in this Prospectus.

Given these risks and uncertainties, you are cautioned not to place substantial weight or undue reliance on these forward-looking statements when making an investment decision. Any forward-looking statement that we make in this Prospectus speaks only as of the date of this Prospectus, and, except as required by law, we undertake no obligation to update any forward-looking statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

Unless the context otherwise requires, all references to “\$”, “C\$” and “dollars” mean references to the lawful money of Canada. All references to “US\$” refer to United States dollars. On April 5, 2019, the Bank of Canada daily average rate of exchange was US\$1.00 = C\$1.3386 or C\$1.00 = US\$0.7470.

MARKET AND INDUSTRY DATA

Unless otherwise indicated, the market and industry data contained or incorporated by reference in this Prospectus is based upon information from independent industry publications, market research, analyst reports and surveys and other publicly available sources. Although we believe these sources to be generally reliable, market and industry data is subject to interpretation and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any survey. We have not independently verified any of the data from third party sources referred to or incorporated by reference herein and accordingly, the accuracy and completeness of such data is not guaranteed.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the full informational requirements of the securities commissions in all provinces of Canada (except Quebec). You are invited to read and copy any reports, statements or other information, other than confidential filings, that we have filed or intend to file with the Canadian provincial securities commissions (except in Quebec). These filings are electronically available from the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com. Except as expressly provided herein, documents filed on SEDAR are not, and should not be considered, part of this Prospectus.

CHARLOTTE'S WEB HOLDINGS, INC.

Charlotte's Web is a market leader in the production and distribution of innovative hemp-based CBD wellness products. CBD is a phytocannabinoid derived from the *Cannabis sativa* L. ("**Cannabis**") plant. Through our vertically integrated business model, the Company strives to improve customers' lives and meet their demands for stringent product quality, efficacy and consistency. We do not produce or sell medicinal or recreational marijuana or products derived therefrom.

Our products are made from high quality and proprietary strains of whole-plant Hemp extracts containing a full spectrum of phytocannabinoids, including CBD, terpenes, flavonoids and other minor but valuable Hemp compounds. We believe the presence of these various compounds work synergistically to heighten the effects of our products, making them superior to single-compound CBD isolates. The Company also produces a CBD-isolate which consists of CBD derived from Hemp extract.

Hemp extracts are produced from Hemp, which is defined as the plant *Cannabis sativa* L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol ("**THC**") concentration of not more than 0.3% on a dry weight basis. THC causes psychoactive effects when consumed and is typically associated with marijuana (i.e., Cannabis with high-THC content). The Company does not produce or sell medicinal or recreational marijuana or products derived from high-THC Cannabis/marijuana plants. Hemp products have no psychoactive effects.

Our current product categories include tinctures (liquid product), capsules and topical products. Planned product categories include powdered supplements, single-use, beverage, sport and professional (dedicated health care practitioner products), gummies, and dog treats. Our products are distributed through our e-commerce website, select wholesalers and a variety of brick and mortar retailers.

We grow our proprietary Hemp on farms leased in northeastern Colorado and source high quality Hemp through contract farming operations in Kentucky and Oregon.

The Company continues to invest in research and development efforts to identify new product opportunities. We plan to scale the Company's production capacity and sales and marketing infrastructures as demand for our products continues to increase. Our management team believes the timing is right to invest in expanded production capacity to address emerging new product opportunities, take further control of the supply chain and proactively define the competitive landscape. The Company intends to capitalize on the rapidly emerging CBD wellness products industry by driving customer acquisition and retention, as well as accelerating national and international retail expansion.

The Company's head office is located at 2425 - 55th Street, Suite 200, Boulder, Colorado, United States 80301 and its registered and records office is located at 2800 Park Place, 666 Burrard St, Vancouver, British Columbia, Canada V6C 2Z7. Additional information about our business is included in the documents incorporated by reference into this Prospectus.

REGULATORY FRAMEWORK

UNITED STATES REGULATORY MATTERS

The business of the Company consists solely of the business of Charlotte's Web, Inc., therefore when used in this section, references to the "Company" are references to Charlotte's Web, Inc. and the Company as a whole unless the context otherwise requires. The Company has retained Frost Brown Todd LLC (Lexington, Kentucky) to provide it with a legal opinion in connection with U.S. regulatory matters in respect of the 2018 Farm Bill and the Company's Hemp activities discussed in this Prospectus.

General Overview

The following overview is subject to and qualified by the more detailed descriptions in the following sections entitled "United States Federal Regulation of Hemp", "State Regulation of Hemp", "FDA Regulation", "Future Uncertainty of Legal Status" and "The Company's Regulatory Compliance Activities".

The Company does not produce or sell medicinal or recreational marijuana or products derived therefrom. It sells Hemp-based CBD products. While such products come from the same plant genus and species, Hemp and marijuana are legally distinct and are generally regulated, respectively, by two separate overarching bodies of law: the 2018 Farm Bill and the CSA. Hemp, by legal definition, contains less than 0.3% THC on a dry weight basis, which is not a sufficient level to create a psychoactive effect like marijuana.

Consequently, the Company's products are not sold pursuant to the rules and regulations governing the cultivation, transportation and sale of medicinal or recreational marijuana. The Company cultivates, processes, transports and sells its products pursuant to the 2018 Farm Bill and in accordance with applicable state and local laws. All Hemp produced and sold by the Company constitutes Hemp under the 2018 Farm Bill and under the laws of the states in which it produces and sells such Hemp. If sold internationally, products are sold in accordance with the laws of the importing and exporting jurisdiction.

The 2018 Farm Bill permanently removed Hemp from the purview of the CSA. Hemp is now deemed an agricultural commodity, no longer able to be classified as a controlled substance, like marijuana. Furthermore, by redefining Hemp to include its derivatives, extracts, and cannabinoids¹ Congress explicitly removed popular hemp products - such as Hemp-derived CBD, from the purview of the CSA. Accordingly, the DEA no longer has any claim to interfere with the interstate commerce of Hemp products, so long as the THC level is at or below 0.3% on a dry weight basis. The 2018 Farm Bill also provides that state and tribal governments may impose separate restrictions or requirements on Hemp growth and the sale of Hemp products. However, they cannot interfere with the interstate transportation or shipment of Hemp or Hemp products.

The Company's activities related to the production, marketing and sale of its products comply with the 2018 Farm Bill. However, certain government agencies (such as the FDA) and certain federal officials have challenged the scope of permissible commercial activity. Some FDA representatives, for example, have stated they believe that producers of CBD-based products, including the Company, produce and sell their products in violation of the FD&C Act. Similarly, the FDA has indicated that the Company's marketing activities fall within the FDA's jurisdiction, and a 2017 comment letter to the Company noted a single non-compliance matter with the FD&C Act. In addition, the FDA is currently evaluating whether hemp-based CBD products can be sold in the U.S. This matter is still in active discussion with the FDA and is unresolved as at the date of this Prospectus. While the Company disagrees with the position of the FDA, there is risk that this agency could case law enforcement or regulatory actions against the Company. On April 2, 2019 the FDA announced that it would conduct its first hearing to review cannabis-derived compounds as they pertain to food, drinks and dietary supplements on May 31. The results of such public hearing and any potential effect on FDA regulations remain unknown at this time.

Legal barriers applicable to selling Hemp and Hemp-derived CBD products result from a number of factors, including the fact that Hemp and marijuana are both derived from the Cannabis plant, the rapidly changing patchwork of state laws governing Hemp and Hemp-derived CBD, and the FDA's position that CBD cannot be marketed as a dietary supplement, i.e. IND Preclusion. However, the removal of Hemp and its extracts, including CBD, from the CSA pursuant to the 2018 Farm Bill, and the FDA's indication that it is considering using its authority to issue a regulation that will specifically allow Hemp-derived ingredients in foods and supplements, are major developments toward the end of the regulatory barriers applicable to the sale of Hemp-derived CBD products. Stakeholders take different positions regarding the scope of legal activity in light of the interplay of federal and state law, and in light of recent developments such as the 2018 Farm Bill, the September 30, 2017 decision of the World Anti-Doping Agency to drop

¹ Agriculture Improvement Act of 2018 (section 10113) (defining hemp under the Agricultural Marketing Act of 1946, 7. U.S.C. 1621).

CBD from its list of prohibited substances, and the World Health Organization Expert Committee on Drug Dependence preliminary report finding that CBD is safe, well-tolerated and non-addictive².

The foregoing is an abbreviated overview of the Company's position on the legality of the Company's operations in the United States. Additional background and a more thorough analysis of applicable U.S. and international regulatory regimes are set out in greater detail below.

United States Federal Regulation of Hemp

Development of Current Regulatory Framework

Summary

In addition to customary regulations applicable to any commercial business, the Company's operations are subject to state and federal regulation in respect of the cultivation of Hemp and the production, distribution and sale of products intended for human ingestion or topical application and, with respect to certain products, by animals.

Hemp is an agricultural commodity cultivated for use in the production of a wide range of products globally. Among others, hemp is used in the agriculture, textile, recycling, automotive, furniture, food and beverage, paper, construction materials and personal care industries.

Botanically, Hemp is categorized as *Cannabis sativa* L., a subspecies of the cannabis genus. Numerous unique, chemical compounds are extractable from hemp, including THC and CBD. These cannabinoids are responsible for a range of potential psychological and physiological effects. Hemp, as defined in the 2018 Farm Bill, is distinguishable from its cousin marijuana, which also comes from the *Cannabis sativa* L. subspecies, by its absence of more than trace amounts (less than 0.3%) of the psychoactive compound THC. Although international standards vary, other countries, such as Canada, have used the same THC potency standards to define Hemp.

Historically, the effects of federal tax rendered the domestic farming of hemp impractical. In addition, with the science of distinguishing hemp from marijuana undeveloped, and fearful of hemp as a psychoactive substance, states legally restricted growth and cultivation of the hemp plant. Subsequently, federal legislation scheduled all cannabis grown in the United States as a controlled substance, and as a result, until the passage of the 2014 Farm Bill (discussed below), cultivating hemp for any purpose in the United States without a Schedule I registration with the DEA was illegal. The 2014 Farm Bill opened an approximately four-year window to allow Hemp to be cultivated within the context of an agricultural pilot program and where permitted by state law.

The 2018 Farm Bill permanently removed Hemp from the CSA, meaning that Hemp can no longer be mistaken as a controlled substance, like marijuana. By redefining Hemp to include its "extracts, cannabinoids and derivatives," Congress explicitly removed popular hemp products, such as hemp-derived CBD, from the purview of the CSA. Accordingly, the DEA no longer has any possible claim to interfere with the interstate commerce of Hemp products. The 2018 Farm Bill also allows farmers to access crop insurance and fully participate in USDA programs for certification and competitive grants. State and tribal governments may impose separate restrictions or requirements on Hemp growth and the sale of Hemp products, however, they cannot interfere with the interstate transport of Hemp or Hemp products.

Put simply, the Cannabis plant is currently being regulated by the federal government as one (and potentially more) of the following: (i) marijuana as defined under the CSA³ and its derivatives as most commonly understood — a Schedule I controlled substance; (ii) parts of the Cannabis plant exempted from the CSA's definition of "marihuana" such as stalks and sterile seeds — which may be identified for lack of a better term as "non-cannabis" or the CSA-exempt components of the Cannabis plant; and (iii) Hemp cultivated pursuant to, and in accordance with, the 2018 Farm Bill. Rather than distinguishing between "hemp" and "marijuana" based on the CSA's analysis of the part of the plant from which the product is derived, the 2014 Farm Bill and the 2018 Farm Bill distinguish Hemp and marijuana on the basis of the concentration of THC. Any plant found to contain a higher concentration of THC than permitted by the 2014 Farm Bill or the 2018 Farm Bill is considered marijuana and a Schedule I substance not protected by the 2014 Farm Bill or the 2018 Farm Bill. Accordingly, a product derived from the Cannabis plant may only be classified as a Schedule I substance under the CSA to the extent that the product is derived from the parts of the Cannabis

² World Health Organization Expert Committee on Drug Dependence, Cannabidiol (CBD) Pre-Review Report, November 10, 2017.

³ Pursuant to the CSA, the term "marihuana" means all parts of the plant *Cannabis sativa* L., whether growing or not; the seeds thereof; the resin extracted from any part of such plant; and every compound, manufacture, salt, derivative, mixture, or preparation of such plant, its seeds or resin. Such term does not include the mature stalks of such plant, fiber produced from such stalks, oil or cake made from the seeds of such plant, any other compound, manufacture, salt, derivative, mixture, or preparation of such mature stalks (except the resin extracted therefrom), fiber, oil, or cake, or the sterilized seed of such plant which is incapable of germination.

plant included in the statutory definition and/or which are not derived lawfully from Hemp grown under the 2014 Farm Bill or the 2018 Farm Bill. Hemp seeds or “hemp hearts” for example, have long been lawfully imported into the U.S. and legally sold in commerce due to the fact that the sterilized seeds are clearly exempt from the definition of marijuana under the CSA and therefore are not controlled substances. However, the CSA-exempt status of these components pre-dates, and is legally distinct from, any 2014 Farm Bill or 2018 Farm Bill-related pre-emption. Therefore, whether CBD is a controlled substance largely depends on the part of the plant the CBD is derived from or whether it is grown pursuant to the 2014 Farm Bill or the 2018 Farm Bill. Where CBD is derived from marijuana, it is regulated as a controlled substance under the CSA, unlike CBD derived from Hemp lawfully cultivated in the U.S., or derived from exempted parts of the cannabis plant which are lawfully imported.

The 2014 Farm Bill

In 2014, Congress enacted the 2014 Farm Bill which provided for the domestic cultivation of Hemp as part of agricultural pilot programs adopted by individual states and research by institutions of higher education.⁴ The 2014 Farm Bill provided, notwithstanding other federal laws such as the CSA, for the domestic cultivation of Hemp. At least forty-one U.S. states implemented legislation pursuant to the 2014 Farm Bill.⁵ The various state Hemp programs have different requirements regarding the registration of cultivators and processors, the involvement of institutions of higher education and permissible commercialization.⁶ The 2014 Farm Bill gave significant discretion to states to adopt regulations governing hemp activity, but strictly defines hemp to include any part of the Cannabis plant, whether growing or not, with a delta-9 THC concentration of not more than 0.3% on a dry weight basis (i.e. Hemp). Any plant found to contain a higher concentration of THC than permitted by the 2014 Farm Bill is considered a Schedule I substance under the CSA (i.e. marijuana) and is not protected by the 2014 Farm Bill (or, subsequently, the 2018 Farm Bill). Accordingly, a product derived from the Cannabis plant may only be classified as a Schedule I substance under the CSA to the extent that the product is derived from the parts of the Cannabis plant included in the statutory definition above and/or which are not derived lawfully from Hemp grown in accordance with the 2014 Farm Bill.

The 2014 Farm Bill predates the 2018 Farm Bill and remains intact until one (1) year after the USDA establishes a Hemp plan under the 2018 Farm Bill or until a state or Native American tribe has approved a Hemp plan for its jurisdiction. It is anticipated that many states will rely on their existing pilot program regimes in submitting a 2018 Farm Bill plan to assume primary regulatory authority over hemp production. At least three states, including Kentucky, have submitted a Hemp plan for approval by the USDA under the 2018 Farm Bill, but the Company is not aware of the USDA approving any Hemp plan. Because the 2018 Farm Bill permits state and Native American tribes to regulate Hemp and Hemp-derived products more restrictively than the 2018 Farm Bill, variances in these jurisdictions' laws and regulations on Hemp are likely to persist.

FDA Approval of Epidiolex

On June 25, 2018, the FDA issued to GW Pharmaceuticals plc its approval for Epidiolex, the first Cannabis-derived prescription medicine to be available in the U.S. The active ingredient in Epidiolex is CBD isolate created from Marijuana-based plants.

The 2018 Farm Bill

The 2018 Farm Bill became law on December 20, 2018. Prior to this bill, all Cannabis grown in the United States was scheduled as a controlled substance under the CSA, and as a result, the cultivation or sale of hemp for any purpose in the United States without a Schedule I registration with the DEA was, unless exempted by the 2014 Farm Bill, illegal. The 2018 Farm Bill removed Hemp from the list of controlled substances under the CSA. The 2018 Farm Bill also redefined Hemp as the plant *Cannabis sativa* L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol concentration of not more than 0.3% on a dry weight basis, and accordingly removing popular hemp products, such as hemp-derived CBD from the purview of the DEA.

The 2018 Farm Bill permanently removed Hemp from the purview of the CSA. Hemp is now deemed an agricultural commodity under the regulatory purview of the U.S. Department of Agriculture (USDA), no longer able to be classified as a controlled substance, like marijuana. Furthermore, by redefining “Hemp” to include “its extracts, cannabinoids and derivatives”, Congress explicitly removed popular Hemp products, such as Hemp-derived CBD, from the purview of the CSA. Accordingly, the DEA no longer has any claim to interfere with the interstate commerce of Hemp

⁴ See <http://www.ncsl.org/research/health/state-medical-marijuana-laws.aspx>.

⁵ Health and Wellness Versus Non-Health and Wellness Packaged Food and Beverages, Retail Sales 2002-2017; see <http://blog.euromonitor.com/2012/11/health-and-wellness-the-trillion-dollar-industry-in-2017-key-researchhighlights.html>, page 13.

⁶ *Ibid.*

products, so long as the THC level of such products is at or below 0.3%. Despite enactment of the 2018 Farm Bill, the CSA continues to control non-Hemp species of the cannabis plant as controlled substances, including marijuana. Although chemically and genetically distinct, Hemp and marijuana appear similar to the naked eye. The active enforcement of marijuana and marijuana-based products under current federal law may inadvertently target Hemp or Hemp-derived products.

