Item 8. Financial Statements and Supplementary Data

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Charlotte's Web Holdings Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Charlotte's Web Holdings, Inc. (the "Company") as of December 31, 2025 and 2024, the related consolidated statements of operations, changes in shareholders' equity (deficit) and cash flows for each of the two years in the period ended December 31, 2025, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America..

Basis for Opinion

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

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

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

/s/ PKF O'Connor Davies, LLP

We have served as the Company's auditor since 2024.

New York, New York

March 31, 2026

CHARLOTTE’S WEB HOLDINGS, INC.

CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	December 31, 2025	December 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,035	$ 22,618
Accounts receivable, net	811	1,263
Inventories, net	18,022	18,907
Prepaid expenses and other current assets	3,491	4,194
Total current assets	30,359	46,982
Property and equipment, net	22,679	26,337
License and media rights	—	13,691
Operating lease right-of-use assets, net	11,297	12,876
Investment in unconsolidated entity	8,800	10,800
Intangible assets, net	785	1,049
Derivative and other long-term assets	1,353	1,707
Total assets	$ 75,273	$ 113,442
LIABILITIES AND SHAREHOLDERS’ EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 2,186	$ 3,426
Accrued and other current liabilities	5,053	5,246
Lease obligations – current	1,420	2,055
License and media rights payable - current	—	5,209
Total current liabilities	8,659	15,936
Convertible debenture	50,849	43,631
Lease obligations	12,186	13,652
License and media rights payable	—	11,809
Derivative and other long-term liabilities	5,618	1,327
Total liabilities	77,312	86,355
Commitments and contingencies (Note 9)		
Shareholders’ equity (deficit):		
Common shares, nil par value; unlimited shares authorized; 159,420,141 and 158,009,541 shares issued and outstanding as of December 31, 2025 and 2024, respectively	1	1
Additional paid-in capital	329,270	328,655
Accumulated deficit	(331,310)	(301,569)
Total shareholders’ equity (deficit)	(2,039)	27,087
Total liabilities and shareholders’ equity (deficit)	$ 75,273	$ 113,442

See Notes to Consolidated Financial Statements

CHARLOTTE'S WEB HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share amounts)

	Year Ended December 31,	
	2025	**2024**
Revenue	$ 49,897	$ 49,667
Cost of goods sold	28,197	28,407
Gross profit	21,700	21,260
Selling, general and administrative expenses	41,968	53,247
Operating loss	(20,268)	(31,987)
Change in fair value of financial instruments	(7,269)	615
Other income (expense), net	(2,272)	1,565
Loss before provision for income taxes	$ (29,809)	$ (29,807)
Income tax benefit (expense)	68	(39)
Net loss	$ (29,741)	$ (29,846)
Per common share amounts (Note 12)		
Net loss per common share, basic and diluted	$ (0.19)	$ (0.19)

See Notes to Consolidated Financial Statements

CHARLOTTE'S WEB HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)

(in thousands, except share amounts)

	Common Shares		Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount			
Balance—December 31, 2023	154,332,366	$ 1	$ 327,280	$ (271,723)	$ 55,558
Common shares issued upon vesting of restricted share units, net of withholdings	3,677,175	—	(145)	—	(145)
Share-based compensation	—	—	1,520	—	1,520
Net loss	—	—	—	(29,846)	(29,846)
Balance—December 31, 2024	158,009,541	$ 1	$ 328,655	$ (301,569)	$ 27,087
Common shares issued upon vesting of restricted share units, net of withholding	1,410,600	—	(49)	—	(49)
Share-based compensation	—	—	664	—	664
Net loss	—	—	—	(29,741)	(29,741)
Balance—December 31, 2025	159,420,141	$ 1	$ 329,270	$ (331,310)	$ (2,039)

See Notes to Consolidated Financial Statements

CHARLOTTE'S WEB HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended December 31, 2025	Year Ended December 31, 2024
Cash flows from operating activities:		
Net loss	$ (29,741)	$ (29,846)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	6,323	9,979
Change in fair value of financial instruments	7,269	(615)
Convertible debenture and other accrued interest	2,979	3,724
(Gain)/loss on foreign currency transaction	2,141	(3,631)
Changes in right-of-use assets	1,579	1,771
Share-based compensation	664	1,520
Inventory provision	205	4,154
Other non-cash items	(2,263)	751
Changes in operating assets and liabilities:		
Accounts receivable, net	368	361
Inventories, net	108	(1,520)
Prepaid expenses and other current assets	232	1,332
Operating lease obligations	(2,100)	(2,247)
Accounts payable, accrued and other liabilities	(1,089)	(1,664)
License and media rights payable	—	(5,000)
Other operating assets and liabilities, net	(796)	(330)
Net cash used in operating activities	(14,121)	(21,261)
Cash flows from investing activities:		
Purchases of property and equipment and intangible assets	(549)	(3,851)
Proceeds from sale of assets	137	55
Net cash used in investing activities	(412)	(3,796)
Cash flows from financing activities:		
Other financing activities	(50)	(145)
Net cash used in financing activities	(50)	(145)
Net decrease in cash and cash equivalents	(14,583)	(25,202)
Cash and cash equivalents —beginning of year	22,618	47,820
Cash and cash equivalents —end of year	$ 8,035	$ 22,618
Non-cash activities:		
Non-cash purchases of property and equipment and intangibles	—	(3)

See Notes to Consolidated Financial Statements

1. DESCRIPTION OF BUSINESS AND PRESENTATION OF FINANCIAL STATEMENTS

Description of the Business

Charlotte's Web Holdings, Inc. together with its subsidiaries, (collectively "Charlotte's Web" or the "Company") is a public company incorporated pursuant to the laws of the Province of British Columbia. The Company's common shares are publicly listed on the Toronto Stock Exchange ("TSX") under the symbol "CWEB" and quoted on the OTCQB under the symbol "CWBHF." The Company's corporate headquarters is located in Louisville, Colorado, in the United States of America. The majority of the Company's business is conducted in the United States of America.

The Company's primary products are made from high-quality and proprietary strains of whole-plant hemp extracts containing a full spectrum of phytocannabinoids, terpenes, flavonoids and other hemp compounds. Hemp extracts are produced from the plant Cannabis sativa L. ("cannabis" or "CBD"), 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 ("hemp"). The Company is engaged in research involving the effectiveness of a broad variety of compounds derived from hemp, as well as other botanical-based wellness products such as functional mushrooms. The Company does not currently produce or sell medical or recreational marijuana or products derived from high-THC cannabis plants. The Company does not currently have any plans to expand into such high-THC products in the near future.

The Company's current product categories include full-spectrum hemp extract oil tinctures (liquid product), gummies, soft-gels, CBD topical creams and lotions, broad-spectrum botanical CBD gummies, functional mushroom gummies, and pet products. The Company's products are distributed through its e-commerce website, third-party e-commerce websites, select distributors, and healthcare practitioners.

The Company grows its proprietary hemp domestically in the United States on farms leased in northeastern Colorado and sources hemp through contract farming operations in Arizona, Colorado, Kentucky, New Mexico and Canada. The hemp grown in Canada is utilized exclusively in the Canadian markets or for research purposes and not in products sold within the United States.

In furtherance of the Company's research and development ("R&D") efforts, the Company established CW Labs, an internal division for R&D, to expand the Company's efforts around the science of hemp-derived compounds. CW Labs is currently engaged in clinical trials addressing hemp-based health solutions. CW Labs is located in Louisville, Colorado at the Company's current good manufacturing practice ("cGMP") production and distribution facility.

Emerging Growth Company Status

The Company is an emerging growth company ("EGC"), as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. The Company has elected to use the extended transition period for complying with new or revised accounting standards, and as a result of this election, the consolidated financial statements may not be comparable to companies that comply with public company FASB standards' effective dates. The Company can elect to early adopt, if permitted by the accounting standard. The Company may take advantage of these exemptions up until the last day of the fiscal year following the fifth anniversary of an offering or such earlier time that it is no longer an EGC.

Smaller Reporting Company Status

The Company is a "smaller reporting company" as defined in the Exchange Act of 1934, as amended ("Exchange Act") Rule 12b-2. As a result, the Company is eligible to take advantage of certain reduced disclosure and other requirements that are otherwise applicable to public companies including; however, not limited to, not being subject to the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act of 2002. The Company will remain a smaller reporting company until the last day of the fiscal year in which (1) the aggregate worldwide market value of its common shares held by non-affiliates equaled or exceeded $250 million as of the prior June 30th, or (2) its annual revenues equaled or exceeded $100 million during such completed fiscal year and the aggregate worldwide market value of its common shares held by non-affiliates equaled or exceeded $700 million as of the prior June 30th.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND USE OF ESTIMATES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. Unless otherwise indicated, comparisons are to comparable prior periods, and 2025 and 2024 refer to the 12 months ended December 31, 2025, and 2024, respectively.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make informed estimates, judgments, and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses during the reporting period, and the disclosures in the accompanying notes. On an ongoing basis, management evaluates such estimates and assumptions for continued reasonableness. In particular, management makes estimates with respect to any (i) inventory provision, (ii) underlying assumptions that affect the potential impairment of goodwill and long-lived assets, (iii) ability to realize income tax benefits associated with deferred tax assets, and (iv) underlying assumptions that affect the fair value of derivative instruments and investments in unconsolidated entities. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation. Management's estimates are based on historical information available at the date of the consolidated financial statements and various other assumptions management believes are reasonable based on the circumstances. Actual results could differ materially from those estimates.

