UNDERSTANDING THE LEGALITY OF CHARLOTTE'S WEB™

Between the decades-long cannabis "Schedule I drug with no medical value" classification, the Drug Enforcement Agency (DEA), the US Food and Drug Administration (FDA), and our elected officials' hesitancy to pass laws that would remove the legal grey areas, it's no wonder Americans are confused about the legal standing of hemp, CBD and Charlotte's Web.

Improving Life Naturally™

2014 In 2014, **President Obama signed the Farm Bill**, which made some hemp products legal, like Charlotte's Web. Section 7606 permits universities and state departments of agriculture to cultivate industrial hemp for limited purposes through research pilot programs. Since Charlotte's Web is registered with the state of Colorado Department of Agriculture, any laws that might conflict with or restrict its production are "not-withstood."

2015 Congress backed this 2014 ruling via the **2015 Consolidated Appropriations Omnibus Act**, which further protects Charlotte's Web from DEA action. Sections 543 and 763 prevent federal funds from being used "to prohibit the transportation, processing, sale or use of industrial hemp that is grown or cultivated in accordance with" the 2014 Farm Bill. The omnibus explicitly bars the Department of Justice and the DEA from using federal funds to inhibit the industrial hemp research authorized under Section 7606 of the 2014 Farm Bill.

Despite the thousands of life-changing testimonials, more states passing cannabis laws, and – most importantly – notwithstanding these updates to the federal law described above, the DEA ignored Congress and did not revise its antiquated position on cannabis.

2016 In December 2016, the DEA published a final rule stating that CBD and all cannabinoids from Cannabis Sativa L. qualify as 'marihuana extracts.' When questioned about this rule, the DEA said this is merely an "administrative rule," not a new scheduling. Nothing has changed with the DEA's position: all cannabis is and has been considered a Schedule I drug.

2017 While this recent DEA ruling is again not in alignment with existing federal law, CBD products are banned from being marketed by the FDA due to pending Rx drug approval. While many CBD brands ignore this ruling, *Charlotte's Web is unique.* We follow this rule by not marketing Charlotte's Web as "CBD" and instead, we market it for what it is:

> **CW™ is a whole-plant hemp extract oil containing all beneficial cannabinoids that are federally legal in all 50 states per the 2014 and 2015 federal laws described.**

To summarize: **Charlotte's Web hemp is no different regarding federal legality than hemp hearts, protein powders, or energy bars sold and advertised throughout the United States.** Our company believes that people are greater than profits and to that end, we donate a portion of sales to help those in need and to further cannabinoid research and legislation. To date, our efforts have helped over 30,000 families and total more than $500,000 given back to the community.

While the DEA is certainly not likely to change its stance anytime soon, we work daily to educate people that **Charlotte's Web is federally legal.** Ours is a critical and often miraculous mission. Each of us is only one or two degrees of separation from someone whose life can significantly benefit from the reliable consistency and premium quality of Charlotte's Web dietary supplements.