The 2018 Farm Bill requires that hemp production occur in compliance with plans administered by individual states or tribal governments, or by the USDA. Over a one-year transition period, state Hemp plans that document the existence of procedures for tracking properties where Hemp is grown, verifying that the crop is Hemp, and enforcing against violations of the law will be submitted to the USDA. The USDA must act on such plans within 60 days and has no authority to reject any plan that conforms to the relevant provisions. For Hemp production in any state or tribal territory for which USDA has not approved a Hemp plan, USDA will have primary regulatory authority, production must comply with USDA's Hemp plan, and the producer must have a license issued by USDA. State and tribal governments may impose separate restrictions or requirements on Hemp cultivation and the sale of Hemp products; however, they cannot interfere with the interstate transport of Hemp or Hemp products.

Under the 2018 Farm Bill, the FDA retains its authority to regulate ingestible and topical products, including those that contain Hemp and Hemp extracts such as CBD. As a producer and marketer of Hemp-derived products, the Company must comply with the FDA regulations applicable to manufacturing and marketing dietary supplements. The FDA has published its view in a website "Q&A" and advisory guidance that CBD products, whether Hemp-derived or cannabis-derived, cannot be legally marketed as foods or dietary supplements in the United States. Further, the 2018 Farm Bill does not amend provisions of the federal Food, Drug, and Cosmetic Act (21 U.S.C. 301 et seq.). While the FDA has not generally prohibited the sale of Hemp-derived CBD products or ordered a recall of any Hemp-derived CBD product, it has taken action against Hemp-derived CBD products by issuing warning letters to certain online retailers making impermissible cancer-related medical claims.

State Regulation of Hemp

At present, the Company sources only from proprietary operations and contract suppliers located in Colorado, Kentucky and Oregon that are in compliance with state and federal regulations. The Company is not aware of any variations in production limits around Hemp production permitted by the laws of states in which it cultivates Hemp products as compared to permissions under the 2018 Farm Bill. However, the Company is aware of variations in certain states' definition of Hemp as compared with the definition of Hemp in the 2018 Farm Bill. All Hemp produced and sold by the Company constitutes Hemp under the 2018 Farm Bill and under the laws of the states in which it produces and sells such Hemp.

The fifty U.S. states have varying regulation (or lack thereof) in relation to hemp-derived CBD. The Company has reviewed the laws of all fifty states, and is not aware of any statutory language which explicitly prohibits the retail sale of hemp-derived CBD. Kentucky, Tennessee, Indiana, Missouri and Colorado have passed laws that explicitly exempt hemp extracts such as CBD from legal prohibitions normally incurred by controlled substances such as marijuana. It is the Company's position that where state law is silent on the subject of hemp-derived CBD's legality, federal law provides protection, particularly in those states that have adopted model legislation that explicitly exempt from control those products and substances that are exempted by federal law. Florida, Georgia and Nebraska have passed laws that explicitly permit the sale of CBD for limited medical purposes, but are silent about their retail sale (and often do not make the distinction between CBD derived from hemp or marijuana).

Most states have no laws that mention the word "cannabidiol" and/or do not distinguish between CBD that is derived from hemp or marijuana. Many of these states, however, feature statutory language coming from a model state controlled substances act that offers a broad exemption from control to products or compounds that are specifically excepted. Since the Company's products are specifically excepted from the CSA by the 2018 Farm Bill's definition of Hemp, it is the Company's position that such state laws would specifically except them as well.

The treatment of the legality of Hemp-derived CBD products by state and local law enforcement authorities is broadly disparate. These products have been sold at retail and online in all fifty states for many years, and law enforcement actions have been limited and in some cases discontinued after initial enforcement actions. For example, in California, a state public health agency recently declared that hemp-derived CBD could not be sold at retail locations, while permitting the sale of marijuana-derived CBD in dispensaries and staying silent in regard to online/mail-order sales.

On August 25, 2018, the Ohio Board of Pharmacy issued a regulatory memorandum advising that CBD oil, whether Hemp-derived or not, may only be legally sold in Ohio through state-licensed medical marijuana dispensaries. Since then, the memorandum has served as the basis for a handful of enforcement actions in Ohio, including a February

2019 seizure of a large cargo load of CBD oil traveling in interstate commerce by the Ohio State Highway Patrol. Legal proceedings in that action are believed to be ongoing to get the cargo released, and the primary argument is that under the 2018 Farm Bill States cannot interfere with the interstate transport of Hemp or Hemp products.

In January 2019, Idaho law enforcement seized a large shipment of hemp legally traveling between two hemp program states. The Idaho State Police Deputy Director later indicated that CBD oil with THC is illegal under state law, as hemp is not exempted from the definition of marijuana under the state's CSA. Legal proceedings are ongoing to get the shipment released, and the primary argument is that under the 2018 Farm Bill states cannot interfere with the interstate transport of Hemp or Hemp products.

In February 2019, the North Carolina Department of Agriculture and Consumer Services announced they will issue warning letters to businesses selling CBD-infused food and beverages, selling CBD in nutritional supplements, or making unapproved health claims about CBD. Those who do not comply with the letter are threatened with embargos, product seizure, and injunctions. The state agency based its action on the FDA's position that CBD is precluded from use in dietary supplements due to the FDA's approval of the CBD-based drug Epidiolex to treat severe epilepsy. To the knowledge of the Company, no warning letters have been issued.

In Maine, the state's Department of Health and Human Services ruled that CBD is not a federally approved food additive, which enjoined other state authorities to inform businesses that they must remove foods and supplements that contain CBD from store shelves, and that shoppers must access such products from marijuana dispensaries instead. The state attorney general, however, issued an opinion that even dispensaries should stop selling CBD items to the general public. In response, the governor and a half-dozen senior government officials met and the governor on Monday, February 11, announced that they agreed to work together on emergency legislation that would allow for the safe and legal commercial sale and use of CBD products and support the continued growth of the legal hemp industry in Maine.

Accordingly, the sale of CBD at the retail level in most U.S. states remains a gray area of the law. The Company has chosen to sell its products in all fifty states, with the exception of Maine and South Dakota, understanding that there is a risk of state or local law enforcement or regulatory action. Moreover, the Company has limited access to information regarding or control over which states its products may transit through between production and sale.

Colorado is the only jurisdiction in which the Company directly cultivates Hemp. The Company has obtained the following licenses issued by the Colorado Department of Agriculture to Charlotte's Web, Inc.: (i) Registration issued April 3, 2018 in respect of Indoor Commercial Industrial Hemp Registration — 3,000 sq. ft.⁷; (ii) Registration issued March 7, 2019 Outdoor Commercial Industrial Hemp Registration — 51 acres; (iii) Registration issued March 7, 2019 in respect of Indoor Commercial Industrial Hemp Registration — 5,600 sq. ft. and Outdoor Commercial Industrial Hemp Registration — 43 acres; (iv) Registration issued March 7, 2019 in respect of Outdoor Commercial Industrial Hemp Registration — 30 acres; (v) Registration issued March 7, 2019 in respect of Outdoor Commercial Industrial Hemp Registration — 32 acres; (vi) Registration issued March 7, 2019 in respect of Outdoor Commercial Industrial Hemp Registration — 67 acres; (vii) Registration issued January 14, 2019 in respect of Indoor Commercial Industrial Hemp Registration — 16,000 sq. ft. and Outdoor Commercial Industrial Hemp Registration — 3 acres; and (viii) Registration issued March 7, 2019 in respect of Indoor Commercial Industrial Hemp Registration — 18,600 sq. ft. The foregoing licenses are in respect of cultivation only as a license from the state of Colorado is not required for the subsequent sale of its products.

The Company's contract cultivation suppliers in Kentucky have obtained a "Grower License from the Kentucky Department of Agriculture" issued on March 1, 2019, and its contract cultivation supplier in Oregon has obtained an "Industrial Hemp Certificate" dated December 31, 2018 (all of the foregoing Colorado, Kentucky and Oregon licenses collectively, the "**Licenses**"). See "*Material Contracts*" in the IPO Prospectus and the renewals of the Licenses filed with the Canadian securities regulatory authorities and available on SEDAR at www.sedar.com under the Company's profile.

The varying regulations with respect to the treatment of Hemp from state to state continue to evolve. The regulations of the particular states most impactful to the Company's business are described below.

⁷ 2019 renewal registration has been submitted to the Colorado Department of Agriculture and is awaiting processing.

Colorado

The bulk of the Company's operations are based in Colorado as a result of the state's legalization of Hemp and mature regulatory program.

Passed in 2012, Amendment 64 to the Colorado Constitution directed the General Assembly to enact legislation governing the cultivation, processing and sale of Hemp by July 1, 2014.⁸ In 2013, responsibility for establishing regulations pertaining to the cultivation of Hemp, including registration and inspection, was delegated to the CDA.⁹ The CDA adopted rules and regulations that set forth requirements for registration, inspection, and testing.¹⁰ Registration requirements include but are not limited to: disclosing the name and address of the entity that will hold the registration, and the name of each officer, director, member, partner or owner of at least 10% of the entity and any other person who has managing or controlling authority over the entity; providing the CDA with GPS coordinates and a map of the land area where the Hemp will be cultivated; listing the intended use of harvested Hemp materials; and payment of a non-refundable fee¹¹. All registrants are subject to routine inspection and sampling by the CDA to verify that the THC concentration of the plants being cultivated does not exceed 0.3% on a dry weight basis, and to ensure registrants are complying with applicable reporting requirements.¹² Reporting requirements include a pre-planting report detailing the varieties to be planted, a planting report specifying the exact land areas where planting occurred, and a harvest report documenting the size of the harvest and the anticipated harvest date.¹³

After the passage of the 2014 Farm Bill, the Colorado legislature passed the Colorado Industrial Hemp Regulatory Program Act establishing the Colorado Industrial Hemp Regulatory Program.¹⁴ The Colorado Industrial Hemp Regulatory Program Act expressly authorizes two distinct categories of Hemp cultivation registration to be issued and administered by the CDA: (i) R&D; and (ii) commercial. "Research and Development" is defined as the "cultivation of Industrial Hemp by an institution of higher education under the pilot program administered by the CDA for purposes of agricultural or academic research in the development of growing Industrial Hemp."¹⁵ In comparison, "Commercial" is defined as "the growth of Industrial Hemp, for any purpose including engaging in commerce, market development and market research, by any person or legal entity other than an institution of higher education or under a pilot program administered by the CDA for purposes of agricultural or academic research in the development of growing Industrial Hemp."¹⁶

The Company believes that cultivation registrations for R&D purposes that operate in compliance with CDA rules and regulations comply with the conditions of the 2014 Farm Bill and the 2018 Farm Bill, and cultivation registrations for commercial purposes operating in compliance with CDA rules and regulations comply with the 2014 Farm Bill and the 2018 Farm Bill.

Finally, on May 30, 2018, the governor of Colorado signed House Bill 18-1295 into law. This legislation modifies the Colorado Food and Drug Act to establish that food, cosmetics, drugs, and devices, as those terms are defined in the act, are not adulterated or misbranded by virtue of containing Hemp. This law codified a policy established in 2017 by the CDPHE that allowed for the production and sale of food products containing Hemp, so long as certain express conditions were satisfied. Under applicable legislation, food products containing Hemp must be produced by a wholesale food manufacturing facility that has registered with the CDPHE, and the finished product must contain a delta-9 THC concentration of no more than three-tenths of one percent (0.3%).

Kentucky

Kentucky established a robust agricultural pilot program in 2013,¹⁷ which it expanded in 2017. Program participants may grow, cultivate, handle, process or market Hemp and Hemp products. In 2017, the program covered 3,100 acres and included hundreds of participants. For 2019, the program has approved 1,035 applicants to cultivate up to 42,086 planted acres, as well as 2.9 million square feet of greenhouse space for Hemp cultivation. The Kentucky Department

⁸ Colo. Const. art. XVIII, § 16

⁹ Colorado Senate Bill 13-241. (63) 8 CCR 1203-23.

¹⁰ Id.

¹¹ Id.

¹² Id.

¹³ Id.

¹⁴ See C.R.S. §§35-61-101, et seq

¹⁵ 8 CCR §1203-23(1.12).

¹⁶ 8 CCR §1203-23(1.3)

¹⁷ Ky. Rev. Stat. §§ 260.850-.858

of Agriculture has promulgated regulations¹⁸ and issued a policy guide for the program, both of which have served as models for newer Hemp regimes in other states.

Kentucky adopts the definition of “Hemp”¹⁹ set forth under federal law. Kentucky’s definition of marijuana²⁰ excludes lawful Hemp and Hemp products, as well as the stalks, fiber and oil from seeds of the Cannabis plant.

Kentucky’s definition of marijuana specifically exempts Hemp products that do not contain any living plants, viable seeds, leaf materials or floral materials, as well as CBD products derived from hemp.²¹

While the Company itself is not a program participant, it does take steps to ensure that the Kentucky-based suppliers with which it contracts are participants in the Kentucky agricultural pilot program, including requiring suppliers to represent and warrant their compliance with Kentucky law in writing and obtaining a copy of the applicable License issued to such supplier.

Oregon

Oregon’s Hemp laws are also evolving. Hemp extracts and CBD are referred to or defined in Oregon’s Hemp statutes and the state’s hemp regulations,²² pursuant to which an “industrial hemp commodities or product” includes CBD and other compounds derived from hemp.²³ Further, all cannabinoid products from hemp must be tested for their THC and CBD content and microbiological contaminants.²⁴ Only a grower registered with Oregon Department of Agriculture (the “ODA”) may produce Hemp, and only a handler registered with the ODA may process Hemp. A separate registration is required to handle Hemp seed. There are further restrictions on who a Hemp registrant can sell to²⁵ and the Company’s packaged goods must comply with Oregon’s THC, CBD and microbiological testing requirements.

While the Company itself is not registered in Oregon, it does take steps to ensure the Oregon-based suppliers with which it contracts are appropriately registered with the ODA, including requiring suppliers to represent and warrant such compliance in writing and obtaining a copy of the applicable License issued to such supplier.

FDA Regulation

The governing food and drug law in the United States is the Federal Food, Drug, and Cosmetic Act (i.e., the FD&C Act). The purpose of the FD&C Act is to forbid the movement in interstate commerce of adulterated and misbranded food, drugs, devices and cosmetics.²⁶ The FDA is charged with protecting the integrity of the U.S. food supply and its cosmetic products, as well as monitoring the safety and efficacy of drugs, biological products, and almost any compound intended for human or animal consumption, among other areas.²⁷ To date, the FDA has approved one product containing CBD as a drug, and has taken the position that CBD cannot be marketed in a dietary supplement because a product containing CBD was approved as a drug and substantial clinical trials studying CBD as a new drug were made public prior to the marketing of any food or dietary supplements containing CBD, and therefore dietary supplements or food are precluded from containing this ingredient. This creates additional barriers to lawfully selling CBD and CBD-based products in the U.S.

The Dietary Supplement Health and Education Act (the “DSHEA”), an amendment to the federal FD&C Act, established a framework governing the composition, safety, labeling, manufacturing and marketing of dietary supplements in the United States. Generally, under DSHEA, dietary ingredients marketed in the United States prior to October 15, 1994 may be used in dietary supplements without notifying the FDA. “New” dietary ingredients (i.e. dietary ingredients “not marketed in the United States before October 15, 1994”) must be the subject of a new dietary ingredient notification submitted to the FDA unless the ingredient has been “present in the food supply as an article used for food” without being “chemically altered.” Any new dietary ingredient notification must provide the FDA with evidence of a “history of use or other evidence of safety” establishing that use of the dietary ingredient “will reasonably be expected to be safe.”

¹⁸ 302 Ky. Admin. Regs. 50:010-080

¹⁹ Ky. Rev. Stat. § 260.850(5) (73) Ky. Rev. Stat. § 218A.010(27)

²⁰ Ky. Rev. Stat. § 218A.010(27)

²¹ Ky. Rev. Stat. § 218A.010(27)(c)-(f)

²² See Oregon Revised Statutes § 571.300 et seq.; Oregon Administrative Rules § 603-048-0010 et seq.

²³ OAR § 603-048-0010 (11)(a).

²⁴ Id. at § 603-048-2320, 603-048-2340.

²⁵ OAR § 603-048-0100.

²⁶ Ky. Rev. Stat. §§ 260.850-.858

²⁷ U.S. Food and Drug Administration, Mission Statement:

<http://www.fda.gov/downloads/aboutfda/reportsmanualsforms/reports/budgetreports/ucm298331.pdf>

The FDA has taken the position that CBD cannot be marketed in a dietary supplement because it has been the subject of investigation as a new drug (such restrictions referred to as “**IND Preclusion**”). According to the FDA, the submission of the IND application for Epidiolex by Greenwich Biosciences, the U.S. subsidiary of London-based GW Pharmaceuticals, preceded the sales and marketing of CBD as a dietary supplement. Excluded from the DSHEA definition of a dietary supplement is: “an article authorized for investigation as a new drug, antibiotic, or biological for which substantial clinical investigations have been instituted and for which the existence of such investigations has been made public, which was not before such approval, certification, licensing, or authorization marketed as a dietary supplement or as a food unless the Secretary, in the Secretary’s discretion, has issued a regulation, after notice and comment, finding that the article would be lawful under this Act.” It is the FDA’s interpretation of the IND Preclusion that the preclusion date is the date in which it authorized the drug for investigation; however, the Company believes there are significant arguments against this position in that all conditions of the statute must be met before the IND Preclusion applies, including (1) authorization for investigation as a new drug; (2) substantial clinical investigations must be instituted; (3) such substantial investigations must be made public; and (4) all of the above must occur prior to the marketing of the article as a food or dietary supplement. As discussed below, the FDA takes the position that CBD was not marketed in a food or dietary supplement prior to the conditions for the IND Preclusion rendering effective. The Company disagrees with this position and further believes that its products were sold in interstate commerce prior to the publication of substantial clinical investigations. Thus, the Company takes the position that the IND Preclusion does not apply. As of the date of this Prospectus, the Company has not, and does not intend to file an investigational drug application with the FDA, concerning any of its products that contain CBD derived from Hemp.