Reclassifications and prior period presentations

Certain amounts presented in prior periods have been reclassified to conform with the current period presentation.

Basic and Diluted Net Loss per Share

Basic net loss per common share is computed by dividing the allocated net loss by the weighted-average number of common shares outstanding during the period. Diluted loss per common share is computed by dividing the allocated net loss by the weighted-average number of common shares together with the number of additional common shares that would have been outstanding if all potentially dilutive common shares had been issued. Since the Company was in a loss position for the periods presented, basic net loss per share is the same as diluted net loss per share since the effects of potentially dilutive securities are antidilutive.

Segments

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

Cash and Cash Equivalents

The Company considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents. The Company maintains its cash and cash equivalents in accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Concentration of Credit Risk

The Company's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The cash amounts in deposit accounts held in excess of federally-insured limits were $7,785 and $22,367 as of December 31, 2025 and 2024, respectively. To date, the Company has not experienced any losses on its cash deposits.

The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk; however, has limited risk, as the majority of its sales are transacted with cash. Accounts receivable are unsecured, and the Company does not require collateral from its customers. For the year ended December 31, 2025 and 2024, no single customer accounted for more than 10% of the Company’s consolidated revenue.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable is stated as the amount billed, net of an estimated allowance for credit losses ("ACL"). The Company's ACL is adjusted periodically and is based on management's consideration of the age and nature of the past due accounts as well as specific payment issues. The Company considers as past due any receivable balance not collected within its contractual terms. Changes in the Company's estimate to the ACL is recorded through bad debt expense and individual accounts are charged against the allowance when all reasonable collection efforts are exhausted.

Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses. Cost includes all expenses for direct raw materials inputs, as well as costs directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Cost is determined by use of the weighted average method. The Company periodically reviews the value of items in inventory and provides write-downs or write-offs of inventory based on its assessment of market conditions, including forecasted demand compared to quantities on hand, as well as other factors such as potential excess or aged inventories, historical annihilation trends of finished goods applied to current inventory of finished goods to estimate current reserve needs, and other factors that affect inventory obsolescence, including State and Federal regulatory considerations. The Company's raw materials inventories of harvested hemp are recorded at cost to harvest. Raw materials costs as well as production costs are included in the carrying value of the Company's finished goods inventory. The Company's inventory production process for cannabinoid products includes the cultivation of botanical raw material. Due to the duration of the cultivation process, a portion of the inventory will not be sold within one year. Consistent with the practice in other industries that cultivate botanical raw materials, all inventory is classified as a current asset. Refer to Note 4 "Inventories" for further discussion.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets were comprised of the following amounts (in thousands):

	December 31,	
	2025	**2024**
Prepaid expenses	$ 1,217	$ 1,245
Deposits	549	1,404
License and media rights	—	1,000
Other miscellaneous receivables	1,725	545
Total prepaid expenses and other current assets	$ 3,491	$ 4,194

Property and Equipment, Net

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building	30 years
Machinery and equipment	4-12 years
Furniture and fixtures	5-7 years
Leasehold improvements	Shorter of useful life or term of lease (4-10 years)

Construction-in-process assets are capitalized during construction and depreciation commences when the asset is placed into service. Significant improvements that extend the useful life of an asset are capitalized. Repairs and maintenance which do not extend the useful lives of assets are expensed as incurred. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gains or losses are recognized.

Intangible Assets, Net

Finite Lived Intangible Assets

Finite lived intangible assets consist of software, patents, and licenses. These intangible assets were determined to have finite lives and are amortized over their useful lives. Software is stated at cost less accumulated amortization. The costs of obtaining a patent are capitalized and amortized over its useful life.

Amortization is calculated on the straight-line basis over the following estimated useful lives of the assets:

Software	2-5 years
Patents	15-20 years

Capitalized Software Development Costs

The Company develops software for internal use. Software development costs incurred during the application development stage, which includes payroll and payroll-related costs related to employees and third-party consultant costs are capitalized. The Company amortizes these costs over the estimated useful life of the software, which is generally three years. These costs are included in intangible assets, net on the consolidated balance sheets.

Impairment of Long-Lived Assets

The Company reviews intangible assets with indefinite useful lives for impairment at least annually and reviews all intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. Long-lived assets, such as property and equipment and intangible assets subject to depreciation and amortization, as well as indefinite lived intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable or that the useful life is shorter than the Company had originally estimated. Recoverability of these assets is measured by comparison of the carrying amount of each asset or asset group to the future undiscounted cash flows the asset or asset group is expected to generate over their remaining lives. If the asset or asset group is considered to be impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset or asset group. If the useful life is shorter than originally estimated, the Company amortizes the remaining carrying value over the new shorter useful life.

Investment in Unconsolidated Entities

The Company has a variable interest in the investment in DeFloria; however, the Company is not the primary beneficiary of DeFloria as it lacks the power to direct DeFloria's key activities. The Company concluded that the investment in DeFloria should not be consolidated. In accordance with ASC 825-10, equity method investments are eligible for the fair value option as they represent recognized financial assets. As the Company was not required to consolidate the investment and does not meet any of the other scope exceptions, the Company had the ability to adopt the fair value option for the investment at inception. The investment was remeasured at fair value after each reporting date, with changes recognized in consolidated statements of operations, as changes in fair value of financial instruments for the period.

Leases

The Company determines if an arrangement contains a lease at inception based on whether there is an identified asset and whether the Company controls the use of the identified asset throughout the period of use. Arrangements containing leases are classified as either finance or operating. The Company does not have any finance leases. For operating leases, right-of-use ("ROU") assets are recognized at the lease commencement date and represent the Company's right to use an underlying asset for the lease term. Lease obligations are recognized at the lease commencement date based on the present value of future lease payments over the remaining lease term.

Present value of lease payments are discounted based on the Company's incremental borrowing rate, as the Company's operating leases generally do not provide an implicit rate. The estimated incremental borrowing rate is based on the information available at the lease commencement date for collateralized borrowings with a similar term, an amount equal to the lease payments and in a similar economic environment where the leased asset is located. The collateralized borrowings were based on the Company's credit rating corroborated with market credit metrics like debt level and interest coverage.

Options to renew or terminate the lease are recognized as part of the Company's ROU assets and lease liabilities when it is reasonably certain the options will be exercised. ROU assets are also assessed for impairments consistent with the Company's long-lived asset policy.

Operating lease expense for fixed lease payments is recognized on a straight-line basis over the lease term. Variable lease payments for real estate taxes, insurance, maintenance, and utilities, which are generally based on the Company's pro rata share of the total property, are not included in the measurement of the ROU assets or lease liabilities and are expensed as incurred.

Operating leases are presented separately as operating lease right-of-use assets, net and lease obligations, current and non-current, in the accompanying consolidated balance sheets. Leases with an initial term of 12 months or less, that do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise, are not recorded on the consolidated balance sheet.

Convertible Debenture

The Company determined that the debenture is a freestanding financial instrument, which includes embedded derivatives. The embedded derivatives have been bifurcated from the debenture and accounted for separately in accordance with the provisions of ASC 815, *Derivatives and Hedging*. The Company reviewed the terms of the debenture and identified two material embedded features which required bifurcation and separate accounting pursuant to the provisions of ASC 815: i) the interest rate conversion feature based on changes in federal regulations, and ii) the debt conversion option to common shares. The debt interest rate conversion feature is classified as a derivative asset and measured at fair value using a probability weighted income approach. The debt conversion option is classified as a derivative liability and measured at fair value using a Black-Scholes option pricing model. The Company allocated proceeds first to the derivatives measured at fair value and the residual amount is allocated to the debenture. Debt issuance costs are allocated to the debenture. The debt issuance costs are presented as a direct reduction from the face value of the debenture and amortized over the stated term of the debenture. Refer to Note 3 "Fair Value Measurement" and Note 8 "Debt" for additional discussion regarding the convertible debenture and derivative instruments.

(in thousands, except share, per share, per unit, and number of years)

Revenue Recognition

The Company recognizes revenue from customers when control of the goods or services are transferred to the customer. This generally occurs when products are shipped, at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. Freight revenue is included in revenue on the consolidated statements of operations, and is generally exempt from state sales taxes. Sales tax collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from revenue in the consolidated statements of operations.

Contracts are written to include standard discounts and allowances. Contracts are not written to include advertising allowances, tiered discounts or any other performance obligation. Since the Company's contracts involve the delivery of various tangible products, the arrangements are considered to contain only a single performance obligation, as such there is no allocation of the transaction price.