SCIENCE DRIVEN. NATURALLY CRAFTED. FAMILY TRUSTED.™

1720 S Bellaire St, Suite 600, Denver, CO 80222
CHARLOTTE'S WEB™
by the Stanley Brothers
cwhemp.com

COLORADO
Department of Agriculture
Division of Plant Industry

September 23, 2016

RE: Results of the Testing for Commercial Industrial Hemp Registration No. 66970

Dear CWB Holdings, Inc,

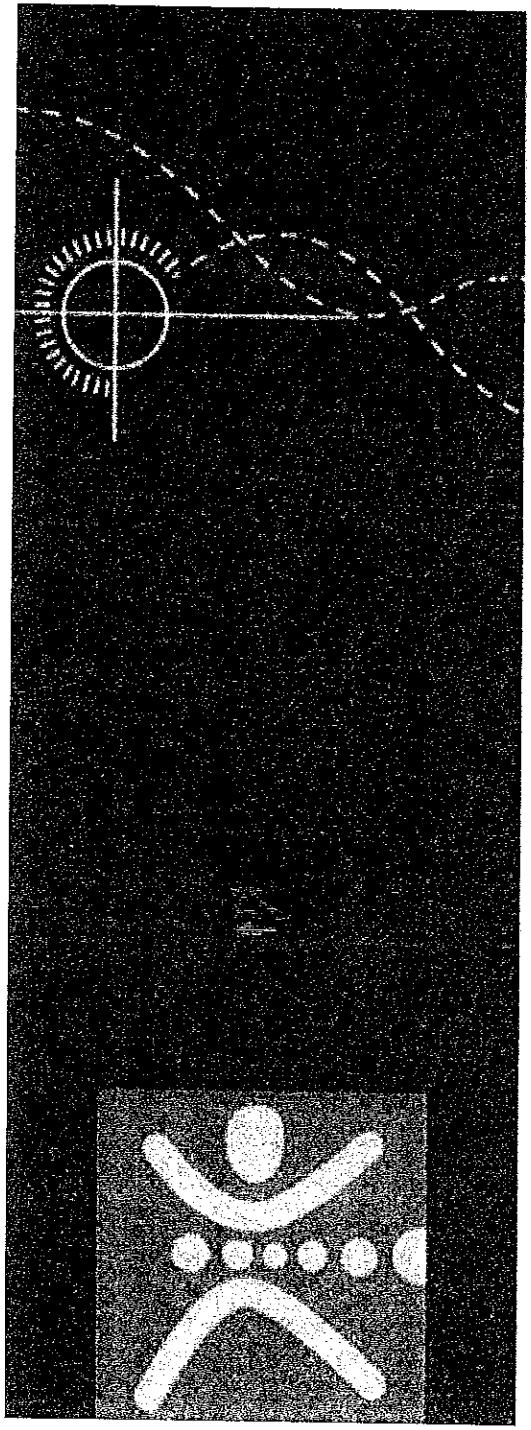
This letter is in reference to the Industrial Hemp registration number referred to above and is intended to inform you about a sample collected by our Colorado Department of Agriculture (CDA) inspector for testing of THC levels tested below 0.3% THC on a dry weight basis.

The sample tested below 0.3% THC on a dry weight basis. Accordingly, the plants tested are in compliance with the Colorado Industrial Hemp Regulatory Program Act.

We appreciate your cooperation.

Regards,

Maureen West
Program Manager Industrial Hemp
305 Interlocken Parkway
Broomfield, CO 80021
maureen.west@state.co.us
P: 303.869.9082
F: 303.466.2860



Audit Participation

CWB Holdings Inc. dba CWHemp formerly dba CWBotanicals - Boulder, CO

Completed a

Silliker Dietary Supplement Good Manufacturing Practices and Food Safety Systems Audit

with a score of

98.9%

9-20-16

Rosa Pierani

Vice President Technical Services

Frost Brown Todd LLC
ATTORNEYS

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OPINION ON THE LEGAL STATUS OF CBD AND INDUSTRIAL HEMP

Prepared for CW Botanicals

March 7, 2016

On December 18, 2015, President Barack Obama signed the Consolidated Appropriations Act for FY 2016 (the "Omnibus Law"), funding federal government through the end of the fiscal year. Within this voluminous bill, a provision authored by Senate Majority Leader Mitch McConnell (R-KY) provides a groundbreaking impact on the future of the industrial hemp and cannabidiol ("CBD") business. Specifically, as outlined below, the new law provides that authorized state agricultural pilot projects may transport, process, sell, or use industrial hemp within their own states, as well across state boundaries, in most cases. It also provides that federal agencies may not use funding authorized by federal law to interfere with this critical research and commerce during the current fiscal year, which ends September 30, 2016.