The FD&C Act provides that a substance added to food is unsafe unless the substance is Generally Recognized as Safe (“**GRAS**”). The FDA has not recognized CBD as GRAS for human consumption, although certain hemp seed oils may be considered GRAS.^{28,29} Further research is needed to determine if other cannabinoids would be considered GRAS or what steps would be necessary for them to be recognized as GRAS. In the meantime, stakeholders are collecting data to pursue a GRAS determination for CBD. Enforcement of this prohibition has been sporadic, with CBD products being sold across the nation with FDA enforcement generally limited to products making unlawful drug or health claims. The Company’s products containing CBD derived from Hemp are not marketed or sold using claims that their use is safe and effective treatment for disease conditions pursuant to the FD&C Act.

In October 2017, the Company received a warning letter from FDA regarding claims being made for its products and citing to FDA’s position concerning the IND Preclusion (the “**Warning Letter**”). The Company responded in two phases: (1) one letter identifying corrective actions made to its website and marketing related to product claims; and (2) a separate letter responding to FDA’s comments on IND Preclusion and establishing the Company’s position that CBD is not precluded from being a food or dietary ingredient since it was marketed in a food or dietary supplement prior to substantial clinical investigations being instituted and being made public.

On May 23, 2018, the Company received a response from FDA noting the changes to the Company’s website and marketing, but also indicating the FDA did not agree with the Company’s position that CBD is not precluded from being a food or dietary ingredient since it was marketed in a food or dietary supplement prior to substantial clinical investigations being instituted and being made public. As stated above, the Company does not agree with the FDA’s position. The Company has asked FDA to elaborate on the basis for its position in a July 11, 2018 letter to the agency, since FDA’s May 23, 2018 response did not provide any such basis. To date, the Company has not received a direct response to its July 11, 2018 letter.

On December 20, 2018, the FDA released a letter from Commissioner Scott Gottlieb, which restated FDA’s current position, opining that products containing CBD ingredients may not be sold as food or dietary supplements. The letter also contained, for the first time, a clear path toward FDA’s permanent and formal acceptance of hemp-derived CBD as a food additive or nutritional supplement. For the first time, the FDA has indicated that it is considering using its authority to issue a regulation that will specifically allow hemp-derived ingredients in foods and supplements. Furthermore, the FDA stated that it intends to hold its first public meeting in April 2019 for stakeholders to share their experiences with CBD products, including information and views related to the safety of such products. The FDA stated that it is “... committed to pursuing an efficient regulatory framework for allowing product developers that meet the requirements under our authorities to lawfully market these types of products”³⁰.

Despite the position taken by the FDA, the Company believes there is substantial uncertainty and different interpretations among state and federal regulatory agencies, legislators, academics and businesses as to whether cannabinoids including CBD were present in the food supply and marketed prior to October 15, 1994 or whether such inclusion of cannabinoids is otherwise approved by the FDA as dietary ingredients, notwithstanding that Cannabis

²⁸ 21 CFR § § 170.30(b), (c), 170.3(f).

²⁹ 21 CFR § 1308.35 (a)(2). The DEA’s final rule on legal hemp materials and products specifically excludes materials used for human consumption

³⁰ <https://www.fda.gov/NewsEvents/Newsroom/Press/Announcements/ucm628988.htm>

and the cannabinoids contained therein have been therapeutically used and consumed as food by human beings for centuries even if not specifically labeled as CBD or other cannabinoids. As a result, the Company believes the federal legality regarding the distribution and sale of hemp-based products intended for human consumption must be considered on a case-by-case basis and that the uncertainties cannot be resolved without further federal legislation, regulation or a definitive judicial interpretation of existing legislation and rules. A determination that hemp products containing CBD or other cannabinoids were not present in the food supply, marketed prior to October 15, 1994, are not otherwise permissible for use as a dietary ingredient, may have a materially adverse effect upon the Company and its business. Moreover, if the FDA were to enforce the IND Preclusion based on its interpretation of the legislation, this would have a materially adverse effect upon the Company and its business.

Hemp derived products may be legally sold and marketed in the United States where they contain hemp lawfully imported from another country or cultivated pursuant to a state agricultural program, provided the product complies with the FD&C Act and applicable state and federal law. Textiles, fibers, and certain food and cosmetic products containing hemp seed and hemp seed oils can be lawfully sold in compliance with federal law. Products containing CBD, however, may only be legal to the extent they are lawfully sourced, sold in a state where state law does not prohibit such sale and where they are compliant with the FD&C Act. Compliance with the FD&C Act may prove difficult for most CBD products, while other hemp-based products such as hemp topicals, hemp seed, hemp seed oils and certain non-consumable products may be able to achieve compliance with FD&C Act more easily.

Except as described above and elsewhere in this Prospectus, the Company is in compliance with applicable law and has not received any citations or notices of violation which may have an impact on the Company's Licenses, business activities or operations.

Future Uncertainty of Legal Status

There remain a number of considerations and uncertainties regarding the cultivation, sourcing, production and distribution of Hemp and products containing hemp derivatives. Applicable laws and regulations remain subject to change as there are different interpretations among federal, state and local regulatory agencies, legislators, academics and businesses with respect to the treatment of the importation of derivatives from exempted portions of the Cannabis plant and the scope of operation of 2018 Farm Bill-compliant hemp programs. These different federal, state and local agency interpretations, as discussed above, touch on the regulation of cannabinoids by the FDA and the extent to which imported derivatives, and/or 2018 Farm Bill-compliant cultivators and processors may engage in interstate commerce, whether under federal and/or state law. **The uncertainties likely cannot be resolved without further federal and state legislation, regulation or a definitive judicial interpretation of existing legislation and rules.**

Materially all of the Company's assets, liabilities and operations are exposed to U.S. Hemp-related activities.

The Company's Regulatory Compliance Activities

Under the oversight of the VP of Regulatory Affairs and Compliance, the Company's senior management team regularly monitors the development of applicable U.S. laws and the Company engages U.S. legal counsel to ensure it is operating in compliance with all applicable laws and permits. These compliance-related activities include efforts affecting the following objectives, when and as applicable:

- ensuring all raw materials are sourced in compliance with the 2018 Farm Bill and applicable state and local laws;
- evaluating supply chain partners for quality standards;
- setting and maintaining quality standards through raw material specifications;
- employing qualified quality assurance personnel; and
- ensuring processing activities performed in Colorado comply with CDPHE Guidance, the Colorado Food and Drug Act, and the Colorado Industrial Hemp Regulatory Program Act.

The Company is a key member of the U.S. Hemp Roundtable. The U.S. Hemp Roundtable is a coalition of dozens of Hemp companies representing each key link of the product chain, from seed to sale, as well as the Hemp industry's major national grassroots organizations. The Company is also working closely with the U.S. Hemp Roundtable's efforts to develop standards, best practices and a self-regulated organization for the industry to give confidence to consumers that Hemp products are safe, and to law enforcement, that Hemp products are legal.

In January 2019 the Company received U.S. Hemp Authority Certification. The U.S. Hemp Authority is an industry self-regulatory organization. The U.S. Hemp Authority Certification program provides education on standards and best practices for the hemp industry and continued certification requires an annual third-party audit.

EUROPEAN, ASIAN AND CANADIAN REGULATORY MATTERS

Europe and Asia

The Company is currently exploring manufacturing partnerships for local production, manufacturing and/or distribution in select international markets. The Company has engaged a producer in Europe who is manufacturing small quantities of CBD product for sale in select Western European countries and the United Kingdom. The Company intends that additional products would be tailored with specific attributes to comply with local regulations, as applicable. Legislative approaches to the regulation of CBD-related products vary country by country, including local regulations with respect to THC content, and continue to evolve. For example, to comply with more restrictive THC content specifications in Europe, products distributed therein must contain no more than 0.2% THC. In connection with its international expansion efforts, the Company has engaged local legal counsel to advise on matters that will be applicable to the proposed expansion activities of the Company. The Company anticipates that it will make decisions as to its proposed international expansion once its regulatory review of potential jurisdictions is complete.

In 2018, CWB sold its products in Argentina, Brazil, Canada, Italy, Puerto Rico, and Uruguay, and to other jurisdictions through third party distributors who take delivery in bulk and manage individual orders. Each of these countries regulates the import of Cannabis-derived products and requires some form of importation license, permit or other documentation for products. The exact nature of the importation documentation varies from country to country, and is affected by various factors, including the level of THC content and the intended use of the product. For example, in certain international jurisdictions, CBD products may be regulated as a dietary supplement and subject to local packaging and labelling requirements, whereas in certain jurisdictions a prescription from a licensed medical practitioner is required. Management recently determined to cease sales activities in certain international jurisdictions pending a comprehensive review of such local regulations, as discussed below. In the event any prior sales or distributions were conducted in contravention of a local law or regulation, the Company may be subject to penalties imposed by the applicable jurisdiction. To the knowledge of the Company, it has not breached any substantive foreign law. However, were there such a breach, the Company does not believe such non-compliance would have a material adverse effect on the Company given the limited amount of sales, the fact that all sales were conducted by recognized local distributors for whom the Company's products typically represented a small portion of total sales of hemp-products in the jurisdiction and the lack of notice of regulatory non-compliance to date. In 2018, aggregate sales in international jurisdictions represented approximately 0.5% of total sales.

Future international sales activities will require compliance with the THC content limits of the applicable international jurisdictions in which the Company sells its U.S.-manufactured products, as well as applicable local regulations regarding the sale in such jurisdictions. The Company periodically reviews changes in applicable U.S. export laws, regulations and departmental practices as well as applicable international laws and adjusts its sales practices accordingly, including the temporary suspension of sales, if applicable. In addition to its regulatory review regarding potential international production, manufacturing and distribution activities, the Company is also reviewing the current compliance procedures implemented by its mail-order/online distributors. Such international sales will only take place in an applicable country once the applicable review of current regulatory regimes is complete and applicable compliance procedures have been updated and implemented. Sales of its products in international jurisdictions will be conducted in accordance with local regulatory regimes permitting such sales.

Canada

Although the Company's products are not marijuana, they are listed on Schedule 2 of the CDSA. Therefore, their importation and sale in Canada is governed by Health Canada, which has the authority to grant exemptions from the CDSA and issue importation certificates on a case by case basis. The Company requires each Canadian purchaser to provide such a certificate from Health Canada for each order delivered to Canada, which certificate allows the legal importation thereof by the purchaser. The Company does not produce any products in Canada.

The Company does not conduct its business with the "intent to conceal or convert" such proceeds as contemplated under Section 462.31 of the *Criminal Code* (Canada). The business of the Company is the lawful production and sale of Hemp pursuant to applicable regulatory regimes, which business if conducted in Canada, would not be an offence in Canada. The Company has considered the foregoing provisions and is satisfied that its activities will not violate the *Criminal Code* (Canada).

SECONDARY SALES

Securities may be sold under this Prospectus by way of secondary offering by or for the account of certain of our securityholders. The Prospectus Supplement that we will file in connection with any offering of Securities by selling securityholders will include the following information:

- the names of the selling securityholders;
- the number or amount of Securities owned, controlled or directed of the class being distributed by each selling securityholder;
- the number or amount of Securities of the class being distributed for the account of each selling securityholder;
- the number or amount of Securities of any class to be owned, controlled or directed by the selling securityholders after the distribution and the percentage that number or amount represents of the total number of our outstanding Securities;
- whether the Securities are owned by the selling securityholders both of record and beneficially, of record only, or beneficially only;
- the Prospectus Supplement will contain, if applicable, the disclosure required by Item 1.11 of Form 44-101F1 - *Short Form Prospectus*, and, if applicable, the selling securityholders will file a non-issuer's submission to jurisdiction form with the corresponding Prospectus Supplement; and
- all other information that is required to be included in the applicable Prospectus Supplement.

USE OF PROCEEDS

The net proceeds to the Company from any offering of Securities and the proposed use of those proceeds will be set forth in the applicable Prospectus Supplement relating to that offering of Securities. Among other potential uses, the Company may use the net proceeds from the sale of Securities for general corporate purposes, capital projects and potential future acquisitions and international expansion. The Company will not receive any proceeds from any sale of any Securities by the selling securityholders. Management of the Company will retain broad discretion in allocating the net proceeds of any offering of Securities by the Company under this Prospectus and the Company's actual use of the net proceeds will vary depending on the availability and suitability of investment opportunities and its operating and capital needs from time to time. All expenses relating to an offering of Securities and any compensation paid to underwriters, dealers or agents, as the case may be, will be paid out of the proceeds from the sale of Securities, unless otherwise stated in the applicable Prospectus Supplement, provided that certain expenses in any secondary offering may be paid by the Company. See "*Risk Factors - Discretion in the Use of Proceeds*".

The Company may, from time to time, issue securities (including Securities) other than pursuant to this Prospectus.

Below is a reconciliation of the manner in which the net proceeds from the Company's initial public offering were used by the Company compared to the disclosure in the IPO Prospectus.

<u>Disclosure in the IPO Prospectus</u>	<u>Use of Proceeds</u>
C\$26.3 million (US\$20.0 million) for expansion of production capacity	The Company has applied US\$0.7 million of the net proceeds in connection with the expansion of production capacity. The remaining approximately US\$19.3 million of the net proceeds is expected to be used in the next 12-month period.
C\$18.4 million (US\$14.0 million) for cultivation infrastructure	The Company has applied US\$3.0 million of the net proceeds in connection with the expansion of cultivation infrastructure and equipment. The remaining approximately US\$11.0 million of the net proceeds is expected to be used for the same purposes in the next 12-month period.

C\$6.6 million (US\$5.0 million) for research and product development	The Company applied approximately US\$0.3 million of the net proceeds to R&D initiatives, including cannabinoid production research, testing and legal and transaction costs. The remaining approximately US\$4.7 million of the net proceeds is expected to be used in the next 12-month period.
C\$13.2 million (US\$10.0 million) for international expansion	The Company has applied US\$0.2 million of the net proceeds in connection with expansion in Western Europe. The remaining approximately US\$9.8 million of the net proceeds is expected to be used for continued expansion in this region over the next 12-month period.
C\$26.0 million (US\$19.8 million) for working capital, marketing and general corporate purposes	The Company has applied US\$12.1 million of the net proceeds in connection with the expansion of its inventory levels to service retail expansion and for marketing efforts for its brand and products. The remaining approximately US\$7.7 million of the net proceeds is expected to be used for the same purposes in the next 6-month period.

DESCRIPTION OF SECURITIES

The following describes the material terms of the Company's share capital and a brief summary of certain general terms and provisions of the Securities as at the date of this Prospectus. The summary does not purport to be complete, is indicative only and is qualified in its entirety by reference to, the terms and provisions of our notice of articles and articles, as amended (the "**Articles**") . The specific terms of any Securities to be offered under this Prospectus, and the extent to which the general terms described in this Prospectus apply to such Securities, will be set forth in the applicable Prospectus Supplement. Moreover, a Prospectus Supplement relating to a particular offering of Securities may include terms pertaining to the Securities being offered thereunder that are not within the terms and parameters described in this Prospectus. The Securities will not include any novel derivatives or asset-backed securities as discussed under Part 4 of National Instrument 44-102 - *Shelf Distributions*.

Our authorized share capital consists of an unlimited number of Common Shares of which 25,375,294 were issued and outstanding as of April 1, 2019, an unlimited number of Proportionate Voting Shares of which 169,696.18 were issued and outstanding as of April 1, 2019, and an unlimited number of Preferred Shares, issuable in series, none of which were issued and outstanding as of April 1, 2019. If all such outstanding Proportionate Voting Shares were converted, there would be 93,253,766 Common Shares outstanding.

The Company received an exemption order dated August 23, 2018 from the securities regulatory authorities in each of the Provinces of Canada (except Quebec) which provided an exemption from the provisions of National Instrument 41-101 - *General Prospectus Requirements* in relation to the qualification of the Common Shares as "restricted securities". Subject to compliance with certain disclosure requirements, the exemption order applied to the Company's IPO Prospectus, as well as applies to any other prospectuses that the Company may file under National Instrument 44-102 - *Shelf Distributions*, including this Prospectus.

Common Shares and Proportionate Voting Shares

Holders of our Proportionate Voting Shares are entitled to 400 votes per Proportionate Voting Share and holders of Common Shares are entitled to one vote per Common Share on all matters upon which holders of shares are entitled to vote. As of April 1, 2019, the Common Shares collectively represent approximately 99.34% of our total issued and outstanding shares and approximately 27.21% of the voting power attached to all of our issued and outstanding shares and the Proportionate Voting Shares collectively represent approximately 0.66% of our total issued and outstanding shares and approximately 72.79% of the voting power attached to all of our issued and outstanding shares.

The Proportionate Voting Shares and Common Shares are collectively referred to herein as the "**Shares**".

Conversion Rights and Transfers

Issued and outstanding Proportionate Voting Shares, including fractions thereof, may at any time, subject to the FPI Condition (as defined below), at the option of the holder, be converted into Common Shares at a ratio of 400 Common Shares per Proportionate Voting Share. Further, our Board may determine in the future that it is no longer advisable to maintain the Proportionate Voting Shares as a separate class of shares (a “**Conversion Event**”) and may cause all of the issued and outstanding Proportionate Voting Shares to be converted into Common Shares at a ratio of 400 Common Shares per Proportionate Voting Share.

The Proportionate Voting Shares are not transferrable without approval of our Board, except to Permitted Holders (as defined below) and in compliance with U.S. securities laws.