The Company also offers e-commerce discounts and promotions through its online rewards program. The Charlotte's Web Loyalty Program offers customers rewards points for every dollar spent through the Company website to earn store credit for future purchases. The Company defers recognition of revenue for unredeemed awards until the following occurs: i) rewards are redeemed by the consumer, ii) points or certificates expire, or iii) an estimate of the expected unused portion of points or certificates is applied, which is based on historical redemption patterns.

Any product that doesn't meet the customer's expectations can be returned within the first 30 days of delivery in exchange for another product or for a full refund. Any product sold through a distributor or retailer must be returned in the original purchase location for any return or exchange. The Company accounts for customer returns utilizing the "expected value method". Expected amounts are excluded from revenue and recorded as a "refund liability" that represents the Company's obligation to return the customer's consideration. Estimates are based on actual historical and current specific data.

The majority of the Company's revenue is derived from sales of branded products to consumers via the Company's e-commerce website, third-party e-commerce websites, select distributors, and health practitioners. The Company and DeFloria, Inc. ("DeFloria") entered into a Master Services Agreement ("Services Agreement") in which the Company is compensated for certain services to DeFloria. Refer to Note 16 for additional disclosure on the DeFloria Service Agreement. The following table sets forth the disaggregation of the Company's revenue:

	Year Ended December 31,	
	2025	2024
Product revenue	$ 49,597	$ 49,019
Service revenue	300	648
Total revenue	$ 49,897	$ 49,667

Substantially all of the Company's revenue is earned in the United States.

Cost of Goods Sold

Cost of goods sold primarily consists of the inventory and production costs for the Company's products sold during the period, and also includes amortization and depreciation, as well as allocated expenses. For the year ended December 31, 2025 and 2024, cost of goods sold includes $205 and $4,154 in inventory provision, respectively. Refer to Note 4 "Inventories" for further discussion.

Selling, General and Administrative

Selling, general and administrative expenses primarily consists of compensation and other personnel-related costs, amortization and depreciation, share-based compensation, marketing and advertising expenses, professional services fees, rent and related costs, insurance premiums, as well as bank and merchant fees. Advertising expenses are expensed as incurred and primarily includes the cost of marketing activities such as online advertising, search engine optimization, promotional activities, and market research. For the year ended

December 31, 2025 and 2024, the Company recognized $8,127 and $7,978 of advertising expense, respectively. Selling, general and administrative expenses also includes research and development expenses, which are expensed as incurred. For the year ended December 31, 2025 and 2024, the Company recognized $1,805 and $2,332, respectively, of research and development expenses.

Defined Contribution Plan

The Company has a defined contribution plan, under which the Company contributes based on a percentage of the employees' elected contributions. Defined contribution expense of $346 and $493 was recorded during the year ended December 31, 2025 and 2024, respectively.

Share-based Compensation

The Company accounts for compensation expense for share-based option awards to employees, non-employee directors, and other non-employees based on the estimated grant date fair value of the options on a straight-line basis over the requisite service period, which is the vesting period for stock options. The fair value of stock options are estimated using the Black-Scholes option pricing model, which requires assumptions and judgments regarding stock price, volatility, risk-free interest rates, dividend yields, and expected option terms. The Company uses the historical volatility and grant date closing price of its publicly traded shares to estimate the grant-date fair value of its stock options. Share-based compensation is recognized net of actual forfeitures when they occur. All share-based compensation costs are recorded in the consolidated statements of operations in selling, general and administrative expense.

Income Taxes

The Company utilizes the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets or liabilities are computed based on the temporary difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal income tax rate in effect for the year in which the differences are expected to reverse. Deferred income tax expense or benefit is based on the changes in the deferred income tax assets or liabilities from period to period. A valuation allowance is established if it is more likely than not that all or a portion of the deferred tax asset will not be realized.

Significant judgment is required in determining the Company's provision for income taxes, deferred tax assets and liabilities and the valuation allowance recorded against net deferred tax assets. The Company assesses the likelihood that deferred tax assets will be recovered as deductions from future taxable income. The evaluation of the need for a valuation allowance is performed on a jurisdiction-by-jurisdiction basis and includes a review of all available positive and negative evidence. Factors reviewed include projections of pre-tax book income for the foreseeable future, determination of cumulative pre-tax book income or loss, earnings history, and reliability of forecasting. It is the Company's policy to offset indefinite lived deferred tax assets with indefinite lived deferred tax liabilities. The Company provided a full valuation allowance on deferred tax assets because it is more likely than not that deferred tax assets will not be realized.

The Company accounts for uncertainties in income taxes under Topic 740, which prescribes a recognition threshold and measurement methodology to recognize and measure an income tax position taken, or expected to be taken, in a tax return. With respect to any tax positions that do not meet the recognition threshold, a corresponding liability, including interest and penalties, is recorded in the consolidated financial statements. The Company may be subject to examination by tax authorities where the Company conducts operations. The Company's tax years prior to 2022 are closed for federal income tax purposes. The Company's 2019 tax year was opened for examination by the IRS during the second half of 2023. The statute of limitations on assessment with respect to the Company's 2019 Form 1120 remains open until June 30, 2027, pursuant to an agreed-upon extension to the applicable statute of limitations. The Company's 2022 through 2024 tax years remain open until the general statute of limitations lapses for each respective tax year. Refer to Note 14 "Income Taxes" for disclosures on uncertain tax positions. The Company's policy is to recognize interest and penalties on taxes, if any, as income tax expense.

New accounting pronouncements recently adopted

In December 2023, the FASB issued a final standard on improvements to income tax disclosures, ASU 2023-09, Improvements to Income Tax Disclosures. The standard requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The standard is intended to benefit investors by providing more detailed income tax disclosures that would be useful in making capital allocation decisions. ASU 2023-09 is effective for the Company beginning with its fiscal year ended December 31, 2025. Refer to Note 14, Income Taxes for additional disclosures.

Recently Issued Accounting Pronouncements

Other than described below, no new accounting pronouncements issued by the FASB had or may have a material impact on the Company's consolidated financial statements.

In December 2025, the FASB issued ASU 2025-11, Interim Reporting (Topic 270): Narrow-Scope Improvements. The guidance clarifies and improves the guidance in Topic 270, including reorganizing the Codification, clarifying the scope of interim reporting guidance, adding a consolidated list of required interim disclosures, and introducing a disclosure principle for material events or changes occurring after the most recent annual reporting period. ASU 2025-11 is effective for public business entities for interim periods within annual periods beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the effect of adopting this ASU

In September 2025, the FASB issued ASU 2025-06, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40). This guidance modernizes and clarifies the accounting model for costs related to internal-use software, eliminating the historically used stage-based framework. The new guidance supersedes ASC 350-50 on website development costs, folding relevant guidance into ASC 350-40. ASU 2025-06 is effective for the Company beginning after December 15, 2027, and early adoption is permitted as of the beginning of an annual reporting period. The Company is currently evaluating the effect of adopting this ASU.

In November 2024, the FASB issued ASU 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses. The guidance requires disaggregated disclosure of income statement expenses for public business entities. ASU 2024-03 is effective for the Company beginning December 31, 2026. The Company is currently evaluating the effect of adopting this ASU.

3. FAIR VALUE MEASUREMENT

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

Level 1—Inputs are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

Level 2—Inputs are observable, unadjusted quoted prices in active markets for similar assets or liabilities; unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities

Level 3—Unobservable inputs that are supported by little or no market data for the related assets or liabilities

The categorization of a financial instrument within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company's financial instruments include cash and cash equivalents, accounts receivable and other receivables, notes receivable and payable, asset derivatives, accounts payable and accrued liabilities, cultivation liabilities, convertible debenture, liability derivatives, investment in unconsolidated entity, and other current assets and liabilities. At December 31, 2025 and 2024, the carrying amounts of cash and cash equivalents, accounts receivable and other receivables, accounts payable and other current assets and liabilities approximated fair values because of their short-term nature. The carrying value of the notes receivable and cultivation liability approximates the fair value as the stated interest rate approximates market rates currently available to the Company. The carrying value of the convertible debenture approximates the fair value after adjustments for the bifurcated embedded derivatives and other discounts, refer to Note 8 "Debt" note for additional fair value disclosures.

(in thousands, except share, per share, per unit, and number of years)

The following table sets forth the Company's financial instruments that were measured at fair value on a recurring basis at December 31, 2025 and 2024, by level within the fair value hierarchy:

	December 31, 2025			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Stanley Brothers USA Holdings purchase option	$ —	$ —	$ —	$ —
Debt interest rate conversion feature	—	—	211	211
Total financial assets	$ —	$ —	$ 211	$ 211
Investment in unconsolidated entity:	$ —	$ —	$ 8,800	$ 8,800
Financial liabilities:				
Debt conversion option	$ —	$ 5,187	$ —	$ 5,187

	December 31, 2024			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Stanley Brothers USA Holdings purchase option	$ —	$ —	$ 52	$ 52
Debt interest rate conversion feature	—	—	1,023	1,023
Total financial assets	$ —	$ —	$ 1,075	$ 1,075
Investment in unconsolidated entity:	$ —	$ —	$ 10,800	$ 10,800
Financial liabilities:				
Debt conversion option	$ —	$ 786	$ —	$ 786

There were no transfers between levels of the fair value hierarchy and there were no changes in the fair value methodologies during the year ended December 31, 2025 and 2024, respectively.