LEGAL BACKGROUND

The hemp plant -- although useless as a psychoactive drug like marijuana -- is the same species as the marijuana plant, *Cannabis Sativa L.* The express language of the federal Controlled Substances Act ("CSA"), however, provides that hemp stalk, fiber, oil and sterilized seed are not controlled as marijuana. The definition of "Marihuana" specifically excludes "the mature stalks of such [cannabis] plant, any other compound, manufacture, salt, derivative, mixture or preparation of such mature stalks (except the resin extracted therefrom), fiber, oil or cake, or the sterilized seed of such plant...." 21 U.S.C. §802(16). Accordingly, Congress adopted an express exclusion of hemp stalk, fiber, oil and sterilized seed more than 60 years ago in order to make clear that its intention was only to regulate marijuana -- and that it did not intend to interfere with the legitimate hemp industry.

In 2004, the U.S. Court of Appeals for the Ninth Circuit invalidated U.S. Drug Enforcement Administration ("DEA") regulations that would have banned the manufacture and sale of edible products made from hemp seed and oil. *Hemp Industries Ass'n v. Drug Enforcement Administration*, 357 F.2d 1012 (9th Cir. 2004). The Court affirmed that non-psychoactive hemp products do not contain any controlled substance as defined by the CSA. It also ruled that "[t]he non-psychoactive hemp in Appellants' [edible and personal care] products . . .fits within the plainly stated exception to the CSA definition of marijuana...Congress knew what it was doing and its intent to exclude non-psychoactive hemp from regulation is entirely clear." *Id.* at 1018.

For this reason, U.S. companies may import hemp stalk, fiber, seed and oil, to trade in it, and to use it in the manufacture of products.

However, because the industrial hemp plant is the same species as marijuana, until recently, it has been illegal for U.S. farmers to grow the plant itself—which generally was considered a controlled substance under the CSA. As explained in the next section, though, in the federal Agricultural Act of 2014, P.L. No. 113-79 (the "2014 Farm Bill"), Congress specifically exempted from the CSA cultivation of industrial hemp under agricultural pilot programs authorized by state law.

2014 FARM BILL

On February 7, 2014, President Obama signed the 2014 Farm Bill, which included language authored and inserted by Leader McConnell: Section 7606 "Legitimacy of Industrial Hemp Research." That section reads in whole:

> *(a) IN GENERAL.—Notwithstanding the Controlled Substances Act (21 U.S.C. 801 et seq.), the Safe and Drug-Free Schools and Communities Act (20 U.S.C. 7101 et seq.), chapter 81 of title 41, United States Code, or any other Federal law, an institution of higher education (as defined in section 101 of the Higher Education Act 8 of 1965 (20 U.S.C. 1001)) or a State department of agriculture may grow or cultivate industrial hemp if—*
>
> > *(1) the industrial hemp is grown or cultivated for purposes of research conducted under an agricultural pilot program or other agricultural or academic research; and*
> > *(2) the growing or cultivating of industrial hemp is allowed under the laws of the State in which such institution of higher education or State department of agriculture is located and such research occurs.*
>
> *(b) DEFINITIONS.—In this section:*
> > *(1) AGRICULTURAL PILOT PROGRAM.—The term ''agricultural pilot program'' means a pilot program to study the growth, cultivation, or marketing of industrial hemp—*
> > > *(A) in States that permit the growth or cultivation of industrial hemp under the laws of the State; and*
> > > *(B) in a manner that—*
> > > > *(i) ensures that only institutions of higher education and State departments of agriculture are used to grow or cultivate industrial hemp;*
> > > > *(ii) requires that sites used for growing or cultivating industrial hemp in a State be certified by, and registered with, the State department of agriculture; and*
> > > > *(iii) authorizes State departments of agriculture to promulgate regulations to carry out the pilot program in the States in accordance with the purposes of this section.*
>
> *(2) INDUSTRIAL HEMP.—The term ''industrial hemp'' means the plant*

Cannabis sativa L. and any part of such plant, whether growing or not, with a delta-9 tetrahydrocannabinol ["THC"] concentration of not more than 0.3 percent on a dry weight basis.