Conversion Conditions

The right to convert the Proportionate Voting Shares into Common Shares is subject to certain conditions in order to maintain the Company’s status as a “foreign private issuer” under U.S. securities laws. Unless otherwise waived by the Company, the right to convert the Proportionate Voting Shares is subject to the condition that the aggregate number of Common Shares and Proportionate Voting Shares (calculated as a single class) held of record, directly or indirectly, by residents of the United States (as determined in accordance with Rules 3b-4 and 12g3-2(a) under the Exchange Act) may not exceed forty percent (40%) of the aggregate number of Common Shares and Proportionate Voting Shares issued and outstanding after giving effect to such conversions (calculated as a single class) (the “**FPI Condition**”). The FPI Condition may be waived at any time, and in connection with one or more conversion instances, by the Board.

A holder of Common Shares may at any time, at the option of the holder and with the consent of the Company, convert such Common Shares into Proportionate Voting Shares on the basis of 400 Common Shares for one Proportionate Voting Share.

No fractional Common Shares will be issued on any conversion of any Proportionate Voting Shares and any fractional Common Shares will be rounded down to the nearest whole number.

For the purposes of the foregoing:

- “**Affiliate**” means, with respect to any specified Person, any other Person which directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with such specified Person.
- “**Permitted Holders**” means (i) the initial holders of Proportionate Voting Shares, as applicable, on closing of our IPO; and (ii) any Affiliate or Person controlled, directly or indirectly, by one or more of the Persons referred to in clause (i) above.
- “**Person**” means any individual, partnership, corporation, company, association, trust, joint venture or limited liability company.
- A Person is “**controlled**” by another Person or other Persons if: (i) in the case of a company or other body corporate wherever or however incorporated: (A) securities entitled to vote in the election of directors carrying in the aggregate at least a majority of the votes for the election of directors and representing in the aggregate at least a majority of the participating (equity) securities are held, other than by way of security only, directly or indirectly, by or solely for the benefit of the other Person or Persons; and (B) the votes carried in the aggregate by such securities are entitled, if exercised, to elect a majority of the board of directors of such company or other body corporate; or (ii) in the case of a Person that is not a company or other body corporate, at least a majority of the participating (equity) and voting interests of such Person are held, directly or indirectly, by or solely for the benefit of the other Person or Persons; and “controls”, “controlling” and “under common control with” shall be interpreted accordingly.

Voting Rights

All holders of Shares will be entitled to receive notice of any meeting of shareholders of the Company, and to attend, vote and speak at such meetings, except those meetings at which only holders of a specific class of shares are entitled to vote separately as a class under the BCBCA. A quorum for the transaction of business at a meeting of shareholders is present if shareholders who, together, hold not fewer than 25% of the votes attaching to the outstanding voting shares entitled to vote at the meeting are present in person or represented by proxy.

On all matters upon which holders of Shares are entitled to vote:

- each Common Share is entitled to one vote per Common Share; and
- each Proportionate Voting Share is entitled to 400 votes per Proportionate Voting Share, and each fraction of a Proportionate Voting Share is entitled to the number of votes calculated by multiplying the fraction by 400.

The number of votes represented by fractional Proportionate Voting Shares will be rounded down to the nearest whole number. Unless a different majority is required by law or the Articles, resolutions to be approved by holders of Shares require approval by a simple majority of the total number of votes of all Shares cast at a meeting of shareholders at which a quorum is present based on the voting entitlements of each class of Shares described above.

Dividend Rights

Holders of Shares are entitled to receive dividends out of the assets available for the payment or distribution of dividends at such times and in such amount and form as our Board may from time to time determine, subject to any preferential rights of the holders of any outstanding Preferred Shares, on the following basis, and otherwise without preference or distinction among or between the Shares: each Proportionate Voting Share will be entitled to 400 times the amount paid or distributed per Common Share (including by way of share dividends, which holders of Proportionate Voting Shares will receive in Proportionate Voting Shares, unless otherwise determined by the Board) and each fraction of a Proportionate Voting Share will be entitled to the applicable fraction thereof. We are permitted to pay dividends unless there are reasonable grounds for believing that: (i) the Company is insolvent; or (ii) the payment of the dividend would render the Company insolvent. See also "*Conversion Rights and Transfers*" above.

Liquidation Rights

In the event of the liquidation, dissolution or winding-up of the Company or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs, whether voluntarily or involuntarily, the holders of Shares will be entitled to receive all of the Company's assets remaining after payment of all debts and other liabilities, subject to any preferential rights of the holders of any outstanding Preferred Shares, on the basis that each Proportionate Voting Share will be entitled to 400 times the amount distributed per Common Share (and each fraction of a Proportionate Voting Share will be entitled to the amount calculated by multiplying the fraction by the amount otherwise payable in respect of a whole Proportionate Voting Share), and otherwise without preference or distinction among or between the Shares. See "*Conversion Rights and Transfers*" above.

Pre-emptive and Redemption Rights

Holders of Shares will not have any pre-emptive or redemption rights.

Subdivision or Consolidation

No subdivision or consolidation of any class of Shares may be carried out unless, at the same time, the Common Shares and Proportionate Voting Shares, as the case may be, are subdivided or consolidated in the same manner and on the same basis, so as to preserve the relative rights of the holders of each class of Shares.

Certain Amendments

In addition to any other voting right or power to which the holders of Common Shares and Proportionate Voting Shares shall be entitled by law or regulation or other provisions of the Articles from time to time in effect, but subject to the provisions of the Articles, holders of Common Shares and Proportionate Voting Shares shall each be entitled to vote separately as a class, in addition to any other vote of shareholders that may be required, in respect of any alteration, repeal or amendment of our Articles which would adversely affect the rights or special rights of the holders of Common Shares or Proportionate Voting Shares, or which would affect the rights of the holders of the Common Shares and the holders of Proportionate Voting Shares differently, on a per share basis, including an amendment to the terms of the Articles that provide that any Proportionate Voting Shares sold or transferred to a Person that is not a Permitted Holder shall be automatically converted into Common Shares.

Pursuant to the Articles, holders of Shares will be treated equally and identically, on a per share basis, in certain change of control transactions that require approval of our shareholders under the BCBCA, unless different treatment

of the shares of each such class is approved by a majority of the votes cast by the holders of the Common Shares and Proportionate Voting Shares, each voting separately as a class.

The rights, privileges, conditions and restrictions attaching to any Shares may be modified if the amendment is authorized by not less than 66⅔% of the votes cast at a meeting of holders of Shares duly held for that purpose. However, if the holders of Proportionate Voting Shares, as a class, or the holders of Common Shares, as a class, are to be affected in a manner materially different from such other class of Shares, the amendment must, in addition, be authorized by not less than 66⅔% of the votes cast at a meeting of the holders of the class of shares which is affected differently.

Issuance of Additional Proportionate Voting Shares

The Company may issue additional Proportionate Voting Shares upon the approval of our Board. Approval is not required in connection with a subdivision or consolidation on a *pro rata* basis as between the Common Shares and the Proportionate Voting Shares.

Take-Over Bid Protection

If an offer is being made for Proportionate Voting Shares (a “**PVS Offer**”) where: (i) by reason of applicable securities legislation or stock exchange requirements, the offer must be made to all holders of the class of Proportionate Voting Shares; and (ii) no equivalent offer is made for the Common Shares, the holders of Common Shares have the right, pursuant to the Articles, at their option, to convert their Common Shares into Proportionate Voting Shares for the purpose of allowing the holders of the Common Shares to tender to such PVS Offer, provided that such conversion into Proportionate Voting Shares will be solely for the purpose of tendering the Proportionate Voting Shares to the PVS Offer in question and that any Proportionate Voting Shares that are tendered to the PVS Offer but that are not, for any reason, taken up and paid for by the offeror will automatically be reconverted into the Common Shares that existed prior to such conversion.

In the event that holders of Common Shares are entitled to convert their Common Shares into Proportionate Voting Shares in connection with a PVS Offer pursuant to (ii) above, holders of an aggregate of Common Shares of less than 400 (an “**Odd Lot**”) will be entitled to convert all but not less than all of such Odd Lot of Common Shares into an applicable fraction of one Proportionate Voting Share, provided that such conversion into a fractional Proportionate Voting Share will be solely for the purpose of tendering the fractional Proportionate Voting Share to the PVS Offer in question and that any fraction of a Proportionate Voting Share that is tendered to the PVS Offer but that is not, for any reason, taken up and paid for by the offeror will automatically be reconverted into the Common Shares that existed prior to such conversion.

Advance Notice Provisions

The Company has included certain advance notice provisions with respect to the election of its directors in the Articles (the “**Advance Notice Provisions**”). The Advance Notice Provisions are intended to: (i) facilitate orderly and efficient annual general meetings or, where the need arises, special meetings; (ii) ensure that all shareholders receive adequate notice of Board nominations and sufficient information with respect to all nominees; and (iii) allow shareholders to register an informed vote. Only persons who are nominated by shareholders in accordance with the Advance Notice Provisions will be eligible for election as directors at any annual meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which the special meeting was called was the election of directors.

Under the Advance Notice Provisions, a shareholder wishing to nominate a director would be required to provide the Company notice, in the prescribed form, within the prescribed time periods. These time periods include, (i) in the case of an annual meeting of shareholders (including annual and special meetings), not fewer than 30 days prior to the date of the annual meeting of shareholders; provided, that if the first public announcement of the date of the annual meeting of shareholders (the “**Notice Date**”) is fewer than 50 days before the meeting date, not later than the close of business on the 10th day following the Notice Date; and (ii) in the case of a special meeting (which is not also an annual meeting) of shareholders called for any purpose which includes electing directors, not later than the close of business on the 15th day following the Notice Date, provided that, in either instance, if notice-and-access (as defined in National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer*) is used for delivery of proxy related materials in respect of a meeting described above, and the Notice Date in respect of the meeting is not fewer than 50 days prior to the date of the applicable meeting, the notice must be received not later than the close of business on the 40th day before the applicable meeting.

Forum Selection

The Company has included a forum selection provision in its Articles that provides that, unless the Company consents in writing to the selection of an alternative forum, the Supreme Court of British Columbia, Canada and the appellate courts therefrom, will be the sole and exclusive forum for (i) any derivative action or proceeding brought on the Company's behalf; (ii) any action or proceeding asserting a claim of breach of a fiduciary duty owed by any of the Company's directors, officers or other employees to the Company; (iii) any action or proceeding asserting a claim arising pursuant to any provision of the BCBCA or the Articles; or (iv) any action or proceeding asserting a claim otherwise related to the relationships among the Company, its Affiliates and their respective shareholders, directors and/or officers, but excluding claims related to the Company's business or such Affiliates. The forum selection provision also provides that the Company's securityholders are deemed to have consented to personal jurisdiction in the Province of British Columbia and to service of process on their counsel in any foreign action initiated in violation of the foregoing provisions.

Preferred Shares

The Preferred Shares may at any time and from time to time be issued in one or more series. Subject to the provisions of the BCBCA and our Articles, our Board may, by resolution, from time to time before the issue thereof determine the maximum number of shares of each series, create an identifying name for each series, attach special rights or restrictions to the Preferred Shares of each series including, without limitation, any right to receive dividends (which may be cumulative or non-cumulative and variable or fixed) or the means of determining such dividends, the dates of payment thereof, any terms or conditions of redemption or purchase, any conversion rights, any retraction rights, any rights on our liquidation, dissolution or winding up and any sinking fund or other provisions, the whole to be subject to filing a notice of alteration to our Articles to create the series and altering our Articles to include the special rights or restrictions attached to the Preferred Shares of the series. Except as provided in any special rights or restrictions attaching to any series of Preferred Shares issued from time to time, the holders of Preferred Shares will not be entitled to receive notice of, attend or vote at any meeting of shareholders.

Preferred shares of each series, if and when issued, will, with respect to the payment of dividends, rank *pari passu* with the Preferred Shares of every other series and be entitled to preference over the Common Shares, the Proportionate Voting Shares and any other shares of the Company ranking junior to the Preferred Shares with respect to payment of dividends.

In the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of Preferred Shares will be entitled to preference with respect to distribution of the property or assets of the Company over the Common Shares, the Proportionate Voting Shares and any other shares of the Company ranking junior to the Preferred Shares with respect to the repayment of capital paid up on and the payment of unpaid dividends accrued on the Preferred Shares.

Warrants

As of the date of this Prospectus, the Company has 18,066 warrants outstanding to purchase 18,066 Common Shares. The warrants outstanding were issued under the IPO Prospectus to certain agents. The Company may issue additional Warrants, separately or together, with Common Shares, Preferred Shares, Subscription Receipts or Units or any combination thereof, as the case may be. The Warrants would be issued under a separate warrant agreement or indenture. The specific terms and provisions that will apply to any Warrants that may be offered by us pursuant to this Prospectus will be set forth in the applicable Prospectus Supplement. This description will include, where applicable:

- the number of Warrants offered;
- the price or prices, if any, at which the Warrants will be issued;
- the currency at which the Warrants will be offered and in which the exercise price under the Warrants may be payable;
- upon exercise of the Warrant, the events or conditions under which the amount of Securities may be subject to adjustment;
- the date on which the right to exercise such Warrants shall commence and the date on which such right shall expire;
- if applicable, the identity of the Warrant agent;

- whether the Warrants will be listed on any securities exchange;
- whether the Warrants will be issued with any other Securities and, if so, the amount and terms of these Securities;
- any minimum or maximum subscription amount;
- whether the Warrants are to be issued in registered form, “book-entry only” form, non-certificated inventory system form, bearer form or in the form of temporary or permanent global securities and the basis of exchange, transfer and ownership thereof;
- any material risk factors relating to such Warrants and the Securities to be issued upon exercise of the Warrants;
- any other rights, privileges, restrictions and conditions attaching to the Warrants and the Securities to be issued upon exercise of the Warrants; and
- any other material terms or conditions of the Warrants and the Securities to be issued upon exercise of the Warrants.

The terms and provisions of any Warrants offered under a Prospectus Supplement may differ from the terms described above, and may not be subject to or contain any or all of the terms described above.

Prior to the exercise of any Warrants, holders of such Warrants will not have any of the rights of holders of the Securities purchasable upon such exercise, including the right to receive payments of dividends or the right to vote such underlying securities.

Subscription Receipts

As of the date of this Prospectus, the Company has no Subscription Receipts outstanding. The Company may issue Subscription Receipts, separately or together, with Common Shares, Preferred Shares, Warrants or Units or any combination thereof, as the case may be. The particular terms and provisions of the Subscription Receipts as may be offered pursuant to this Prospectus will be set forth in the applicable Prospectus Supplement pertaining to such offering of Subscription Receipts, and the extent to which the general terms and provisions described below may apply to such Subscription Receipts will be described in the applicable Prospectus Supplement.

The Subscription Receipts may be issued under a subscription receipt agreement. The applicable Prospectus Supplement will include details of the subscription receipt agreement, if any, governing the Subscription Receipts being offered. The Company will file a copy of the subscription receipt agreement, if any, relating to an offering of Subscription Receipts with the relevant securities regulatory authorities in Canada after it has been entered into by the Company.

The specific terms and provisions that will apply to any Subscription Receipts that may be offered by us pursuant to this Prospectus will be set forth in the applicable Prospectus Supplement. This description will include, where applicable:

- the number of Subscription Receipts offered;
- the price or prices, if any, at which the Subscription Receipts will be issued;
- the manner of determining the offering price(s);
- the currency at which the Subscription Receipts will be offered and whether the price is payable in installments;
- the Securities into which the Subscription Receipts may be exchanged;
- conditions to the exchange of Subscription Receipts into other Securities and the consequences of such conditions not being satisfied;
- the number of Securities that may be issued upon the exchange of each Subscription Receipt and the price per Security or the aggregate principal amount and the events or conditions under which the amount of Securities may be subject to adjustment;
- the dates or periods during which the Subscription Receipts may be exchanged;

- the circumstances, if any, which will cause the Subscription Receipts to be deemed to be automatically exchanged;
- provisions applicable to any escrow of the gross or net proceeds from the sale of the Subscription Receipts plus any interest or income earned thereon, and for the release of such proceeds from such escrow;
- if applicable, the identity of the Subscription Receipt agent;
- whether the Subscription Receipts will be listed on any securities exchange;
- whether the Subscription Receipts will be issued with any other Securities and, if so, the amount and terms of these Securities;
- any minimum or maximum subscription amount;
- whether the Subscription Receipts are to be issued in registered form, “book-entry only” form, non-certificated inventory system form, bearer form or in the form of temporary or permanent global securities and the basis of exchange, transfer and ownership thereof;
- any material risk factors relating to such Subscription Receipts and the Securities to be issued upon exchange of the Subscription Receipts;
- any other rights, privileges, restrictions and conditions attaching to the Subscription Receipts and the Securities to be issued upon exchange of the Subscription Receipts; and
- any other material terms or conditions of the Subscription Receipts and the Securities to be issued upon exchange of the Subscription Receipts.

The terms and provisions of any Subscription Receipts offered under a Prospectus Supplement may differ from the terms described above, and may not be subject to or contain any or all of the terms described above.

Prior to the exchange of any Subscription Receipts, holders of such Subscription Receipts will not have any of the rights of holders of the Securities for which the Subscription Receipts may be exchanged, including the right to receive payments of dividends or the right to vote such underlying securities.

Units

As of the date of this Prospectus, the Company has no Units outstanding. The Company may issue Units, separately or together, with Common Shares, Preferred Shares, Warrants or Subscription Receipts or any combination thereof, as the case may be. Each Unit would be issued so that the holder of the Unit is also the holder of each Security comprising the Unit. Thus, the holder of a Unit will have the rights and obligations of a holder of each applicable Security. The specific terms and provisions that will apply to any Units that may be offered by us pursuant to this Prospectus will be set forth in the applicable Prospectus Supplement. This description will include, where applicable:

- the number of Units offered;
- the price or prices, if any, at which the Units will be issued;
- the manner of determining the offering price(s);
- the currency at which the Units will be offered;
- the Securities comprising the Units;
- whether the Units will be issued with any other Securities and, if so, the amount and terms of these Securities;
- any minimum or maximum subscription amount;
- whether the Units and the Securities comprising the Units are to be issued in registered form, “book-entry only” form, non-certificated inventory system form, bearer form or in the form of temporary or permanent global securities and the basis of exchange, transfer and ownership thereof;
- any material risk factors relating to such Units or the Securities comprising the Units;
- any other rights, privileges, restrictions and conditions attaching to the Units or the Securities comprising the Units; and

- any other material terms or conditions of the Units or the Securities comprising the Units, including whether and under what circumstances the Securities comprising the Units may be held or transferred separately.