Investment in Unconsolidated Entity

On April 6, 2023, the Company jointly formed an entity, DeFloria, with AJNA BioSciences PBC ("AJNA"), and a subsidiary of British American Tobacco PLC ("BAT"). AJNA is a botanical drug development company. AJNA is partially owned and was co-founded by members of the Stanley Brothers. The seven Stanley brothers (the "Stanley Brothers") founded CWB Holdings, Inc (predecessor to Charlotte's Web, Inc).

(in thousands, except share, per share, per unit, and number of years)

As of December 31, 2025, BAT holds an equity interest in DeFloria in the form of approximately 2,000,000 or 100% preferred units (200,000 preferred units as of December 31, 2024) following its $10 million initial investment and has the right to participate in future equity issuances to maintain its pro rata equity position. In 2024, BAT and AJNA invested an additional $5 million and $2 million, respectively, into DeFloria in exchange for a convertible debenture. The Company and AJNA each hold 4,000,000 or approximately 50% (400,000 common shares as of December 31, 2024), respectively, of DeFloria's voting common units following a 1-10 stock split when DeFloria converted from a Limited Liability Company to a Corporation. The Company's contribution to DeFloria is a license permitting the use of certain proprietary hemp intellectual property, including clinical and consumer data. Additionally, the Company has a supply agreement with DeFloria, under which the Company supplies the oils at cost used to produce and develop the new drug. AJNA's contribution to the entity is laboratory and regulatory services, clinical expertise, and the provision of clinical services. DeFloria used the investments for the clinical development of a hemp botanical Investigational New Drug application and has concluded Phase I clinical development.

Concurrently with the formation of DeFloria, the Company was issued a warrant to purchase 865,052 shares of Class A Common Stock of AJNA for an exercise price of $2.89 per share. Management determined the warrant should be accounted for in accordance with ASC 321, which requires the warrant to be measured at fair value at issuance and subsequently remeasured at fair value each reporting period. All changes from the remeasurement of the warrant will be recorded as a change in fair value of financial instruments in the consolidated statements of operations. As of December 31, 2025, AJNA warrants have expired and as such have no value.

The Company determined that it has a variable interest in the investment in DeFloria; however, the Company is not the primary beneficiary of DeFloria as it lacks the power to direct DeFloria's key activities. The Company concluded that the investment in DeFloria should not be consolidated. The maximum exposure to loss in the investment in DeFloria is limited to the Company's investment, which is represented by the financial statement carrying amount of its retained interest.

In accordance with ASC 825-10, equity method investments are eligible for the fair value option as they represent recognized financial assets. As the Company is not required to consolidate the investment and does not meet any of the other scope exceptions, the Company had the ability to adopt the fair value option for the investment at inception. Upon formation of the entity, the Company elected the fair value option because it allowed the investment to be valued based on current market conditions.

The investment has been remeasured at fair value at each reporting date, with changes recognized in consolidated statements of operations as changes in fair value of financial instruments for the period. For the year ended December 31, 2025 and 2024, a loss of $2,000 and $200, respectively, related to the investment in DeFloria was recognized as a change in fair value of financial instruments in the consolidated statement of operations. As of December 31, 2025 and 2024, the DeFloria investment represents an investment of $8,800 and $10,800, respectively, within the consolidated balance sheets.

The use of assumptions for the fair value determination includes a high degree of subjectivity and judgment using unobservable inputs (level 3 on the fair value hierarchy), which results in estimation uncertainty. To determine the value of the investment, the Company utilizes an Option Pricing Model ("OPM"). The OPM considers the various terms of the stockholder agreements, including the level of seniority among the securities, dividend policy, conversion ratios, and cash allocations upon liquidation of the entity. The OPM is appropriate when the range of potential future outcomes is difficult to predict with any certainty.

The following additional assumptions are used in the model:

	Year Ended December 31,	
	2025	**2024**
Expected term (years)	5.0	5.3
Volatility	96.4%	83.6%
Risk-free interest rate	3.7%	4.4%
Expected dividend yield	—%	—%
Discount for lack of marketability	31.0%	31.0%

(in thousands, except share, per share, per unit, and number of years)

Convertible Debt Derivatives

On November 14, 2022, the Company entered into a subscription agreement (the "Subscription Agreement") with BT DE Investments, Inc. a wholly-owned subsidiary of BAT Group (LSE: BATS and NYSE: BTI) (the "Lender"), providing for the issuance of $56.8 million (C$75.3 million) convertible debenture (the "debenture"). The debenture is convertible into 19.9% ownership of the Company's common shares at a conversion price of C$2.00 per common share of the Company on the TSX. The debenture will accrue interest at a stated annualized rate of 5% until such time that there is federal regulation permitting the use of cannabidiol, a phytocannabinoid derived from the plant *Cannabis sativa L*. as an ingredient in food products and dietary supplements in the United States. (The term "federal regulation" is defined as the date that federal laws in the United States permit, authorize or do not prohibit the use of CBD as an ingredient in food products and dietary supplements). Following federal regulation of CBD, the annualized rate of interest shall reduce to 1.5%. The maturity date for the debenture is November 14, 2029 (the "Maturity Date").

The Company determined that the debenture did not meet the definition of a freestanding derivative under ASC 815 "Fair Value Measurement for financial statement", and required the bifurcation of two embedded derivatives, the debt interest rate conversion feature and the debt conversion option.

Debt Interest Rate Conversion Feature

The debt interest rate conversion feature is classified as a financial asset and is remeasured at fair value at each reporting date, with changes recognized in the consolidated statements of operations as changes in fair value of financial instruments for the period. The use of assumptions for the fair value determination includes a high degree of subjectivity and judgment using unobservable inputs (level 3 on the fair value hierarchy), which results in estimation uncertainty. The debt interest rate conversion feature, if triggered, reduces the stated interest rate of the debenture to 1.5% upon federal regulation of CBD in the United States.

For the year ended December 31, 2025 and 2024, a loss of $865 and a gain of $228, respectively, related to the debt interest rate conversion feature was recognized as a change in fair value of financial instruments in the consolidated statement of operations. As of December 31, 2025 and 2024, the debt interest rate conversion feature represents a financial asset of $211 and $1,023, respectively, within Derivative and other long-term assets in the consolidated balance sheets.

To determine the value of the debt interest rate conversion feature, the Company utilizes a probability weighted income approach. This method calculates the present value of the reduced interest accrued on the debenture assuming the feature is triggered at a certain time, after accounting for the probability of federal regulation of CBD. This approach is useful when ultimate valuation is based on an unverifiable outcome, such as an event outside of the Company's influence. The following additional assumptions are used in the model:

	Year Ended December 31,	
	2025	**2024**
Stated interest rate	5.0%	5.0%
Adjusted interest rate	1.5%	1.5%
Implied debt yield	13.2%	9.9%
Federal regulation probability	various	various
Year of event	various	various

Debt Conversion Option

Per the debenture, the Lender has the option, at any time before the Maturity Date at no additional consideration, for all or any part of the principal amount to be converted into fully paid and non-assessable common shares. The Company assessed this conversion feature and determined that the debt conversion option is an embedded derivative that requires bifurcation and is classified as a financial liability within the consolidated balance sheet. The debt conversion option is initially measured at fair value and is revalued at each reporting period using the Black-Scholes option pricing model based on Level 2 observable inputs. The assumptions used by the Company are the quoted price of the Company's common shares in an active market, risk-free interest rate, volatility and expected life, and assumes no dividends. Volatility is based on the actual historical market activity of the Company's shares. The expected life is based on the remaining contractual term of the debenture and the risk-free interest rate is based on the implied yield available on U.S. Treasury Securities with a maturity equivalent to the expected maturity of the debenture.

(in thousands, except share, per share, per unit, and number of years)

For the year ended December 31, 2025 and 2024, a loss of $4,352 and a gain of $2,265, respectively, related to the debt conversion option was recognized as a change in fair value of financial instruments in the consolidated statements of operations. As of December 31, 2025 and 2024, the debt conversion option represents a financial liability of $5,187 and $786, respectively, within derivative and other long-term liabilities in the consolidated balance sheets.

The following table provides the assumptions regarding Level 2 fair value measurements inputs at their measurement dates:

	Year Ended December 31,	
	2025	2024
Expected volatility	89.8%	87.9%
Expected term (years)	3.9	4.9
Risk-free interest rate	3.9%	4.5%
Expected dividend yield	—%	—%
Value of underlying share	C$0.50	C$0.13
Exercise price	C$2.00	C$2.00

Stanley Brothers USA Holdings Purchase Option

In 2021, the Company entered into an option purchase agreement (the "SBH Purchase Option") with Stanley Brothers USA Holdings, Inc. ("Stanley Brothers USA"). The SBH Purchase Option was purchased for total consideration of $8,000 and had a term of five years (extendable for an additional two years upon payment of additional consideration). The SBH Purchase Option provides the Company the option to acquire all or substantially all the shares of Stanley Brothers USA, at a purchase price to be determined at the time of exercise of the SBH Purchase Option. The Company is not obligated to exercise the SBH Purchase Option and as such the unexercised option expired as of February 26, 2026. As part of the SBH Purchase Option agreement, Stanley Brothers USA issued the Company a warrant exercisable to purchase 10% of the outstanding Stanley Brothers USA shares and convertible securities that are considered in-the-money, subject to certain conditions and exclusions. The warrant is exercisable at the Company's election for a nominal exercise price in the event the Company elects not to acquire all or substantially all shares of Stanley Brothers USA and expires 60 days after the expiration of the option.

The Company elected the fair value option in accordance with ASC 825-10 guidance to record its SBH Purchase Option. The SBH Purchase Option is classified as a financial asset and is remeasured at fair value at each reporting date, with changes to fair value recognized in the consolidated statements of operations for the period. The use of assumptions for the fair value determination includes a high degree of subjectivity and judgment using unobservable inputs (level 3 on the fair value hierarchy), which results in estimation uncertainty. Changes in assumptions that reasonably could have been different at the reporting date may result in a higher or lower determination of fair value. For the year ended December 31, 2025 and 2024, a loss of $52 and $1,678, respectively, related to the SBH Purchase Option was recognized as change in fair value of financial instruments in the statements of operations. As of December 31, 2025 and 2024, the SBH Purchase Option represents a financial asset of $0 and $52, respectively, within Derivative and other long-term assets in the consolidated balance sheets.

The Monte Carlo valuation model considers multiple revenue and EBITDA outcomes for Stanley Brothers USA and other probabilities in assigning a fair value. As of December 31, 2025, the value of the SBH Purchase Option was nil as the exercising of the option was considered highly unlikely. The Company chose to not exercise the unexercised option as of the expiration date of February 26, 2026. As of December 31, 2024, the primary assumptions utilized include financial projections of Stanley Brothers USA and the probability and timing of exercise. The following additional assumptions are used in the fair value model of the SBH Purchase Option:

(in thousands, except share, per share, per unit, and number of years)

	2024
Expected volatility	112.0%
Expected term (years)	1.2
Risk-free interest rate	4.9%
Weighted average cost of capital	52.9%

4. INVENTORIES

Inventories consist of the following:

	December 31,	
	2025	2024
Harvested hemp and seeds	$ 2,212	$ 2,312
Raw materials	10,379	11,903
Finished goods	6,606	6,268
	19,197	20,483
Less: inventory provision	(1,175)	(1,576)
Total	$ 18,022	$ 18,907

Inventory Provision

For the year ended December 31, 2025, inventory provisions of $205 were expensed through cost of goods sold in the consolidated statements of operations, and write-offs of inventory previously reserved for of $606 were recognized. For the year ended December 31, 2024, inventory provisions of $4,154 were expensed through cost of goods sold and write-offs of inventory previously reserved for of $6,386 were recognized.

Additionally, for the year ended December 31, 2024, the Company sold harvested hemp that had a full inventory provision. The sale of hemp resulted in a $4,573 reduction to the inventory provision.

(in thousands, except share, per share, per unit, and number of years)

5. PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following:

	December 31,	
	2025	2024
Building	$ 2,860	$ 2,860
Machinery and equipment	21,050	16,238
Furniture and fixtures	1,453	1,145
Leasehold improvements	28,257	26,919
	$ 53,620	$ 47,162
Accumulated depreciation	(30,941)	(27,219)
Construction-in-process	—	6,394
Total property and equipment, net	$ 22,679	$ 26,337

Depreciation expense for the year ended December 31, 2025 and 2024, was $4,004 and $4,111, respectively, of which $895 and $1,135, respectively, was recorded in Selling, general, and administrative expense in the consolidated statements of operations. For the year ended December 31, 2025 and 2024, depreciation expense of $3,109 and $2,976, respectively, was recorded in Cost of goods sold in the consolidated statements of operations.

6. INTANGIBLE ASSETS

Details of the Company's intangible assets subject to amortization and indefinite-lived intangible assets and their respective carrying amounts are as follows:

	As of December 31, 2025			
	Weighted-Average Remaining Useful Life (in years)	Gross	Accumulated Amortization	Net
Definite-lived intangible assets:	17.11	$ 3,548	$ (3,076)	$ 472
Indefinite-lived intangible assets:		313	—	313
Total		$ 3,861	$ (3,076)	$ 785

	As of December 31, 2024			
	Weighted-Average Remaining Useful Life (in years)	Gross	Accumulated Amortization	Net
Definite-lived intangibles assets [(1)] :	18.26	$ 3,696	$ (2,948)	$ 748
Indefinite lived intangible assets:		301	—	301
Total		$ 3,997	$ (2,948)	$ 1,049

(in thousands, except share, per share, per unit, and number of years)

(1)For the year ended December 31, 2024, certain amounts have been reclassified to conform to current period presentation. These reclassifications had no impact on total intangible assets or net income.

For the year ended December 31, 2025 and 2024, amortization expense of intangible assets of $226 and $218, respectively, was recorded in Selling, general, and administrative expense in the consolidated statements of operations.

As of December 31, 2025, expected amortization of intangible assets is as follows:

Year Ending December 31:		
2026	$	98
2027		66
2028		31
2029		23
2030		23
Thereafter		231
Total future amortization	$	472

7. LICENSE AND MEDIA RIGHTS

MLB Promotion Rights Agreement

On October 11, 2022, the Company entered into a Promotional Rights Agreement (the "MLB Promotional Rights Agreement") with MLB Advanced Media L.P., on its own behalf and on behalf of Major League Baseball Properties, Inc., the Office of the Commissioner of Baseball, The MLB Network, LLC and the Major League Baseball Clubs (collectively, the "MLB"), pursuant to which the Company entered into a strategic partnership with MLB to promote the Company's NSF Certified for Sport® product line. On February 5, 2024, the Company and MLB entered into the First Amendment to the Promotional Rights Agreement ("First Amendment"). The First Amendment extended the agreement through December 31, 2027, with an aggregate rights fee of $23.0 million for the remainder of the term. On May 13, 2025, the Company and MLB entered into a letter agreement (the "PRA Letter Agreement") terminating the MLB Promotional Rights Agreement and waiving the Company's obligation to pay the remaining aggregate rights fee of $18 million for the remainder of the term of the MLB Promotional Rights Agreement.

As consideration under the MLB Promotional Rights Agreement, the Company was committed to pay a combination of cash over the license period, along with upfront non-cash consideration in the form of equity, as well as contingent consideration in the form of contingent payments based on revenue. The consideration was as follows: 4% of the Company's fully diluted outstanding common shares; $31.5 million in cash consideration from 2022 through 2027, paid in accordance with the payment schedule below; 10% royalty on the Company's gross revenue from the sale of MLB branded products, after cumulative gross sales of all such branded products exceed $18.0 million.

The PRA Letter Agreement terminated the MLB Promotional Rights Agreement. As a result of the termination, the license and media rights assets as well as the current and non-current payable previously recorded on the consolidated balance sheets were written off. This write-off resulted in the recognition of a gain of $2,326, which is included in Other income (expense), net within the consolidated statements of operations. The gain reflects the net impact of the derecognition of related obligation exceeding the carrying value of the associated assets.

As of December 31, 2024, the carrying value of the licensed properties was $11,691 recorded as a license and media rights asset within the consolidated balance sheets. As of December 31, 2024, the carrying value of the media rights was $3,000 recorded as a prepaid asset and a license and media rights asset within the consolidated balance sheets. The Company recognized $4,897 in amortization expense related to the license and media rights assets for the year ended December 31, 2024. Licensed properties were amortized straight line and media rights were amortized as incurred. For the year ended December 31, 2024, the Company paid MLB $5,000 as part of the committed cash payments.

(in thousands, except share, per share, per unit, and number of years)

8. DEBT

Convertible Debenture

On November 2022, the Company entered into the Subscription Agreement with BT DE Investments, Inc., providing for the issuance of a $56.8 million (C$75.3 million) convertible debenture. The debenture was denominated in Canadian Dollars ("CAD" or "C$"). The debenture is convertible into 19.9% ownership of the Company's Common Shares at a conversion price of C$2.00 per Common Share of the Company on the Toronto Stock Exchange ("TSX"). The debenture will accrue interest at a stated annualized rate of 5% until such time that there is federal regulation permitting the use of CBD as an ingredient in food products and dietary supplements in the United States. Following federal regulation of CBD, the stated annualized rate of interest shall be reduced to 1.5%. Interest is accrued annually and payable on the maturity date or date of earlier conversion. The maturity date for the debenture is November 14, 2029.