The terms and provisions of any Units offered under a Prospectus Supplement may differ from the terms described above, and may not be subject to or contain any or all of the terms described above.

CONSOLIDATED CAPITALIZATION

Since December 31, 2018, the date of the Company's most recently filed financial statements, there have been no material changes to the Company's share and loan capitalization on a consolidated basis except the following:

- in January, 2019, the issuance of a total of 425,324 Common Shares on conversion of 1,063.31 Proportionate Voting Shares;
- in January, 2019, the issuance of a total of 1,555 Common Shares upon exercise of an outstanding broker warrant;
- in February, 2019, the issuance of a total of 59,728 stock options to purchase Common Shares;
- in February, 2019, the issuance of a total of 74,003 Common Shares upon exercise of an outstanding broker warrant;
- in February, 2019, the issuance of a total of 235,376 Common Shares on conversion of 588.44 Proportionate Voting Shares;
- in March, 2019, the issuance of a total of 2,652,060 Common Shares on conversion of 6,630.15 Proportionate Voting Shares;
- in March, 2019, the issuance of a total of 5,175 Common Shares upon exercise of an outstanding broker warrant;
- in April, 2019 thus far, the issuance of a total of 956,000 Common Shares on conversion of 2,390.00 Proportionate Voting Shares;
- in April, 2019 thus far, the issuance of a total of 7,140 Common Shares upon exercise of an outstanding broker warrant;
- in April, 2019 thus far, the issuance of a total of 504,922 Common Shares upon exercise of an outstanding option; and
- in April, 2019, the issuance of a total of 40,565 stock options to purchase Common Shares and 8,530 Common Shares as restricted stock awards.

The applicable Prospectus Supplement will describe any material change, and the effect of such material change, on the share and loan capitalization of the Company that will result from the issuance of Securities pursuant to such Prospectus Supplement.

EARNINGS COVERAGE RATIOS

The applicable Prospectus Supplement will provide, as required, the earnings coverage ratios with respect to the issuance of Securities pursuant to such Prospectus Supplement.

PLAN OF DISTRIBUTION

We may offer and sell Securities directly to one or more purchasers through agents or through underwriters or dealers designated by us from time to time. We may distribute the Securities from time to time in one or more transactions at fixed prices (which may be changed from time to time), at market prices prevailing at the times of sale, at varying prices determined at the time of sale, at prices related to prevailing market prices or at negotiated prices. A description of such pricing will be disclosed in the applicable Prospectus Supplement. We may offer Securities in the same offering, or we may offer Securities in separate offerings.

This Prospectus may also, from time to time, relate to the offering of our Securities by certain selling securityholders. The selling securityholders may sell all or a portion of our Securities beneficially owned by them and offered thereby from time to time directly or through one or more underwriters, broker-dealers or agents. Our Securities may be sold

by the selling securityholders in one or more transactions at fixed prices (which may be changed from time to time), at market prices prevailing at the time of the sale, at varying prices determined at the time of sale, at prices related to prevailing market prices or at negotiated prices.

A Prospectus Supplement will describe the terms of each specific offering of Securities, including: (i) the terms of the Securities to which the Prospectus Supplement relates, including the type of Security being offered; (ii) the name or names of any agents, underwriters or dealers involved in such offering of Securities; (iii) the name or names of any selling securityholders; (iv) the purchase price of the Securities offered thereby and the proceeds to, and the portion of expenses borne by, the Company from the sale of such Securities; (v) any agents' commission, underwriting discounts and other items constituting compensation payable to agents, underwriters or dealers; and (vi) any discounts or concessions allowed or re-allowed or paid to agents, underwriters or dealers.

The Securities may be sold in transactions that are deemed to be "at-the-market distributions" as defined in National Instrument 44-102 - *Shelf Distributions*, including sales made directly on the CSE or other existing trading markets for the Common Shares. In the event that the Corporation determines to pursue an "at-the market" offering in Canada, the Corporation shall apply for applicable exemptive relief from the necessary Canadian securities commissions.

If underwriters are used in an offering, the Securities offered thereby may be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The obligations of the underwriters to purchase Securities, if applicable, will be subject to the conditions precedent agreed upon by the parties.

The Securities may also be sold: (i) directly by the Company or the selling securityholders at such prices and upon such terms as agreed to; or (ii) through agents designated by the Company or the selling securityholders from time to time. Any agent involved in the offering and sale of the Securities in respect of which this Prospectus is delivered will be named, and any commissions payable by the Company and/or selling securityholder to such agent will be set forth, in the Prospectus Supplement. Unless otherwise indicated in the Prospectus Supplement, any agent is acting on a "best efforts" basis for the period of its appointment.

We and/or the selling securityholders may agree to pay the underwriters, broker-dealers or agents a commission for various services relating to the issue and sale of any Securities offered under any Prospectus Supplement. Underwriters, broker-dealers or agents who participate in the distribution of the Securities may be entitled under agreements to be entered into with the Company and/or the selling securityholders to indemnification by the Company and/or the selling securityholders against certain liabilities, including liabilities under securities legislation, or to contribution with respect to payments which such underwriters, dealers or agents may be required to make in respect thereof. Any public offering price and any discounts or concessions allowed or re-allowed or paid to underwriters, broker-dealers or agents may be changed from time to time.

Each class or series of Preferred Shares, Warrants, Subscription Receipts and Units will be a new issue of Securities with no established trading market. Unless otherwise specified in the applicable Prospectus Supplement, the Preferred Shares, Warrants, Subscription Receipts or Units will not be listed on any securities or stock exchange. Unless otherwise specified in the applicable Prospectus Supplement, there is no market through which the Preferred Shares, Warrants, Subscription Receipts or Units may be sold and purchasers may not be able to resell Preferred Shares, Warrants, Subscription Receipts or Units purchased under this Prospectus or any Prospectus Supplement. This may affect the pricing of the Preferred Shares, Warrants, Subscription Receipts or Units in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. Subject to applicable laws, certain dealers may make a market in the Preferred Shares, Warrants, Subscription Receipts or Units, as applicable, but will not be obligated to do so and may discontinue any market making at any time without notice. No assurance can be given that any dealer will make a market in the Preferred Shares, Warrants, Subscription Receipts or Units or as to the liquidity of the trading market, if any, for the Preferred Shares, Warrants, Subscription Receipts or Units.

In connection with any offering of Securities, unless otherwise specified in a Prospectus Supplement, underwriters, broker-dealers or agents may over-allot or effect transactions which stabilize, maintain or otherwise affect the market price of Securities offered at levels other than those which might otherwise prevail on the open market. Such transactions may be commenced, interrupted or discontinued at any time. No underwriter, broker-dealer or agent involved in an "at-the-market distribution" under this Prospectus, no affiliate of such underwriter, broker-dealer or agent, and no person or company acting jointly or in concert with such underwriter, broker-dealer or agent will over-allot Securities in connection with such distribution or effect any other transactions that are intended to stabilize or maintain the market price of the Securities.

PRIOR SALES

Information in respect of prior sales of the Common Shares or other Securities distributed under this Prospectus and for securities that are convertible or exchangeable into the Common Shares or such other Securities within the previous 12-month period will be provided, as required, in a Prospectus Supplement with respect to the issuance of the Common Shares or other Securities pursuant to such Prospectus Supplement.

TRADING PRICE AND VOLUME

The Common Shares are currently listed on the CSE under the trading symbol "CWEB". Trading price and volume of the Common Shares will be provided, as required, in each Prospectus Supplement.

DIVIDENDS

The Company has never paid any dividends on its Common Shares. While the Company is not restricted from paying dividends other than pursuant to certain solvency tests prescribed under the BCBCA, the Company does not intend to pay dividends on any of its Common Shares in the foreseeable future.

TAX CONSIDERATIONS

Owning any of the Securities may subject holders to tax consequences. The applicable Prospectus Supplement may describe certain Canadian federal income tax considerations generally applicable to an investor acquiring, owning and disposing of any of the Securities offered thereunder, including, in the case of an investor who is not a resident of Canada, Canadian non-resident withholding tax considerations. Prospective investors should consult their own tax advisors prior to deciding to purchase any of the Securities.

RISK FACTORS

Before making an investment decision, prospective purchasers of Securities should carefully consider the information described in this Prospectus and the documents incorporated by reference herein, including the applicable Prospectus Supplement. Additional risk factors relating to a specific offering of Securities may be described in the applicable Prospectus Supplement. Some of the risk factors described herein and in the documents incorporated by reference herein, including the applicable Prospectus Supplement are interrelated and, consequently, investors should treat such risk factors as a whole. If any event arising from these risks occurs, our business, prospects, financial condition, results of operations and cash flows, and your investment in the Securities could be materially adversely affected. Additional risks and uncertainties of which we currently are unaware or that are unknown or that we currently deem to be immaterial could have a material adverse effect on our business, financial condition and results of operation. We cannot assure you that we will successfully address any or all of these risks.

In addition to the risk factors described elsewhere herein and in the documents incorporated by reference herein, prospective investors should carefully consider the risks below together with the other information provided elsewhere in this Prospectus and the applicable Prospectus Supplement. Prospective investors should consult with their professional advisors to assess any investment in the Company.

Risks Related to the Regulatory Environment

Changes to State Laws Pertaining to Hemp

The 2018 Farm Bill provides that each state must develop a plan regarding the cultivation and sale of Hemp and submit such plan to the USDA for approval. As of the date hereof, three states have submitted such plans to the USDA. If a state does not elect to devise a hemp regulatory program, the USDA will develop a program under which Hemp cultivators in such states can apply for licenses. Continued development of the Hemp industry will be dependent upon new legislative authorization of Hemp at the state level, and further amendment or supplementation of legislation at the federal level. Any number of events or occurrences could slow or halt progress all together in this space. While progress within the Hemp industry is currently encouraging, growth is not assured. While there appears to be ample public support for favorable legislative action at the state and federal levels, numerous factors may impact or negatively affect the legislative process(es) within the various states the Company has business interests in. Any one of these factors could slow or halt use of Hemp or CBD, which would negatively impact the Company's business or growth, including possibly causing us to discontinue operations as a whole.

Changes to Federal Laws Pertaining to Hemp

Federal regulations under the 2018 Farm Bill have not yet been promulgated. There is no guarantee that such regulations will be on terms favourable to the Company's business. Should the regulations result in stricter requirements on the Company than those of the 2014 Farm Bill, such changes could have a material adverse effect on the Company's business, financial condition and results of operations.

Risks Associated with Numerous Laws and Regulations

The production, labeling and distribution of the products that the Company distributes are regulated by various federal, state and local agencies. These governmental authorities may commence regulatory or legal proceedings, which could restrict the permissible scope of the Company's product claims or the ability to sell its products in the future. The FDA regulates the Company's products to ensure that the products are not adulterated or misbranded.

The Company is subject to regulation by various agencies as a result of the manufacture and sale of its hemp-based CBD wellness products. The shifting compliance environment and the need to build and maintain robust systems to comply with different regulations in multiple jurisdictions increases the possibility that the Company may violate one or more of the requirements. If the Company's operations are found to be in violation of any of such laws or any other governmental regulations, or perceived to be in violation, the Company may be subject to penalties or other negative effects, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of the Company's operations or asset seizures and the denial of regulatory applications (including those regulatory regimes outside of the scope of FDA jurisdiction, but which may rely on the positions of the FDA in the application of its regulatory regime), any of which could adversely affect the Company's business and financial results.

Failure to comply with FDA requirements may result in, among other things, injunctions, product withdrawals, recalls, product seizures, fines and criminal prosecutions. The Company's advertising is subject to regulation by the Federal Trade Commission ("**FTC**") under the *Federal Trade Commission Act* as well as subject to regulation by the FDA under the DSHEA. In recent years, the FTC has initiated numerous investigations of dietary and nutritional supplement products and companies based on allegedly deceptive or misleading claims. At any point, enforcement strategies of a given agency can change as a result of other litigation in the space or changes in political landscapes, and could result in increased enforcement efforts, which would materially impact the Company's business. Additionally, some states also permit advertising and labeling laws to be enforced by state attorney generals, who may seek relief for consumers, class action certifications, class wide damages and product recalls of products sold by the Company. Private litigations may also seek relief for consumers, class action certifications, class wide damages and product recalls of products sold by the Company. Any actions against the Company by governmental authorities or private litigants could have a material adverse effect on the Company's business, financial condition and results of operations.

Incorrect Interpretation of the 2018 Farm Bill

The Company's position is the 2018 Farm Bill permanently removed Hemp from the CSA and is now deemed an agricultural commodity, and accordingly the DEA no longer has any claim to interfere with the interstate commerce of Hemp products, so long as the THC level is at or below 0.3%. There is a risk that the Company's interpretation of the legislation is inaccurate or that it will be successfully challenged by federal or state authorities. A successful challenge to such position by a state or federal authority could have a material adverse effect on the Company, including civil and criminal penalties, damages, fines, the curtailment or restructuring of the Company's operations or asset seizures and the denial of regulatory applications.

International Regulatory Risks

The Company has conducted sales in various international jurisdictions and the Company intends to expand internationally. As a result, it is and will become further subject to the laws and regulations of (as well as international treaties among) the foreign jurisdictions in which it operates or imports or exports products or materials. In addition, the Company may avail itself of proposed legislative changes in certain jurisdictions to expand its product portfolio, which expansion may include business and regulatory compliance risks as yet undetermined. Failure by the Company to comply with the current or evolving regulatory framework in any jurisdiction could have a material adverse effect on the Company's business, financial condition and results of operations. There is the possibility that any such international jurisdiction could determine that the Company was not or is not compliant with applicable local regulations. If the Company's historical or current sales or operations were found to be in violation of such international regulations, the Company may be subject to enforcement actions in such jurisdictions including, but not limited to civil and criminal penalties, damages, fines, the curtailment or restructuring of the Company's operations or asset seizures and the denial of regulatory applications.

Uncertainty Caused by Potential Changes to Regulatory Framework

There is substantial uncertainty and different interpretations among federal, state and local regulatory agencies, legislators, academics and businesses as to the importation of derivatives from exempted portions of the Cannabis plant and the scope of 2018 Farm Bill-compliant hemp programs relative to the 2018 Farm Bill and the emerging regulation of cannabinoids. These different opinions include, but are not limited to, the regulation of cannabinoids by the FDA and the extent to which manufacturers of products containing imported raw materials and/or 2018 Farm Bill-compliant cultivators and processors may engage in interstate commerce. The uncertainties cannot be resolved without further federal, and potentially state-level, legislation, regulation or a definitive judicial interpretation of existing legislation and rules. If these uncertainties continue, they may have an adverse effect upon the introduction of the Company's products in different markets.

Although the Company believes that the resignation of Commissioner Gottlieb of the FDA will not have a significant long term impact on the development of a regulatory regime permitting Cannabis-derived compounds in foods or dietary supplements, there can be no certainty that Commissioner Gottlieb's replacement will continue on that same path. If a new Commissioner were to halt current initiatives of the FDA, such as the recently-announced public meeting process, this could delay the development of such a regulatory regime and have an adverse effect on the business of the Company.

NDI Objection by FDA

There is substantial uncertainty and different interpretations among state and federal regulatory agencies, legislators, academics and businesses as to whether cannabinoids were present in the food supply and marketed prior to October 15, 1994, or whether such inclusion of cannabinoids is otherwise approved by the FDA as dietary ingredients. In addition, there is substantial uncertainty and different interpretations as to whether cannabinoids are by definition an impermissible adulterant due to marijuana being a controlled substance under the CSA. The uncertainties cannot be resolved without further federal legislation, regulation or a definitive judicial interpretation of existing legislation and rules. A determination that hemp products containing cannabinoids were not present in the food supply, marketed prior to October 15, 1994, are not otherwise permissible for use as a dietary ingredient or are adulterants would have a materially adverse effect upon the Company and its business. The Company could be required to submit an NDI notification to the FDA with respect to hemp extracts. If FDA objects to the Company's NDI notification, this would have a materially adverse effect upon the Company and its business.

FDA Interpretation of IND Preclusion

The FDA has taken the position that CBD cannot be marketed as a dietary supplement because it has been the subject of investigation as a new drug (i.e. IND Preclusion). According to the FDA, the submission of the IND application for Epidiolex by Greenwich Biosciences, the U.S. subsidiary of London-based GW Pharmaceuticals, preceded the sales and marketing of CBD as a dietary supplement. It is the FDA's interpretation of the IND Preclusion that the preclusion date is the date in which it authorized the drug for investigation. The FDA has asserted its IND Preclusion position in a Warning Letter to the Company. The Company responded to the Warning Letter with its position that CBD was marketed in a dietary supplement or food prior to substantial clinical investigations being instituted and being made public. If the FDA were to enforce the IND Preclusion based on its interpretation of the legislation, this would materially and adversely impact the Company's business and financial condition.

Regulatory Approval and Permits

The Company may be required to obtain and maintain certain permits, licenses and approvals in the jurisdictions where its products are sold. There can be no assurance that the Company will be able to obtain or maintain any necessary licenses, permits or approvals. Any material delay or inability to receive these items is likely to delay and/or inhibit the Company's ability to conduct its business, and would have an adverse effect on its business, financial condition and results of operations.