The following is a summary of the Company's convertible debenture as of December 31, 2025:

	As of December 31, 2025		
Convertible Debenture	Principal Amount	Unamortized Debt Discount and Costs	Net Carrying Amount
Convertible debenture due November 2029	$ 63,944	$ (13,095)	$ 50,849

The following is a summary of the Company's convertible debenture as of December 31, 2024:

	As of December 31, 2024		
Convertible Debenture	Principal Amount	Unamortized Debt Discount and Costs	Net Carrying Amount
Convertible debenture due November 2029	$ 58,172	$ (14,541)	$ 43,631

The debenture was C$75.3 million per the subscription agreement and translated to USD on the transaction date. The Company remeasures the debenture at each balance sheet date using the CAD to USD exchange rate as of that balance sheet date. The Company recognizes the resulting foreign currency gain or loss within the consolidated statement of operations during the period. For the year ended December 31, 2025 and 2024, the Company recognized a foreign currency loss of $2,146 and a gain of $3,546, respectively, related to the net carrying value of the debenture within other income (expense), net in the consolidated statement of operations.

Interest is accrued annually and payable on the maturity date or date of earlier conversion. On conversion, accrued interest will either be converted into common shares equal to the amount of accrued interest or will be paid in cash if agreed with the Lender. As of December 31, 2025 and 2024, the principal amount of the debenture includes $9,057 and $6,078, respectively, of accrued interest expense.

(in thousands, except share, per share, per unit, and number of years)

The following is a summary of the interest expense and amortization expense, recorded within the consolidated statement of operation, of the Company's convertible debenture for the year ended December 31, 2025 and 2024:

	For the Year Ended December 31,	
Interest and Amortization Expense	**2025**	**2024**
Interest expense	$ 2,979	$ 2,896
Amortization of debt discounts and costs	2,093	1,753
Total	$ 5,072	$ 4,649

9. COMMITMENTS AND CONTINGENCIES

Legal Contingencies

From time to time, the Company is a party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of business. The ultimate aggregate amount of monetary liability or financial impact with respect to these matters is subject to many uncertainties and is therefore not predictable with assurance. As of December 31, 2025 there are no pending litigation that could have, individually and in aggregate, a material adverse effect on the Company’s financial position, results of operations or cash flows.

10. LEASES

The Company has lease arrangements related to office space, warehouse and production space, and land to facilitate agricultural operations. The leases have remaining lease terms of less than 0.09 to 9.2 years, some of which include options to extend the leases for up to 5 years. Generally, the lease agreements do not include options to terminate the lease.

The weighted average remaining lease term was 8.8 years for operating leases as of December 31, 2025. The weighted average discount rate was 5.8% for operating leases as of December 31, 2025.

The components of lease cost, including variable lease costs primarily consisting of common area maintenance charges and real estate taxes, for the year ended December 31, 2025 and 2024 are as follows:

	Year Ended December 31,	
	2025	**2024**
Operating Lease Cost:		
Fixed lease cost	$ 959	$ 1,346
Variable lease cost	435	533
Total lease cost	$ 1,394	$ 1,879
Sublease income	979	1,064

(in thousands, except share, per share, per unit, and number of years)

Other information related to leases was as follows:

	Year Ended December 31, 2025	Year Ended December 31, 2024
Supplemental Cash Flow Information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	$ 2,100	$ 2,247

Maturities of operating lease liabilities as of December 31, 2025 are as follows:

	Operating Leases
Year Ending December 31:	
2026	$ 2,176
2027	1,844
2028	1,762
2029	1,806
2030	1,851
Thereafter	6,329
Total lease obligation	$ 15,768
Less: Imputed interest	(2,162)
Total lease liabilities	$ 13,606
Less: Current lease liabilities	1,420
Total non-current lease liabilities	$ 12,186

11. SHAREHOLDERS’ EQUITY (DEFICIT)

As of December 31, 2025 and 2024, the Company’s share capital consists of one class of issued and outstanding shares: Common Shares. The Company is also authorized to issue preferred shares issuable in series. To date, no shares of preferred shares have been issued or are outstanding.

Common Shares

As of December 31, 2025 and 2024, the Company was authorized to issue an unlimited number of common shares, which have nil par value.

Dividend Rights – Holders of common shares are entitled to receive dividends out of the assets available for the payment of dividends at such times and in such amount and form as the Board of Directors may determine from time to time. The Company is permitted to pay dividends unless there are reasonable grounds for believing that the Company is insolvent or the payment of the dividend would render the Company insolvent.

Voting Rights – Holders of common shares are entitled to receive notice of and to attend and vote at all meetings of Shareholders of the Company except a meeting at which only the holders of another class or series of shares is entitled to vote. Each common share shall entitle the holder thereof to one vote at each such meeting.

Liquidation Rights – Holders of common 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.

(in thousands, except share, per share, per unit, and number of years)

12. LOSS PER SHARE

The Company computes loss per share of common shares. Basic net loss per common share is computed by dividing the net loss by the weighted-average number of common shares outstanding. Diluted loss per common share is computed by dividing the net loss by the weighted-average number of common shares together with the number of additional common shares that would have been outstanding if all potentially dilutive common shares had been issued, unless anti-dilutive.

The following table sets forth the computation of basic and dilutive net loss per share attributable to Common Shareholders:

	Year Ended December 31,	
	2025	2024
Net loss	$ (29,741)	$ (29,846)
Weighted-average number of common shares - basic	158,790,181	157,563,671
Dilutive effect of stock options and awards	—	—
Weighted-average number of common shares - diluted	158,790,181	157,563,671
Loss per common share – basic and diluted	$ (0.19)	$ (0.19)

As of December 31, 2025 and December 31, 2024, potentially dilutive securities include stock options, restricted share units, and convertible debenture conversion. When the Company recognizes a net loss from continuing operations, all potentially dilutive shares are anti-dilutive and are consequently excluded from the calculation of diluted net loss per share. The potentially dilutive awards outstanding for each year are presented in the table below:

	Year Ended December 31,	
	2025	2024
Outstanding options	1,967,426	3,513,079
Outstanding restricted share units	4,084,117	4,485,077
Total	6,051,543	7,998,156

Convertible debenture conversion

The Company's debenture is convertible into 19.9% ownership of the Company’s common shares at a conversion price of C$2.00 per common share of the Company. The Company can settle the convertible debenture in shares. If the convertible debenture in diluted EPS is anti-dilutive, or if the conversion value of the debenture does not exceed its conversion price for a reporting period, then the shares underlying the notes will not be reflected in the Company’s calculation of diluted EPS. For the year ended December 31, 2025 and December 31, 2024, the price of the Company’s shares did not exceed the conversion price and therefore there was no impact to potential common share diluted EPS during those periods. Conversely, income available to common stockholders will be impacted by interest expense of $9,057 and amortization of debt issuance costs of $5,445 related to the debenture.

On March 27, 2026, the Company announced that they have entered into an agreement to complete a transaction with BAT, which will result in the issuance of approximately 110 million of Charlotte's Web's common shares to BAT. Refer to Note 17 for additional details.

Additionally, the Company evaluated the calculation for diluted EPS for the non-contingent conversion feature. Non-contingent features are considered at the option of the Lender at any time before maturity. The Company noted that only the non-contingent conversion feature requires further analysis for diluted EPS as there are no contingencies under the Subscription Agreement and common shares will be issued on conversion. The Company evaluated that the potential adjustments to the income available to common stockholders will include the after-tax amount of interest and other consequential changes in income or expense that would result from the assumed conversion, if any. The potential adjustment to the weighted-average number of common shares outstanding is based on the additional common shares resulting from the assumed conversion. The Company will consider the conversion feature only if it will have dilutive impact, not anti-dilutive.

13. SHARE-BASED COMPENSATION

Share Incentive Plans

2015 Plan

On December 31, 2015, the Company adopted the Stanley Brothers, Inc. 2015 Stock Option Plan (the "2015 Plan"), which provides for grants of incentive stock options and nonqualified stock options to employees (including officers), consultants, and directors. The 2015 Plan, and grants made under the 2015 Plan, were designed to align Shareholder and participant interests. The Company’s Board of Directors established the terms and conditions of the grants under the 2015 Plan. No further grants are authorized or outstanding under the 2015 Plan.

2018 Plan

On August 31, 2018, the Company adopted the Charlotte’s Web Holdings, Inc. 2018 Long-Term Incentive Plan (the "2018 Plan"), which provides for grants of stock options, stock appreciation rights, share awards, share units, performance shares, performance units, and other share-based awards (collectively the "Awards") to eligible individuals on the terms and subject to conditions set forth in the 2018 Plan. The 2018 Plan is designed to attract and retain key personnel and service providers. The Company’s Board of Directors, or appointed administrators, establish the terms and conditions of any grants under the 2018 Plan.

The aggregate number of common shares of the Company as to which share incentive awards may be granted from time to time under both the 2015 Plan and 2018 Plan shall not exceed 15,776,223 shares. The maximum exercise period of any option grant shall not exceed ten years from the date of grant. The share incentive awards vest over a time-based service period, generally a period of one to four years, and are settled in equity. The number of available awards at December 31, 2025, was 9,772,503.

Stock options

Stock options vest over a prescribed service period and are approved by the Board of Directors on an award-by-award basis. Options have a prescribed service period generally lasting up to four years, with certain options vesting immediately upon issuance. Upon the exercise of any stock options, the Company issues shares to the award holder from the pool of authorized but unissued common shares.

Detail of the number of stock options outstanding for the year ended December 31, 2025 and 2024 under the 2015 and 2018 Plans is as follows:

(in thousands, except share, per share, per unit, and number of years)

	Number of Options	Weighted-Average Exercise Price per Option	Weighted-Average Remaining Contract Term (in years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2024	3,513,079	$ 0.88	7.30	$ —
Granted	—	—		
Exercised	—	—		
Forfeited (and expired)	(1,545,653)	0.67		
Outstanding as of December 31, 2025	1,967,426	$ 1.04	6.57	$ 28
Exercisable/vested as of December 31, 2025	1,772,252	$ 0.83	6.48	$ 19

For the options outstanding at December 31, 2025 and 2024, the weighted average remaining contractual life is 6.57 years and 7.30 years, respectively. There were no options granted or exercised during the year ended December 31, 2025 and 2024.

Vesting of awards under these plans were generally time based over a period of one to four years. For the 337,796 option awards vested during the year ended December 31, 2025, the weighted average grant date fair value was $0.91. For the 1,918,063 option awards vested during the year ended December 31, 2024, the weighted average grant date fair value was $0.64.

As of December 31, 2025, a total of 1,967,426 options were outstanding. No options remained outstanding under the 2015 Plan. All 1,967,426 outstanding options under the 2018 Plan have an exercise price ranging between $0.32 and $11.92.

Restricted share units

The Company has issued time-based restricted share units to certain employees as permitted under the 2018 Plan. The restricted share units granted vest in accordance with the board-approved agreement, typically over equal installments over one to four years. Upon vesting, one share of the Company's common shares is issued for each restricted share awarded. The fair value of each restricted share unit granted is equal to the market price of the Company's shares at the date of the grant. The fair value of shares vested during the year ended December 31, 2025 and 2024 was $361 and $1,089, respectively.

Details of the number of restricted share units outstanding under the 2018 Plan is as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value
Outstanding as of December 31, 2024	4,485,077	$ 0.26
Granted	2,601,433	0.09
Forfeited	(1,125,989)	0.13
Vested	(1,876,404)	0.26
Outstanding as of December 31, 2025	4,084,117	$ 0.18

(in thousands, except share, per share, per unit, and number of years)

Share-based Compensation Expense

Share-based compensation expense for all equity arrangements for the year ended December 31, 2025 and 2024 was $664 and $1,520, respectively, included in selling, general and administrative expense in the consolidated statements of operations.

As of December 31, 2025, and 2024, there was approximately $543 and $1,164 of total unrecognized share-based compensation expense, related to unvested options granted to employees under the Company’s share option plan that is expected to be recognized over a weighted average period of 1.82 years as of each year ended.

14. INCOME TAXES

Income Taxes

Loss before provision for income taxes for the year ended December 31, 2025 and 2024 consists of the following:

	Year Ended December 31,	
	2025	2024
U.S. loss	$ (29,809)	$ (29,807)
Foreign income (loss)	—	—
Total current	$ (29,809)	$ (29,807)

The major components of income tax expense attributable to loss from operations consists of:

	Year Ended December 31,	
	2025	2024
Current:		
Federal	$ —	$ —
State	(30)	(49)
Foreign	—	—
Total current	$ (30)	$ (49)
Deferred:		
Federal	95	9
State	3	1
Foreign	—	—
Total deferred	98	10
Total income tax (expense) benefit	$ 68	$ (39)

The following table reconciles the income tax provision with the amount calculated using the 21.0% U.S. federal statutory rate applied to pretax income, reflecting the adoption of ASU 2023-09:

(in thousands, except share, per share, per unit, and number of years)

	Year Ended December 31,			
	2025		2024	
U.S. federal statutory tax expense	$ (6,260)	21.0 %	$ (6,259)	21.0 %
State taxes, net of federal benefit	(785)	2.6 %	(1,288)	4.3 %
Share based compensation	205	(0.7)%	323	(1.1)%
Change in fair value of financial instruments and other	1,106	(3.7)%	(171)	0.6 %
Disallowed convertible debt expense	1,516	(5.1)%	214	(0.7)%
Change in valuation allowance[1]	4,583	(15.4)%	6,525	(21.9)%
R&D credit	(242)	0.8 %	(53)	0.2 %
Rate change	93	(0.3)%	47	(0.2)%
Other, net	(284)	1.0 %	701	(2.4)%
Income tax (benefit) expense	$ (68)	0.2%	$ 39	(0.1)%

[1]During the year ended December 31, 2025 and 2024, the Company maintained a full valuation allowance on its deferred tax assets.

The components of deferred tax assets and liabilities are as follows:

	December 31,	
	2025	2024
Deferred tax assets:		
Net operating loss and other carryforwards	$ 82,392	$ 77,922
Inventory provision and UNICAP 263A	450	553
Lease liability	3,529	4,021
Section 174 capitalized costs	3,191	3,020
Share-based compensation	558	685
Other	1,491	1,601
Total deferred tax assets	$ 91,611	$ 87,802
Valuation allowance	(86,752)	(82,169)
Total deferred tax assets, net	$ 4,859	$ 5,633
Deferred tax liabilities:		
Right of use assets	(2,930)	(3,296)
Investment in unconsolidated entity	(2,282)	(2,765)
Other	(77)	(101)
Total deferred tax liabilities	$ (5,289)	$ (6,162)
Net deferred taxes	$ (430)	$ (529)

The realization of deferred income tax assets may be dependent on the Company's ability to generate sufficient income in future years in the associated jurisdiction to which the deferred tax assets relate. The Company considers all available positive and negative evidence, including scheduled reversals of deferred income tax liabilities, projected future taxable income, tax planning strategies, and recent financial performance. Based on the review of all positive and negative evidence, including a three-year cumulative pre-tax loss, the Company continues to believe its deferred tax assets are more likely to not be realized and, as such, a full valuation allowance is recorded against net deferred taxes. For the year ended December 31, 2025 and 2024, the Company's valuation allowance increased by $4,583 and $6,525, respectively, primarily related to the incremental net operating losses and an increase to the inventory provision.

(in thousands, except share, per share, per unit, and number of years)

As of December 31, 2025, the Company has U.S. federal, US state, and Canadian net operating losses ("NOL") of approximately $299,974, $251,063, and $11,542 respectively. The entire U.S. federal NOLs are post-2017 NOL and therefore can be carried forward indefinitely and the US state NOLs will begin to expire in 2032. The Canada NOLs will begin to expire in 2041. For the year ended December 31, 2025 and 2024, the Company also has a research and development credit carryforward of $2,718 and $2,404, respectively, which begin to expire in 2042.

Tax laws impose restrictions on the utilization of net operating loss carryforwards and research and development credit carryforwards in the event of a change in ownership of the Company as defined by Internal Revenue Code Section 382 and 383. The Company may have experienced ownership changes in the past that impact the availability of its net operating losses and tax credits. Should there be additional ownership changes in the future, the Company's ability to utilize existing carryforwards could be substantially restricted.

Net income tax payments after the prospective adoption of ASU 2023-09, as described in Note 2, consisted of the following:

	Year Ended December 31,	
	2025	**2024**
Federal	$ —	$ —
State		
California	2	2
Massachusetts	8	4
Texas	13	8
North Carolina	—	7
South Carolina	5	2
Other	—	3
Subtotal	28	26
Foreign	$ —	$ —
Total	$ 28	$ 26

Uncertain tax positions

A reconciliation of the beginning and ending amount of uncertain tax positions as of December 31, 2025 and 2024 is as follows:

Balance at December 31, 2024	$ 240
Additions for current year tax positions	24
Additions for prior year tax positions	7
Reductions for prior year tax positions	—
Reductions as a result of settlement with tax authority	—
Balance at December 31, 2025	$ 271

Balance at December 31, 2023	$ 279
Additions for current year tax positions	5
Additions for prior year tax positions	—
Reductions for prior year tax positions	(44)
Reductions as a result of settlement with tax authority	—
Balance at December 31, 2024	$ 240

The Company recognizes the tax benefit from an uncertain tax position only if it is probable that the tax position will be sustained based on its technical merits. The Company measures and records the tax benefits from such a position based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company’s estimated liabilities related to these matters are adjusted in the period in which the uncertain tax position is effectively settled, the statute of limitations for examination expires or when additional information becomes available. The Company’s liability for unrecognized tax benefits requires the use of assumptions and significant judgment to estimate the exposures associated with the Company's various filing positions. Although the Company believes that the judgments and estimates made are reasonable, actual results could differ and resulting adjustments could materially affect the Company's effective income tax rate and income tax provision. The Company’s policy is to recognize interest and penalties on taxes, if any, as income tax expense.

If recognized, none of the uncertain tax positions would affect the effective tax rate. The Company does not anticipate any significant changes to the uncertain tax positions in the next twelve months.