Environmental, Health and Safety Laws

The Company is subject to environmental, health and safety laws and regulations in each jurisdiction in which the Company operates. Such regulations govern, among other things, emissions of pollutants into the air, wastewater discharges, waste disposal, the investigation and remediation of soil and groundwater contamination, and the health and safety of the Company's employees. For example, the Company's products and the raw materials used in its production processes are subject to numerous environmental laws and regulations. The Company may be required to obtain environmental permits from governmental authorities for certain of its current or proposed operations. The Company may not have been, nor may it be able to be at all times, in full compliance with such laws, regulations and

permits. If the Company violates or fails to comply with these laws, regulations or permits, the Company could be fined or otherwise sanctioned by regulators.

As with other companies engaged in similar activities or that own or operate real property, the Company faces inherent risks of environmental liability at its current and historical production sites. Certain environmental laws impose strict and, in certain circumstances, joint and several liability on current or previous owners or operators of real property for the cost of the investigation, removal or remediation of hazardous substances as well as liability for related damages to natural resources. In addition, the Company may discover new facts or conditions that may change its expectations or be faced with changes in environmental laws or their enforcement that would increase its liabilities. Furthermore, its costs of complying with current and future environmental and health and safety laws, or the Company's liabilities arising from past or future releases of, or exposure to, regulated materials, may have a material adverse effect on its business, financial condition and results of operations.

Anti-money Laundering Laws and Regulations

The Company is subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. *Currency and Foreign Transactions Reporting Act of 1970* (commonly known as the Bank Secrecy Act), as amended by Title III of the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001* (USA PATRIOT Act), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)*, the *Criminal Code (Canada)*, as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In February 2014, the Financial Crimes Enforcement Network (“**FCEN**”) of the U.S. Department of the Treasury issued a memorandum providing instructions to banks seeking to provide services to marijuana related businesses (the “**FCEN Memo**”). The FCEN Memo states that in some circumstances, it may not be appropriate to prosecute banks that provide services to marijuana-related businesses for violations of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on Cannabis-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FCEN Memo. Under U.S. federal law, banks or other financial institutions that provide a Cannabis-related business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy.

If any of the Company's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States or Canada were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its Common Shares in the foreseeable future, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Banking

Since the production and possession of Cannabis is currently illegal under U.S. federal law and the Company relies on exemptions promulgated pursuant to the 2018 Farm Bill, it is possible that banks may refuse to open bank accounts for the deposit of funds from businesses involved with the Cannabis industry. The inability to open bank accounts with certain institutions could materially and adversely affect the business of the Company.

Ability to Access Public and Private Capital and Banking Services

The Company currently holds a bank account with a regional U.S. institution. The Company also currently has a payment processing agreement in place providing for online/credit card payments in connection with its e-commerce sales. The Company has historically, and continues to have, access to equity and debt financing from the prospectus-exempt (private placement) markets in Canada and the United States. The Company's executive team and Board also have relationships with sources of private capital which the Company could investigate. The Company has not attempted to obtain bank financing in the U.S. and has not attempted to access the public capital markets prior to this Prospectus other than pursuant to the Company's initial public offering. The Company anticipates that funding sources may be available pursuant to private and public offerings of equity and/or debt and bank lending. However, if equity and/or debt financing was not available in the public capital markets in Canada or the United States, then the Company expects that it would have access to raise equity and/or debt financing privately. Commercial banks, private

equity firms and venture capital firms have approached the Cannabis industry cautiously to date. However, there have been an increasing number of meaningful investments from both the private and the public capital markets in companies and projects similar to the Company's business. Although there has been an increase in the amount of financing available to companies in the Cannabis industry over the last several years, there is neither a broad nor deep pool of institutional capital that is available to Cannabis industry participants. There can be no assurance that additional financing, if raised privately or publicly, will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.

Denial of Deductibility of Certain Expenses

Section 280E of the Code prohibits businesses from deducting certain expenses associated with trafficking controlled substances (within the meaning of Schedule I and II of the CSA). The IRS has invoked Section 280E in tax audits against various cannabis businesses in the U.S. that are permitted under applicable state laws. Although the IRS issued a clarification allowing the deduction of certain expenses, the scope of such items is interpreted very narrowly, and the bulk of operating costs and general administrative costs are not permitted to be deducted. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Section 280E favorable to cannabis businesses.

Although the Company's position is that the Company is not subject to section 280E of the Code, the Company may incur significant tax liabilities if the IRS continues to determine that certain expenses of businesses working with the cannabis plant are not permitted tax deductions under section 280E of the Code.

Liability for Actions of Employees, Contractors and Consultants

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company.

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (i) government regulations; (ii) manufacturing standards; (iii) U.S. federal fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on its business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, the curtailment of the Company's operations or asset seizures, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

Risks Related to the Company's Business and Industry

Product Viability

If the products the Company sells are not perceived to have the effects intended by the end user, its business may suffer. In general, the Company's products contain hemp extract and other ingredients which are classified in the United States as dietary supplements. Many of the Company's products contain innovative ingredients or combinations of ingredients. There is little long-term data with respect to efficacy, unknown side effects and/or interaction with individual human biochemistry. Moreover, there is little long-term data with respect to efficacy, unknown side effects and/or its interaction with individual animal biochemistry. As a result, the Company's products could have certain side effects if not taken as directed or if taken by an end user that has certain known or unknown medical conditions.

Success of Quality Control Systems

The quality and safety of the Company's products are critical to the success of its business and operations. As such, it is imperative that the Company's (and its service provider's) quality control systems operate effectively and successfully. Quality control systems can be negatively impacted by the design of the quality control systems, the quality training program, and adherence by employees to quality control guidelines. Although the Company strives to ensure that all of its service providers have implemented and adhere to high caliber quality control systems, any

significant failure or deterioration of such quality control systems could have a material adverse effect on the Company's business and operating results.

Reliance on the Stanley Brothers Brand

The Company's brand (and those brands associated with the Company, such as Charlotte's Web) is closely associated with the Stanley brothers. Any act, omission or occurrence which negatively effects the reputation of or goodwill associated with the Stanley brothers may have a commensurate impact on the Company. The Company has limited influence upon any of the Stanley brothers and may lack effective means of mitigating such risks. In addition, and pursuant to the Name and Likeness Agreement (as such term is defined in the IPO Prospectus), the Stanley brothers may cause the Company to cease using the "Stanley Brothers" brand in certain circumstances. See "*Business of the Company - Intellectual Property*" in the IPO Prospectus.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Recall of products could lead to adverse publicity, decreased demand for the Company's products and could have significant reputational and brand damage. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Product Liability

The Company's products will be produced for sale directly to end consumers, and therefore there is an inherent risk of exposure to product liability claims, regulatory action and litigation if the products are alleged to have caused loss or injury. In addition, the production and sale of the Company's products involves the risk of injury to end users due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human or animal consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that its products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation, and could have a material adverse effect on its business and operational results.

Positive Test for THC or Banned Substances

The Company's products are made from Cannabis, which contains THC. As a result, certain of the Company's products contain low levels of THC. THC is considered a banned substance in many jurisdictions. Moreover, regulatory framework for legal amounts of consumed THC is evolving. Whether or not ingestion of THC (at low levels or otherwise) is permitted in a particular jurisdiction, there may be adverse consequences to end users who test positive for trace amounts of THC attributed to use of the Company's products. In addition, certain metabolic processes in the body may cause certain molecules to convert to other molecules which may negatively affect the results of drug tests. Positive tests may adversely affect the end user's reputation, ability to obtain or retain employment and participation in certain athletic or other activities. A claim or regulatory action against the Company based on such positive test results could adversely affect the Company's reputation and could have a material adverse effect on its business and operational results.

Product Returns

Product returns are a customary part of the Company's business. Products may be returned for various reasons, including expiration dates or lack of sufficient sales volume. Any increase in product returns could reduce the Company's results of operations.

Weather Patterns and Agricultural Operations Risks

The Company's business can be effected by unusual weather patterns. The production of some of the Company's products relies on the availability and use of live plant material, which is grown in Colorado, Kentucky and Oregon and may be grown in South America. Growing seasons, yields and harvesting operations can be impacted by weather patterns. In addition, severe weather, including drought and hail, can destroy a crop, which could result in the Company having no or limited Hemp to process. If the Company is unable to harvest Hemp through its proprietary operations or contract farming arrangements, its ability to meet customer demand, generate sales, and maintain operations will be impacted. Given the proprietary nature of the Company's crops, it may not be practicable for the Company to source adequate, or any, replacement Hemp to produce its downstream products.

The Company's business is dependent on the outdoor growth and production of Hemp, an agricultural product. As such, the risks inherent in engaging in agricultural businesses apply. Potential risks include low yields, the risk that crops may become diseased or victim to insects or other pests and contamination, or subject to extreme weather conditions such as excess rainfall, freezing temperature, or drought, all of which could result in low crop yields, decreased availability of Hemp, and higher acquisition prices. The Company's ability to obtain adequate (or any) insurance relating to the foregoing risks may be limited. There can be no guarantee that an agricultural event will not adversely affect the Company's business and operating results.

Availability of Adequate Crop Insurance

The Company may not be able to obtain crop insurance at economically feasible rates, on acceptable terms or at all. As a result, the Company may have limited or no recourse in the event of a failed crop or other event that standard crop insurance would typically insure against. Such inability may adversely affect the Company's business and operating results.

Risks Related to Obtaining Farmland

The Company may not be able to maintain or obtain high quality farmland in sufficient acreage to support production levels or sustained accelerated growth. Moreover, where farmland is available in sufficient acreage, it may not be available at rental rates or otherwise on acceptable economic terms. Inability to obtain sufficient farmland for operations (with or without significant product demand growth) could negatively affect the Company's operations and financial condition.

Other Agricultural Production Risks

Agricultural production by its nature contains elements of risks and uncertainties which may adversely affect the business and operations of the Company, including but not limited to the following: (i) any future climate change with a potential shift in weather patterns leading to droughts and associated crop losses; (ii) potential insect, fungal and weed infestations resulting in crop failure and reduced yields; (iii) wild and domestic animal conflicts; and (iv) crop-raiding, sabotage or vandalism. Adverse weather conditions represent a significant operating risk to the Company, affecting quality and quantity of production and the levels of farm inputs.

The Company may also encounter difficulties with the importation of agro-inputs and securing a supply of spares and maintenance items. In the event of a delay in the delivery from suppliers of agro-inputs and machinery, the Company may be unable to achieve its production targets.

Hemp Plant Specific Agricultural Risks

Hemp plants can be vulnerable to various pathogens including bacteria, fungi, viruses and other miscellaneous pathogens. Such instances often lead to reduced crop quality, stunted growth and/or death of the plant. Moreover, hemp is phytoremediative meaning that it may extract toxins or other undesirable chemicals or compounds from the ground in which it is planted. Various regulatory agencies have established maximum limits for pathogens, toxins, chemicals and other compounds that may be present in agricultural materials. If the Company's hemp is found to have levels of pathogens, toxins, chemicals or other undesirable compounds that exceed established limits, the Company may have to destroy the applicable portions of its hemp crop. Should the Company's crops be lost due to pathogens, toxins, chemicals or other undesirable compounds, it may have a material adverse effect on its business and financial condition.

Transportation Risk

In order for customers of the Company to receive their product, the Company relies on third party transportation services. This can cause logistical problems with, and delays in, end users obtaining their orders which the Company has no control over. Any delay by third party transportation services may adversely affect the Company's financial performance.

Moreover, transportation to and from the Company's facilities is critical. A breach of security during transport could have material adverse effects on the Company's business, financials and prospects. Any such breach could impact the Company's operations and financial performance.

Domestic Supply Risk

The Company's business relies on full compliance under applicable laws and regulations relating to the sale of its products across the United States and internationally. The regulation of third party suppliers may have a significant impact upon the Company's business. Any enforcement activity or any additional uncertainties which may arise in the future could cause substantial interruption or cessation of the Company's business, including adverse impacts to the Company's supply chain and distribution channels, and other civil and/or criminal penalties at the federal level.

Reliance on Third Party Suppliers, Service Providers and Distributors

The Company intends to maintain a full supply chain for the material portions of the production and distribution process of its products. The Company's suppliers, service providers and distributors may elect, at any time, to breach or otherwise cease to participate in supply, service or distribution agreements, or other relationships, on which the Company's operations rely. Loss of its suppliers, service providers or distributors would have a material adverse effect on the Company's business and operational results. The Company currently relies on a single production facility in Colorado and certain third party manufacturers. Disruption of operations at any of these facilities could adversely affect inventory supplies and the Company's ability to meet product delivery deadlines.

Industry Competition

The markets for businesses in the CBD and hemp oil industries are competitive and evolving. In particular, the Company faces strong competition from both existing and emerging companies that offer similar products. Some of its current and potential competitors may have longer operating histories, greater financial, marketing and other resources and larger customer bases than the Company has.

Given the rapid changes affecting the global, national, and regional economies generally and the CBD industry, in particular, the Company may not be able to create and maintain a competitive advantage in the marketplace. The Company's success will depend on its ability to keep pace with any changes in such markets, especially in light of legal and regulatory changes. Its success will depend on the Company's ability to respond to, among other things, changes in the economy, market conditions, and competitive pressures. Any failure by the Company to anticipate or respond adequately to such changes could have a material adverse effect on its financial condition, operating results, liquidity, cash flow and operational performance.

Intra-Industry Competition

The number of competitors in the Company's market segment is expected to increase, both nationally and internationally, which could negatively impact the Company's market share and demand for products.

The introduction of a recreational model for marijuana production and distribution in various jurisdictions may cause producers in those jurisdictions to expand beyond the medical marijuana market and compete with the Company's products. The impact of this potential development may be negative for the Company and could result in increased levels of competition in its existing market and/or the entry of new competitors in the overall cannabis market in which the Company operates.

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

The Company also faces competition from producers who may not comply with applicable regulations. As a result, such producers may have lower operating costs, make impermissible claims and utilize other competitive advantages based on circumvention of regulatory requirements. To remain competitive, the Company will require continued significant investment in research and development, marketing, sales and customer support. The Company may not have sufficient resources to maintain research and development, marketing, sales and customer support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

As well, the legal landscape for the Company's products is changing internationally. More countries have passed laws that allow for the production and distribution of Cannabis in some form or another. Increased international competition might lower the demand for the Company's products on a global scale.

Future Activities of the Stanley Brothers

The Stanley brothers and certain affiliates and parties associated with the Stanley brothers currently, and may in the future, conduct business which conflicts with the business of the Company. The mechanisms available to the Company to effectively deal with such conflicts (which may include competition) may be limited. The Company relies on the name, likeness and assistance of the Stanley brothers. Should the Stanley brothers take action which separates or otherwise distances their name, likeness or brand from, or association with, the Company, it could result in marketplace confusion, loss of goodwill and/or similar negative consequences. Should any of such scenarios arise, it could have a material adverse impact on the Company's business and financial condition.

Other Conflicts of Interest

Certain of the employees and directors of the Company may also be directors, officers, consultants or stakeholders of other companies or enterprises, some of which may be in similar sectors, and conflicts of interest may arise between their duties to the Company and their duties to or interests in such other companies or enterprises. Certain of such conflicts may be required to be disclosed in accordance with, and subject to, such procedures and remedies as applicable under the BCBCA and applicable securities laws, however, such procedures and remedies may not fully protect the Company.

Changing Consumer Preferences and Customer Retention

As a result of changing consumer preferences, many dietary supplements and other innovative products attain financial success for a limited period of time. Even if the Company's products find retail success, there can be no assurance that any of its products will continue to see extended financial success. The Company's success will be significantly dependent upon its ability to develop new and improved product lines. Even if it is successful in introducing new products or developing its current products, a failure to gain consumer acceptance or to update products with compelling content could cause a decline in its products' popularity that could reduce revenues and harm the Company's business, operating results and financial condition. Failure to introduce new features and product lines and to achieve and sustain market acceptance could result in the Company being unable to meet consumer preferences and generate revenue which would have a material adverse effect on its profitability and financial results from operations.

The Company's success depends on its ability to attract and retain customers. There are many factors which could impact the Company's ability to attract and retain customers, including but not limited to the Company's ability to continually produce desirable and effective product, the successful implementation of the Company's customer acquisition plan and the continued growth in the aggregate number of people selecting CBD wellness products. The Company's failure to acquire and retain customers could have a material adverse effect on the Company's business, operating results and financial position.

Maintaining and Promoting the Company's Brand

Management believes that maintaining and promoting the Company's brand is critical to expanding its customer base. Maintaining and promoting the Company's brand will depend largely on its ability to continue to provide quality, reliable and innovative products, which it may not do successfully. The Company may introduce new products or services that its customers do not like, which may negatively affect its brand and reputation. Maintaining and enhancing the Company's brand may require it to make substantial investments, and these investments may not achieve the desired goals. If the Company fails to successfully promote and maintain its brand or if it incurs excessive expenses in this effort, its business and financial results from operations could be materially adversely affected.

Unfavourable Publicity or Consumer Perception

The Company believes its industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of its products and perceptions of regulatory compliance. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the CBD market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of CBD products in general, or the Company's products specifically, or associating the consumption of CBD products with illness or other negative effects or events, could have such a material adverse effect. Consumers, vendors, landlords/lessors, industry partners or third-party service providers may incorrectly perceive hemp products as marijuana thereby applying the unfavourable stigma of marijuana to the Company's products. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately or as directed.

Inability to Sustain Pricing Models

Significant price fluctuations or shortages in the cost of materials may increase the Company's cost of goods sold and cause its results of operations and financial condition to suffer. If the Company is unable to secure materials at a reasonable price, it may have to alter or discontinue selling some of its products or attempt to pass along the cost to its customers, any of which could adversely affect its results of operations and financial condition.

Additionally, increasing costs of labour, freight and energy could increase its and its suppliers' cost of goods. If its suppliers are affected by increases in their costs of labour, freight and energy, they may attempt to pass these cost increases on to the Company. If the Company pays such increases, it may not be able to offset them through increases in its pricing, which could adversely affect its results of operations and financial condition.

Reliance on Key Inputs

The Company's business is dependent on a number of key inputs and their related costs, including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Company.