The Company files income tax returns in the U.S. federal, various state jurisdictions, Canada, and Israel. In the normal course of business, it is subject to examination by taxing authorities throughout the world. As of December 31, 2025, the Company’s tax years prior to 2022 are closed for federal income tax purposes. The Company’s 2019 tax year was opened for examination by the IRS during the second half of 2023. The statute of limitations on assessment with respect to the Company’s 2019 Form 1120 remains open until June 30, 2027, pursuant to an agreed-upon extension to the applicable statute of limitations. The Company’s 2022 through 2024 tax years remain open until the general statute of limitations lapses for each respective tax year.

15. OPERATING SEGMENT

Segment information

The Company has determined that it operates in a single operating and reportable segment, which is the production and sale of hemp-based CBD wellness products, which makes up substantially all of the revenue at this time. This is consistent with how the chief operating decision maker (the "CODM") allocates resources and assesses performance. The Company’s CODM is the executive operations committee that includes the chief executive officer, the chief financial officer, the chief operations officer and the chief people officer. The Company’s products have similar characteristics due to the same raw material ingredient (CBD and derivatives), similar nature of cultivation process, the type of customer and the regulatory nature of the industry.

The accounting policies of the production and sale of the hemp-based CBD wellness segment are the same as those described in the summary of significant accounting policies. The CODM assesses performance for this segment and decides how to allocate resources based on pre-tax net income/(loss) that is reported on the consolidated statement of operations. The measure of segment assets is reported on the consolidated balance sheets as total assets. The CODM uses pre-tax net income/(loss) to evaluate income generated from segment assets in deciding whether to reinvest profits into the segment or into other parts of the Company. Pre-tax net income/(loss) are used to monitor budget versus actual results.

For the year ended December 31, 2025 and 2024, the segment's revenues and pre-tax net loss were $49,897 and $49,667; and $29,809 and $29,807, respectively. Further details of the segment's revenues are included in Note 2 under Revenue Recognition. The segment's expenses are included in the consolidated statements of operations; and the segment's reconciliation between pre-tax net income/(loss) are included in the results of operations measures section of this Form 10-K.

There are no differences between segment revenues, pre-tax net income/(loss) and the Company's consolidated revenues and pre-tax net income/(loss).

General Information

(in thousands, except share, per share, per unit, and number of years)

Factors used to Identify Reportable Segments: The Company operates as a single reportable segment, focusing on the production and sale of hemp-based CBD wellness products.

Products and Services: The Company's revenue is primarily derived from the production and sale of hemp-based CBD wellness products.

Chief Operating Decision Maker (CODM): The Company's Chief Executive Officer is William Morachnick, the Chief Financial Officer is Erika Lind, the Chief Operations Officer is Ray Kunkel and the Chief People Officer is Mindy Garrison.

Measure of Segment Profit or Loss and Total Assets: The accounting policies of the single reportable segment are the same as those described in the summary of significant accounting policies. The CODM evaluates performance and allocates resources based on pre-tax net income/(loss), as presented in the accompanying financial statements. The measure of segment assets is reported on the consolidated balance sheet as total consolidated assets.

Significant Segment Expenses

The following significant expenses are regularly reviewed by the CODM for the year ended December 31, 2025 and 2024: Cost of goods sold $28,197 and $28,407, respectively; Selling, general, and administrative expenses $41,968 and $53,247, respectively; Change in fair value of financial instruments $(7,269) and $615, respectively; and Depreciation and Amortization $6,323 and $9,979, respectively.

Reconciliation to Consolidated Financial Statements

As the Company operates as a single reportable segment, the amounts presented above align directly with the consolidated totals in the financial statements.

	Year Ended December 31, 2025	Year Ended December 31, 2024
Product Revenue	$ 49,597	$ 49,019
Service Revenue	300	648
Total Revenue	$ 49,897	$ 49,667
Cost of goods sold	28,197	28,407
Gross profit	$ 21,700	$ 21,260
Gross profit %	43.5 %	42.8 %
Selling, general, and administrative expenses	41,968	53,247
Operating loss	$ (20,268)	$ (31,987)
Change in fair value of financial instruments	(7,269)	615
Other income (expense), net	(2,272)	1,565
Loss before provision for income taxes	$ (29,809)	$ (29,807)
Other segment information		
Depreciation/Amortization	6,323	9,979
Total assets	75,273	113,442
Long-term liabilities	68,653	70,419

16. RELATED PARTY TRANSACTIONS

Effective November 2020, the Company issued a secured promissory note, where $1,000 was loaned to one of the Stanley Brothers. The note receivable was secured by equity instruments with certain of the Stanley Brothers, bore interest at 3.25% per annum, and required the unpaid principal and unpaid interest balances to be paid on or before the maturity date of November 13, 2021, which date was subsequently extended. Effective November 13, 2024, the Company entered into a third amendment of the promissory note to extend the maturity date until November 13, 2029. According to the terms of the agreement, no additional interest will accrue through the payment date. The note has been fully reserved for as of December 31, 2025.

On March 2, 2021, the Company entered into the SBH Purchase Option with Stanley Brothers USA as discussed above (Note 3 "Fair Value Measurement"). The SBH Purchase Option was purchased for total consideration of $8,000. Certain members of the Stanley Brothers, who are or were employees of the Company at the time, are the majority shareholders of Stanley Brothers USA. The Company is not obligated to exercise the SBH Purchase Option and as such the unexercised option expired as of February 26, 2026.

On April 6, 2023, the Company jointly formed an entity, DeFloria, Inc., with AJNA BioSciences and BAT. AJNA is a botanical drug development company and is partially owned and was co-founded by a member of the Stanley Brothers. BAT holds an equity interest in the entity in the form of approximately 2,000,000 preferred units following its initial $10 million investment and has the right to participate in future equity issuances to maintain its pro rata equity position. The Company and AJNA each hold 4,000,000 of the entity's voting common units (Note 3). Effective May 1, 2023, the Company entered into an 8% interest bearing note receivable with DeFloria for the sale of lab equipment in the amount of $170. The principal and interest of the note receivable will be paid in 36 monthly installments. As of December 31, 2025, and December 31, 2024 the remaining note receivable of $19 and $71, respectively, is presented in other assets in the consolidated balance sheets.

On April 6, 2023, the Company and DeFloria entered into a supply agreement in which the Company shall supply raw material that will be used in the development of the new drug. The price charged by the Company is at cost of goods sold level. For the year ended December 31, 2025 and 2024, the Company recognized $904 and $0, respectively, in both revenue and cost of goods sold, related to the supply agreement with DeFloria. Similarly, on February 12, 2024, the Company and DeFloria entered into a separate master services agreement pursuant to which the Company will be compensated for the provision of certain services to DeFloria. For the year ended December 31, 2025 and 2024 , the Company recognized $300 and $648, respectively, in both revenue and cost of goods sold, respectively, related to the service agreement with DeFloria. Additionally, the Company has an accounts receivable balance due from DeFloria of $1,471 and $648 as of December 31, 2025 and 2024, respectively

On July 15, 2025, the Company entered into a promissory note, as lender, where the Company loaned $750 to DeFloria. The note and accrued interest is due and payable by DeFloria upon the later of December 31, 2026, or the date the Company shall issue and sell units of a newly-authorized series of preferred units in a bona fide financing transaction to one or more investors for aggregate cash proceeds to DeFloria or any other convertible debt of DeFloria of not less than $10 million. Upon any event of default by DeFloria under the note, which includes DeFloria's failure to pay amounts within 3 business days of when due and breaches of DeFloria's obligations pursuant to the note, the Company will be entitled to exercise its rights under the note. The funds were distributed monthly between July and November 2025, and the balance of the promissory note including accrued interest as of December 31, 2025 is $784.

On June 21, 2024, the Company entered into a consulting agreement with Jared Stanley, former executive of the Company, and current member of the Board of Directors. In consideration for Mr. Stanley's services, he will receive a bi-weekly fee of $6.

17. SUBSEQUENT EVENTS

On March 30, 2026, the Company announced that it has entered into an agreement to complete a transaction with BAT comprised of two components: (i) amendment and conversion of BAT's outstanding C$75.3 million ($56.8 million) convertible debenture, as well as, all accrued interest, into Charlotte's Web's common shares at a conversion price of C$0.94 per share; and (ii) a concurrent additional equity investment by BAT of $10 million (approximately C$13.8 million at current exchange rates) by way of a private placement at a price equal to the greater of (a) C$0.94 per share, and (b) a dollar amount equal to the maximum discount available pursuant to section 607 of the TSX Company Manual applied to the 5-day volume weighted average price of the Company's common shares on the TSX prior to the closing date (collectively, the "Transaction"). The Transaction will result in the issuance of approximately 110 million Charlotte's Web's common shares to BAT and represents a total equity commitment of approximately C$103 million (approximately $75 million). Completion of the Transaction is subject to, among other conditions, TSX and shareholder approval. The Company's shareholders will be asked to approve the Transaction at an annual general and special meeting of the shareholders to be held on or about May 28, 2026.