The ability of the Company to compete and grow will be dependent on having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining the required supply of skilled labour, equipment, parts and components. It is also possible that the expansion plans contemplated by the Company may cost more than anticipated, in which circumstance the Company may curtail, or extend timeframes for completing the expansion plans. This could have a material adverse effect on the financial results and operations of the Company.

Effectiveness and Efficiency of Advertising and Promotional Expenditures

The Company's future growth and profitability will depend on the effectiveness and efficiency of advertising and promotional expenditures, including its ability to (i) create greater awareness of its products; (ii) determine the appropriate creative message and media mix for future advertising expenditures; and (iii) effectively manage advertising and promotional costs in order to maintain acceptable operating margins. There can be no assurance that advertising and promotional expenditures will result in revenues in the future or will generate awareness of the Company's technologies or services. In addition, no assurance can be given that the Company will be able to manage its advertising and promotional expenditures on a cost-effective basis.

Key Officers and Employees

The Company's success and future will depend, to a significant degree, on the continued efforts of its directors, officers and key employees, including certain technical individuals, and sales and marketing personnel, the retention of which cannot be guaranteed. The loss of key personnel could materially adversely affect the Company's business. The loss of any such personnel could harm or delay the plans of the Company's business either while Management time is directed to finding suitable replacements (who, in any event, may not be available), or, if not, covering such vacancy until suitable replacements can be found. In either case, this may have a material adverse effect on the future of the Company's business.

Competition for such personnel can be intense, and the Company cannot provide assurance that it will be able to attract or retain highly qualified technical, sales, marketing and management personnel in the future. From time to time, share-based compensation may comprise a significant component of the Company's compensation for key personnel, and if the price of the Common Shares declines, it may be difficult to recruit and retain such individuals.

Inability to Renew Leases

The Company may be unable to renew or maintain its leases (commercial, real property or farmland) on commercially acceptable terms or at all. An inability to renew its leases, or a renewal of its leases with a rental rate higher than the prevailing rate under the applicable lease prior to expiration, may have an adverse impact on the Company's operations, including disruption of its operations or an increase in its cost of operations. In addition, in the event of non-renewal of any of the Company's leases, the Company may be unable to locate suitable replacement properties for its facilities or it may experience delays in relocation that could lead to a disruption in its operations. Any disruption in the Company's operations could have an adverse effect on its financial condition and results of operations.

Obtaining Insurance

Due to the Company's involvement in the hemp industry, it may have a difficult time obtaining the various insurances that are desired to operate its business, which may expose the Company to additional risk and financial liability. Insurance that is otherwise readily available, such as general liability, and directors and officer's insurance, may be more difficult to find, and more expensive, because of the regulatory regime applicable to the industry. There are no guarantees that the Company will be able to find such insurance coverage in the future, or that the cost will be affordable. If the Company is forced to go without such insurance coverage, it may prevent it from entering into certain business sectors, may inhibit growth, and may expose the Company to additional risk and financial liabilities.

Additional Financings

If the Company is not able to sustain profitability or if it requires additional capital to fund growth or other initiatives, it may require additional equity or debt financing. There can be no assurances that the Company will be able to obtain additional financial resources on favorable commercial terms or at all. Failure to obtain such financial resources could affect the Company's plan for growth or result in the Company being unable to satisfy its obligations as they become due, either of which could have a material adverse effect on the business, results of operations and the financial condition of the Company.

Management of Growth

The Company may be subject to growth-related risks, including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Risks Related to Acquiring Companies

The Company may acquire other companies in the future and there are risks inherent in any such acquisition. Specifically, there could be unknown or undisclosed risks or liabilities of such companies for which the Company is not sufficiently indemnified. Any such unknown or undisclosed risks or liabilities could materially and adversely affect the Company's financial performance and results of operations. The Company could encounter additional transaction and integration related costs or other factors such as the failure to realize all of the benefits from such acquisitions. All of these factors could cause dilution to the Company's earnings per share or decrease or delay the anticipated accretive effect of the acquisition and cause a decrease in the market price of the Company's securities. The Company may not be able to successfully integrate and combine the operations, personnel and technology

infrastructure of any such acquired company with its existing operations. If integration is not managed successfully by the Company's management, the Company may experience interruptions in its business activities, deterioration in its employee and customer relationships, increased costs of integration and harm to its reputation, all of which could have a material adverse effect on the Company's business, financial condition and results of operations. The Company may experience difficulties in combining corporate cultures, maintaining employee morale and retaining key employees. The integration of any such acquired companies may also impose substantial demands on the Management. There is no assurance that these acquisitions will be successfully integrated in a timely manner.

Inability to Protect Intellectual Property

The Company's success is heavily dependent upon its intangible property and technology. The Company relies upon copyrights, patents, trade secrets, unpatented proprietary know-how and continuing innovation to protect the intangible property, technology and information that is considered important to the development of the business. The Company relies on various methods to protect its proprietary rights, including confidentiality agreements with consultants, service providers and management that contain terms and conditions prohibiting unauthorized use and disclosure of confidential information. However, despite efforts to protect intangible property rights, unauthorized parties may attempt to copy or replicate intangible property, technology or processes. There can be no assurances that the steps taken by the Company to protect its intangible property, technology and information will be adequate to prevent misappropriation or independent third-party development of the Company's intangible property, technology or processes. It is likely that other companies can duplicate a production process similar to the Company's. Other companies may also be able to materially duplicate the Company's proprietary plant strains. To the extent that any of the above would occur, revenue could be negatively affected, and in the future, the Company may have to litigate to enforce its intangible property rights, which could result in substantial costs and divert management's attention and other resources.

The Company's ability to successfully implement its business plan depends in part on its ability to obtain, maintain and build brand recognition using its trademarks, service marks, trade dress, domain names and other intellectual property rights, including the Company's names and logos. If the Company's efforts to protect its intellectual property are unsuccessful or inadequate, or if any third party misappropriates or infringes on its intellectual property, the value of its brands may be harmed, which could have a material adverse effect on the Company's business and might prevent its brands from achieving or maintaining market acceptance.

The Company may be unable to obtain registrations for its intellectual property rights for various reasons, including refusal by regulatory authorities to register trademarks or other intellectual property protections, prior registrations of which it is not aware, or it may encounter claims from prior users of similar intellectual property in areas where it operates or intends to conduct operations. This could harm its image, brand or competitive position and cause the Company to incur significant penalties and costs.

On April 20, 2018 the U.S. Patent and Trademark Office ("USPTO") issued a Final Office Action refusing registration of two trademark applications submitted by the Company based on the Trademark Examiner's interpretation that the marks were not in lawful use in commerce under Sections 1 and 45 of the United States Trademark Act and because the goods identified in the application were not in compliance with either the CSA or the FD&C Act. The Company filed a Request for Reconsideration of the refusals in March 2019. Despite USPTO's aforementioned position and refusal for registration, the Company may rely on common law theories of trademark protection and enforcement in cases of actual or suspected trademark infringement of the trademarks it wishes to protect.

Intellectual Property Claims

Companies in the retail and wholesale CPG industries frequently own trademarks and trade secrets and often enter into litigation based on allegations of infringement or other violations of intangible property rights. The Company may be subject to intangible property rights claims in the future and its products may not be able to withstand any third-party claims or rights against their use. Any intangible property claims, with or without merit, could be time consuming, expensive to litigate or settle and could divert Management resources and attention. An adverse determination also could prevent the Company from offering its products to others and may require that the Company procure substitute products or services.

With respect to any intangible property rights claim, the Company may have to pay damages or stop using intangible property found to be in violation of a third party's rights. The Company may have to seek a license for the intangible property, which may not be available on reasonable terms and may significantly increase operating expenses. The technology also may not be available for license at all. As a result, the Company may also be required to pursue alternative options, which could require significant effort and expense. If the Company cannot license or obtain an alternative for the infringing aspects of its business, it may be forced to limit product offerings and may be unable to

compete effectively. Any of these results could harm the Company's brand and prevent it from generating sufficient revenue or achieving profitability.

Litigation

The Company is, and may from time to time become, party to litigation in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company is, or becomes, involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for the Common Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources. Litigation may also create a negative perception of the Company's brand.

Trade Secrets may be Difficult to Protect

The Company's success depends upon the skills, knowledge and experience of its scientific and technical personnel, consultants and advisors, as well as contractors. Because the Company operates in a highly competitive industry, it relies in part on trade secrets to protect its proprietary products and processes. However, trade secrets are difficult to protect. The Company enters into confidentiality or non-disclosure agreements with its corporate partners, employees, consultants, outside scientific collaborators, developers and other advisors. These agreements generally require that the receiving party keep confidential, and not disclose to third parties, confidential information developed by the receiving party or made known to the receiving party by the Company during the course of the receiving party's relationship with the Company. These agreements also generally provide that inventions conceived by the receiving party in the course of rendering services to the Company will be its exclusive property, and the Company enters into assignment agreements to perfect its rights.

These confidentiality, inventions and assignment agreements, where in place, may be breached and may not effectively assign intellectual property rights to the Company. The Company's trade secrets also could be independently discovered by competitors, in which case the Company would not be able to prevent the use of such trade secrets by its competitors. The enforcement of a claim alleging that a party illegally obtained and was using the Company's trade secrets could be difficult, expensive and time consuming and the outcome could be unpredictable. The failure to obtain or maintain meaningful trade secret protection could adversely affect the Company's competitive position.

Use of Customer Information and Other Personal and Confidential Information

The Company collects, process, maintains and uses data, including sensitive information on individuals, available to the Company through online activities and other customer interactions with its business. The Company's current and future marketing programs may depend on its ability to collect, maintain and use this information, and its ability to do so is subject to evolving international, U.S. and Canadian laws and enforcement trends. The Company strives to comply with all applicable laws and other legal obligations relating to privacy, data protection and customer protection, including those relating to the use of data for marketing purposes. It is possible, however, that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another, conflict with other rules, conflict with the Company's practices or fail to be observed by its employees or business partners. If so, the Company may suffer damage to its reputation and be subject to proceedings or actions against it by governmental entities or others. Any such proceeding or action could hurt the Company's reputation, force it to spend significant amounts to defend its practices, distract its management or otherwise have an adverse effect on its business.

Certain of the Company's marketing practices rely upon e-mail, social media and other means of digital communication to communicate with consumers on its behalf. The Company may face risk if its use of e-mail, social media or other means of digital communication is found to violate applicable laws. The Company posts its privacy policy and practices concerning the use and disclosure of user data on its websites. Any failure by the Company to comply with its posted privacy policy or other privacy-related laws and regulations could result in proceedings which could potentially harm its business. In addition, as data privacy and marketing laws change, the Company may incur additional costs to ensure it remains in compliance. If applicable data privacy and marketing laws become more restrictive at the international, federal, provincial or state levels, the Company's compliance costs may increase, its ability to effectively engage customers via personalized marketing may decrease, its investment in its e-commerce platform may not be fully realized, its opportunities for growth may be curtailed by its compliance burden and its potential reputational harm or liability for security breaches may increase.

Data Security Breaches

The Company or its third-party service providers collect, process, maintain and use sensitive personal information relating to its customers and employees, including customer financial data (e.g. credit card information) and their personally identifiable information, and rely on third parties for the operation of its e-commerce site and for the various social media tools and websites it uses as part of its marketing strategy. Any perceived, attempted or actual unauthorized disclosure of customer financial data (e.g. credit card information) or personally identifiable information regarding the Company's employees, customers or website visitors could harm its reputation and credibility, reduce its e-commerce sales, impair its ability to attract website visitors, reduce its ability to attract and retain customers and could result in litigation against the Company or the imposition of significant fines or penalties.

Recently, data security breaches suffered by well-known companies and institutions have attracted a substantial amount of media attention, prompting new foreign, federal, provincial and state laws and legislative proposals addressing data privacy and security. As a result, the Company may become subject to more extensive requirements to protect the customer information that it processes in connection with the purchase of its products, resulting in increased compliance costs.

The Company's on-line activities, including its e-commerce websites, also may be subject to denial of service or other forms of cyber-attacks. While the Company has taken measures to protect against those types of attacks, those measures may not adequately protect its on-line activities from such attacks. If a denial of service attack or other cyber event were to affect its e-commerce sites or other information technology systems, its business could be disrupted, it may lose sales or valuable data, and its reputation may be adversely affected.

Global Economic Uncertainty

Demand for the Company's products and services are influenced by general economic and consumer trends beyond the Company's control. 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 are still tight, and if such conditions continue, recur or worsen, there can be no assurance that they will not have a material adverse effect on the Company's business, financial condition and results of operations.

Furthermore, such economic conditions have produced downward pressure on stock prices and on the availability of credit for financial institutions and corporations. If these 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.

Risks Related to the Company's Social Responsibility Goals

The Company may place a focus on creating social good and the benefits of a socially responsible corporate culture. This may involve making charitable donations to further its social responsibility goals.

In addition, the Company may, in future and subject to any required regulatory and stakeholder approvals, pursue certification as a "Certified B Corporation", a certification granted by B Lab, an independent non-profit organization. B Corporations are required to adhere to rigorous standards of social and environmental performance, accountability and transparency.

Emerging Industry

As a pioneer in a new industry, the Company has limited access to industry benchmarks in relation to the Company's business. Industry-specific data points such as operating ratios, research and development projects, debt structures, compliance and other financial and operational related data is limited and accordingly, Management will be required to make decisions in the absence of such data points.

Risks Related to the Securities

Forward-Looking Information

The forward-looking information included in this Prospectus relating to, among other things, the Company's future results, performance, achievements, prospects, targets, intentions or opportunities or the markets in which we operate and the other statements listed in "*Cautionary Note Regarding Forward-Looking Statements*" is based on

opinions, assumptions and estimates made by the Company's management in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. The Company's actual results in the future may vary significantly from the historical and estimated results and those variations may be material. We make no representation that its actual results in the future will be the same, in whole or in part, as those included in this Prospectus. See "*Cautionary Note Regarding Forward-Looking Statements*".

Limited Market for Securities

The Common Shares are listed on the CSE under the symbol "CWEB". However, there can be no assurance that an active and liquid market for the Common Shares will be maintained and an investor may find it difficult to resell any securities of the Company.

Potential Volatility of Common Share Price

The market price of the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control. This volatility may affect the ability of holders of Common Shares to sell their securities at an advantageous price. Such volatility could be subject to significant fluctuations in response to numerous factors including:

- the public's reaction to the Company's press releases, announcements and filings with regulatory authorities and those of its competitors;
- fluctuations in broader stock market prices and volumes or adverse changes in general market conditions or economic trends;
- changes in market valuations of similar companies;
- investor perception of the Company, its prospects or the industry in general;
- additions or departures of key personnel;
- commencement of or involvement in litigation;
- changes in the regulatory landscape applicable to the Company, the dietary supplement and/or the hemp industry;
- media reports, publications or public statements relating to, or public perceptions of, the regulatory landscape applicable to the Company, the dietary supplement and/or the hemp industry, whether correct or not;
- announcements by the Company or its competitors of strategic alliances, significant contracts, new technologies, acquisitions, dispositions, commercial relationships, joint ventures or capital commitments;
- variations in the Company's quarterly results of operations or cash flows or those of other comparable companies;
- revenues and operating results failing to meet the expectations of securities analysts or investors in a particular quarter;
- downward revision in securities analysts' estimates;
- changes in the Company's pricing policies or the pricing policies of its competitors;
- future issuances and sales of Common Shares, including as a result of the conversion of Proportionate Voting Shares and the sale of the Common Shares issuable thereunder;
- sales of Common Shares by insiders of the Company;
- third party disclosure of significant short positions;
- demand for and trading volume of Common Shares;
- changes in securities analysts' recommendations and their estimates of the Company's financial performance;

- short-term fluctuation in stock price caused by changes in general conditions in the domestic and worldwide economies or financial markets; and
- the other risk factors described in this Prospectus.

The realization of any of these risks and other factors beyond the Company's control could cause the market price of the Common Shares to decline significantly.

In addition, broad market and industry factors may harm the market price of the Common Shares. Hence, the price of the Common Shares could fluctuate based upon factors that have little or nothing to do with the Company, and these fluctuations could materially reduce the price of the Common Shares regardless of the Company's operating performance. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the Common Shares may be materially adversely affected.

In the past, following a significant decline in the market price of a company's securities, there have been instances of securities class action litigation having been instituted against that company. If the Company were involved in any similar litigation, it could incur substantial costs, Management's attention and resources could be diverted and it could harm the Company's business, operating results and financial condition.

Dividends to Shareholders

The Company does not anticipate paying cash dividends on the Shares in the foreseeable future. The Company currently intends to retain all future earnings to fund the development and growth of its business. Any payment of future dividends will be at the discretion of the directors and will depend on, among other things, the Company's earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends, and other considerations that the directors deems relevant. Investors must rely on sales of their Common Shares after price appreciation, which may never occur, as the only way to realize a return on their investment.

Holding Company Structure

The Company is a holding company and substantially all of its assets consist of shares of Charlotte's Web, Inc. As a result, investors are subject to the risks attributable to Charlotte's Web, Inc. and any and all future affiliates. The Company does not have any significant assets and conducts substantially all of its business through its subsidiary, which generates all or substantially all of the Company's revenues. The ability of Charlotte's Web, Inc. to distribute funds to the Company will depend on its operating results, tax considerations (both domestic and cross-border) and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by Charlotte's Web, Inc. and contractual restrictions contained in the instruments governing its debt, existing or if incurred. In the event of a bankruptcy, liquidation or reorganization of Charlotte's Web, Inc. or any other future subsidiary, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the Company.

Future Sales of Common Shares by Shareholders, Directors or Officers

Subject to compliance with applicable securities laws and the terms of any applicable lock-up arrangements, the Company's officers, directors, the holders of Proportionate Voting Shares and their affiliates may sell some or all of their Common Shares in the future. No prediction can be made as to the effect, if any, such future sales of Common Shares will have on the market price of the Common Shares prevailing from time to time. However, the future sale of a substantial number of Common Shares by our officers, directors, the holders of Proportionate Voting Shares and their affiliates, or the perception that such sales could occur, could materially adversely affect prevailing market prices for the Common Shares.

All of the Common Shares the Company may issue under this Prospectus (including Common Shares issuable upon conversion or exercise of any Securities) and all currently outstanding Common Shares other than those subject to lock-up agreements executed by certain existing shareholders will, subject to applicable securities laws, generally be immediately available for resale in the public markets.

Additional Common Shares issuable upon the exercise of stock options or the conversion of Proportionate Voting Shares may also become available for sale in the public market, which may also cause the market price of the

Common Shares to fall. Accordingly, if substantial amounts of Common Shares are sold in the public market, the market price could fall.

Risks Related to Potential Changes in Definition of Foreign Private Issuer

The Company is a foreign private issuer as defined in Rule 405 under the U.S. Securities Act and Rule 3b-4 under the Exchange Act. The term “foreign private issuer” is defined as any non-U.S. issuer, other than a non-U.S. government, *except* any issuer meeting the following conditions:

- (a) more than 50 percent of the outstanding voting securities of such issuer are, directly or indirectly, held of record by residents of the United States; and
- (b) any one of the following: (i) the majority of the issuer’s executive officers or directors are United States citizens or residents; (ii) more than 50 percent of the assets of the issuer are located in the United States; or (iii) the business of the issuer is administered principally in the United States.

In December 2016, the SEC issued a Compliance and Disclosure Interpretation to clarify that issuers with multiple classes of voting stock carrying different voting rights may, for the purposes of calculating compliance with the 50 percent U.S. resident threshold, examine either (i) the combined voting power of its share classes, or (ii) the number of voting securities, in each case held of record by U.S. residents. Based on this interpretation, each issued and outstanding Proportionate Voting Share is counted as one voting security and each issued and outstanding Common Share is counted as one voting security for the purposes of determining the 50 percent U.S. resident threshold and the Company is expected to be a “foreign private issuer” upon completion of the Offering and the Reorganization.

Should the SEC’s guidance and interpretation change, the Company may lose its foreign private issuer status.

Risks Related to the Company’s Loss of Foreign Private Issuer Status in the United States

If, as of the last business day of the Company’s second fiscal quarter for any year, the Company determines that more than 50% of its outstanding voting securities (as determined under Rule 405 under the U.S. Securities Act, as further described under “*Risks Related to Potential Changes in Definition of Foreign Private Issuer*”) are directly or indirectly held of record by residents of the United States, effective on the first day of its fiscal year immediately succeeding such determination the Company will no longer meet the definition of a foreign private issuer, which may have adverse consequences on the Company’s ability to raise capital in private placements or Canadian prospectus offerings. In addition, the loss of the Company’s foreign private issuer status would result in the Company becoming subject to U.S. domestic reporting requirements and, as such, the Company would be subject to the increased reporting and disclosure requirements imposed on U.S. domestic reporting companies, likely resulting in increased audit, legal and administration costs and a significant diversion of the Company’s time and resources. These increased costs may significantly affect the Company’s business, financial condition and results of operations.

Significant Obligations of a Public Company

The Company incurs significant legal, accounting, insurance and other expenses as a result of being a public company, which may negatively impact its performance and could cause its results of operations and financial condition to suffer. Compliance with applicable securities laws in Canada and the rules of the CSE constitutes a significant expense, including legal and accounting costs, and makes some activities more time-consuming and costly. Reporting obligations as a public company and the Company’s anticipated growth may place a strain on the Company’s financial and management systems, processes and controls, as well as on personnel.

Financial Reporting and Other Public Company Requirements

The Company is subject to reporting and other obligations under applicable Canadian Securities Laws and rules of any stock exchange on which the Common Shares are listed. These reporting and other obligations place significant demands on the Management, administrative, operational and accounting resources. If the Company is unable to accomplish any such necessary objectives in a timely and effective manner, the Company’s ability to comply with its financial reporting obligations and other rules applicable to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls could cause the Company to fail to satisfy its reporting obligations or result in material misstatements in our financial statements. If the Company cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially adversely effected which could also cause investors to lose confidence in the Company’s reported financial information, which could in turn result in a reduction in the trading price of the Common Shares.

The Company is a “venture issuer” as defined in NI 52-109. In contrast to the certificate required for non-venture issuers under NI 52-109, the certificates filed by the Company’s officers are not required to include representations relating to the establishment and maintenance of disclosure controls and procedures (“**DC&P**”) and internal control over financial reporting (“**ICFR**”), as defined in NI 52-109. In particular, the certifying officers are not required to make any representations relating to the establishment and maintenance of i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company’s GAAP.

Inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Impact on Resales into the United States

The Common Shares have not been, and may never be, registered under the U.S. Securities Act. As such, the Common Shares may be offered only to non-U.S. persons (as defined in Regulation S) outside the United States in transactions exempt from the registration requirements of the Securities Act in reliance on Regulation S, to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) in the United States pursuant to Rule 144A under the U.S. Securities Act, or otherwise in transactions that are exempt from the registration requirements set forth under the U.S. Securities Act. Accordingly, the Common Shares may be “restricted securities” as defined in Rule 144 under the U.S. Securities Act. The Common Shares may not be able to be offered, sold or delivered in the United States or to, or for the account or benefit of, any U.S. person, unless the transfer is registered under the U.S. Securities Act. The Company has no current intention to register the Common Shares under the U.S. Securities Act. If the Company does not register the Common Shares under the U.S. Securities Act, its shareholders will face restrictions in re-sale of the Common Shares, particularly in the United States or to U.S. persons. The Common Shares may bear a legend describing restrictions on transfer to U.S. persons and prohibiting hedging transactions in the Common Shares unless in compliance with the U.S. Securities Act.

Risks Related to Non-Compliance with Regulation S Under the U.S. Securities Act

Common Shares may be offered and sold in an offshore transaction pursuant to Rule 902 of the U.S. Securities Act, and such Common Shares may qualify as Category 1 securities under Rule 903 of Regulation S. Should the SEC determine that the Company did not comply with the requirements of Regulation S in respect of such an offering, the secondary market in the Common Shares could be adversely affected. In such case, the Company may be required to register its Common Shares with the SEC, which would entail significant expense to the Company and a significant amount of time on behalf of the Company’s directors and senior management. Furthermore, the Company and its directors could also be subject to criminal, civil or administrative proceedings.

Influence of the Significant Shareholders

The Company has a small number of shareholders who own, in the aggregate, approximately a 31.6% equity interest of the Company on a non-diluted basis. As a result, although such shareholders may not have any agreement to act in concert, such shareholders have the ability to exercise significant influence over matters submitted to the Shareholders for approval, whether subject to approval by a majority of the Shareholders or subject to a class vote or special resolution.

Limited Control Over the Company’s Operations

Holders of the Common Shares have limited control over changes in the Company’s policies and operations, which increases the uncertainty and risks of an investment in the Company. The Board determines major policies, including policies regarding financing, growth, debt capitalization and any dividends to Shareholders. Generally, the Board may amend or revise these and other policies without a vote of the holders of the Common Shares. Holders of the Common Shares only have a right to vote, as a class, in the limited circumstances described elsewhere in this Prospectus. The Board’s broad discretion in setting policies and the limited ability of holders of the Common Shares to exert control over those policies increases the uncertainty and risks of an investment in the Company.

Working Capital and Future Issuances

The Company may issue additional Common Shares in the future which may dilute a shareholder's holdings in the Company. The Articles permit the issuance of an unlimited number of Common Shares, an unlimited number of Proportionate Voting Shares, and an unlimited number of Preferred Shares issuable in series, and Shareholders have no pre-emptive rights in connection with any further issuances. The directors of the Company have the discretion to determine the provisions attaching to the Common Shares and the Proportionate Voting Shares and the price and the terms of issue of further Common Shares and Proportionate Voting Shares.

Additional equity financing may be dilutive to Shareholders and could contain rights and preferences superior to those of the Common Shares. Debt financing may involve restrictions on the Company's financing and operating activities. Debt financing may be convertible into other securities of the Company which may result in immediate or resulting dilution. In either case, additional financing may not be available to the Company on acceptable terms or at all. If the Company is unable to raise additional funds as needed, the scope of its operations or growth may be reduced and, as a result, the Company may be unable to fulfil its long-term goals. In this case, investors may lose all or part of their investment. Any default under such debt instruments could have a material adverse effect on the Company, its business or the results of operations.

Securities or Industry Analysts

The trading market for Common Shares could be influenced by the research and reports that industry and/or securities analysts may publish about the Company, its business, the market or competitors. If any of the analysts who may cover the Company's business change their recommendation regarding the Common Shares adversely, or provide more favourable relative recommendations about its competitors, the share price would likely decline. If any analyst who may cover the Company's business were to cease coverage or fail to regularly publish reports on the Company, it could lose visibility in the financial markets, which in turn could cause the share price or trading volume to decline.

Return on Securities is not Guaranteed

There is no guarantee that the Securities will earn any positive return in the short term or long term. A holding of Securities is speculative and involves a high degree of risk and should be undertaken only by holders whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. A holding of Securities is appropriate only for holders who have the capacity to absorb a loss of some or all of their holdings.

Discretion in the Use of Proceeds

Management of the Company will have broad discretion with respect to the timing and application of net proceeds received by the Company from the sale of Securities under this Prospectus or a future Prospectus Supplement and may spend such proceeds in ways that do not improve the Company's results of operations or enhance the value of the Common Shares or its other securities issued and outstanding from time to time. As a result, purchasers will be relying on the ongoing judgment of Management as determined from time to time for the application of the proceeds of any such offering. The results and the effectiveness of the application of the net proceeds are uncertain. Any failure by management to apply these funds effectively could result in financial losses that could have a material adverse effect on the Company's business or cause the price of the securities of the Company issued and outstanding from time to time to decline. The Company will not receive any proceeds from any sale of any Securities by selling securityholders in a secondary offering.

Dilution

The offering price of Common Shares or other Securities that are convertible or exchangeable into Common Shares may significantly exceed the net tangible book value per share of the Common Shares. Accordingly, a purchaser of Common Shares or other Securities that are convertible or exchangeable into Common Shares may incur immediate and substantial dilution of his, her or its investment. If outstanding options and warrants to purchase Common Shares are exercised or securities convertible into Common Shares are converted, additional dilution will occur. The Company may sell additional Common Shares or other securities that are convertible or exchangeable into Common Shares in subsequent offerings or may issue additional Common Shares or other securities to finance future acquisitions.

The Company cannot predict the size or nature of future sales or issuances of securities or the effect, if any, that such future sales and issuances will have on the market price of the Common Shares. Sales or issuances of

substantial numbers of Common Shares or other securities that are convertible or exchangeable into Common Shares, or the perception that such sales or issuances could occur, may adversely affect prevailing market prices of the Common Shares. With any additional sale or issuance of Common Shares or other securities that are convertible or exchangeable into Common Shares, investors will suffer dilution to their voting power and economic interest in the Company. Furthermore, to the extent holders of the Company's stock options or other convertible securities convert or exercise their securities and sell the Common Shares they receive, the trading price of the Common Shares on the CSE may decrease due to the additional amount of Common Shares available in the market.

Liquidity

There is currently no market through which the Securities, other than the Common Shares, may be sold and, unless otherwise specified in the applicable Prospectus Supplement, none of the Warrants, Subscription Receipts or Units will be listed on any securities or stock exchange or any automated dealer quotation system. As a consequence, purchasers may not be able to resell Warrants, Subscription Receipts or Units purchased under this Prospectus or any Prospectus Supplement. This may affect the pricing of the Securities, other than the Common Shares, in the secondary market, the transparency and availability of trading prices, the liquidity of these securities and the extent of issuer regulation. There can be no assurance that an active trading market for the Securities, other than the Common Shares, will develop or, if developed, that any such market, including for the Common Shares, will be sustained.

INTERESTS OF EXPERTS

The following persons or companies are named as having prepared or certified a report, valuation, statement or opinion in this Prospectus, either directly or in a document incorporated herein by reference, and whose profession or business gives authority to the report, valuation, statement or opinion made by the expert.

MNP LLP is the auditor of the Company and has confirmed that they are independent of the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants.

LEGAL MATTERS

Unless otherwise specified in a Prospectus Supplement relating to any Securities offered, certain legal matters relating to an offering of Securities will be passed upon by DLA Piper (Canada) LLP on behalf of the Company. Frost Brown Todd LLC (Lexington, Kentucky) has acted as U.S. regulatory counsel to the Company in respect of certain matters. As at the date hereof, the partners and associates of each of DLA Piper (Canada) LLP, and Frost Brown Todd LLC, as respective groups, beneficially own, directly or indirectly, less than 1% of the outstanding Shares.

In addition, certain legal matters in connection with any offering of Securities will be passed upon for any underwriters, dealers or agents by counsel to be designated at the time of the offering by such underwriters, dealers or agents, as the case may be.

AUDITORS, REGISTRAR AND TRANSFER AGENT

Our auditors are MNP LLP, located at 111 Richmond Street West, Suite 300, Toronto, Ontario, Canada M5H 2G4. MNP LLP is independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants.

The transfer agent and registrar for our Common Shares and Proportionate Voting Shares is Odyssey Trust Company, located at 350 - 300 5th Avenue SW, Calgary, Alberta, Canada T2P 3C4.

PURCHASERS' STATUTORY AND CONTRACTUAL RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may only be exercised within two business days after receipt or deemed receipt of a prospectus or a prospectus supplement relating to the securities purchased by a purchaser and any amendments thereto. In several of the provinces, the securities legislation further provides the purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus or a prospectus supplement relating to the securities purchased by a purchaser and any amendments thereto contain a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the

purchaser's province. A purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

In addition, original purchasers of convertible, exchangeable or exercisable Securities (unless the Securities are reasonably regarded by the Company as incidental to the applicable offering as a whole) will have a contractual right of rescission against the Company in respect of the conversion, exchange or exercise of the convertible, exchangeable or exercisable Security. This contractual right of rescission will be consistent with the statutory right of rescission described under section 130 of the *Securities Act* (Ontario) and is in addition to any other right or remedy available to original Canadian purchasers under Section 130 of the *Securities Act* (Ontario) or otherwise by law.

The contractual right of rescission will be further described in any applicable Prospectus Supplement, but will, in general, entitle such original purchasers to receive the amount paid for the applicable convertible, exchangeable or exercisable Security (and any additional amount paid upon conversion, exchange or exercise) upon surrender of the underlying Securities acquired thereby, in the event that this Prospectus (as supplemented or amended) contains a misrepresentation, provided that: (i) the conversion, exchange or exercise takes place within 180 days of the date of the purchase of the convertible, exchangeable or exercisable Security under this Prospectus; and (ii) the right of rescission is exercised within 180 days of the date of the purchase of the convertible, exchangeable or exercisable Security under this Prospectus.

In an offering of convertible, exchangeable or exercisable Preferred Shares, Subscription Receipts or Warrants, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the Prospectus is limited, in certain provincial securities legislation, to the price at which convertible, exchangeable or exercisable Preferred Shares, Subscription Receipts or Warrants are offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon the conversion, exchange or exercise of the Security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages or consult with a legal advisor.

ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS

Certain of the Company's directors and officers, namely Joel Stanley, Jared Stanley, John Held, Shane Hoyne, Hesaam Moallem, Richard Mohr, Juan Sartori, William West, Stephen Lerner and Eugenio Mendez reside outside of Canada. Each of these persons has appointed DLA Piper (Canada) LLP, 2800 Park Place, 666 Burrard St, Vancouver, British Columbia, Canada V6C 2Z7, as agent for service of process.

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person that resides outside of Canada, even if the party has appointed an agent for service of process.

PROMOTERS

Joel Stanley, a director and employee of the Company and Jared Stanley, a director and employee of the Company, may be considered promoters of the Company within the meaning of Canadian securities legislation. As of the date hereof, these individuals, either directly or indirectly, own, control or direct the number of Proportionate Voting Shares of the Company set forth in the table below. Neither of these individuals currently own any options to purchase Proportionate Voting Shares.

Name of Promoter	Proportionate Voting Shares owned, controlled or directed, directly or indirectly, and Common Share equivalent
Joel Stanley	12,475.77 (4,990,308 Common Shares)
Jared Stanley	12,743.53 (5,097,412 Common Shares)

Joel Stanley and Jared Stanley have each entered into an employment agreement with the Company pursuant to which they are each entitled to annual compensation of US\$225,000 from the Company. Other than as set forth herein, neither Joel Stanley nor Jared Stanley is entitled to any additional money, property, contracts, options or rights of any kind from the Company or its subsidiary.

CERTIFICATE OF CHARLOTTE'S WEB HOLDINGS, INC.

Dated: April 8, 2019

This short form prospectus, together with the documents incorporated in this Prospectus by reference, will, as of the date of the last supplement to this Prospectus relating to the securities offered by this Prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus and the supplement(s) as required by the securities legislation of each of the provinces of Canada (except Quebec).

(Signed) *HESAAM MOALLEM*
Hesaam Moallem
Chief Executive Officer

(Signed) *RICHARD MOHR*
Richard Mohr
Chief Financial Officer

On behalf of the Board of Directors

(Signed) *JOHN HELD*
John Held
Director

(Signed) *WILLIAM WEST*
William West
Director

CERTIFICATE OF THE PROMOTERS

Dated: April 8, 2019

This short form prospectus, together with the documents incorporated in this Prospectus by reference, will, as of the date of the last supplement to this Prospectus relating to the securities offered by this Prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus and the supplement(s) as required by the securities legislation of each of the provinces of Canada (except Quebec).

(Signed) *JOEL STANLEY*
Joel Stanley

(Signed) *JARED STANLEY*
Jared Stanley