(3) STATE DEPARTMENT OF AGRICULTURE.— The term ''State department of agriculture'' means the agency, commission, or department of a State government responsible for agriculture within the State.

The 2014 Farm Bill mandate is both limited in its reach, and sweeping in its impact:

It is limited to the extent that the use and production of industrial hemp is strictly restricted to agricultural pilot programs conducted by state departments of agriculture, institutions of higher education, and/or their contractual designees. The Farm Bill provisions do not apply to industrial hemp grown or used outside the context of an agricultural pilot project.

It is sweeping to the extent that if industrial hemp is grown or cultivated within the context of a duly-registered agricultural pilot project, all federal laws that would otherwise restrict, regulate or prohibit the use or production of industrial hemp are "not-withstood," i.e., federal laws such as the CSA do not apply to these programs, plants, or products.

APPLICATION:

In the months following passage of the 2014 Farm Bill, there were conflicting interpretations of the new hemp provision's meaning and application. Most prominently, the DEA initially raised objections to the importation of hemp seed for pilot programs and took the position that such importation, as well as the cultivation of industrial hemp, would remain subject to the CSA and would require licenses (permits) from DEA.

The Kentucky Department of Agriculture brought suit in federal district court to compel DEA to release a shipment of hemp seed without a license. *Kentucky Dept. of Agriculture v. U.S. Drug Enforcement Agency*, Civil Action No. 3:14cv-372-H (W.D. Ky). That litigation was settled informally in a manner that permitted seed importation and cultivation. In 2015, 125 pilot programs were authorized in Kentucky. Similar settlements have been reached between the DEA and departments of agriculture in other states that have legalized the growth and cultivation of industrial hemp.

Unfortunately, this ad hoc negotiation process has produced a patchwork of standards when it comes to federal regulation of industrial hemp. Additionally, other federal agencies –such as U.S. Customs and Border Protection and the Food and Drug Administration – have raised separate concerns and restricted the full development of state agricultural pilot programs.

OMNIBUS LAW

To eliminate the existing confusion and provide clarity with respect to the legal status of the agricultural pilot programs authorized under the 2014 Farm Bill, Leader McConnell authored language that was inserted into the Consolidated Appropriations Act for FY 2016 (the "Omnibus

Law"). The provision -- Section 763 -- reads as follows:

> *None of the funds made available by this Act or any other Act may be used—*
> *(1) in contravention of section 7606 of the Agricultural Act of 2014 (7 U.S.C. 5940); or*
>
> *(2) to prohibit the transportation, processing, sale, or use of industrial hemp that is grown or cultivated in accordance with subsection section 7606 of the Agricultural Act of 2014, within or outside the State in which the industrial hemp is grown or cultivated.*

The sweeping language in the first sentence of this section clarifies that **no agency can expend any monies that were authorized by federal law to interfere with duly registered agricultural pilot programs during the current fiscal year**. Subsection 2 clarifies that this prohibition on federal interference extends to intrastate and interstate transportation, processing, sales and use of industrial hemp that is grown or cultivated pursuant to the 2014 Farm Bill.

LEGAL GUIDELINES FOR CW BOTANICALS

Taken together, the 2014 Farm Bill and the Omnibus Law provide the following legal regime for industrial hemp -- and hemp-derived CBD -- during the current fiscal year, ending September 30, 2016:

- Industrial hemp is defined as the *cannabis sativa* plant and any of its products that contain 0.3% or less THC on a dry weight basis. Any product with more THC is not hemp and is subject to the CSA. Accordingly, only CBD products that contain this trace amount of THC or less can be considered hemp and are protected under this federal legal regime.

- Industrial hemp that is grown or cultivated outside of a Farm Bill-authorized agricultural pilot program – *i.e.* grown in a state that has not adopted appropriate regulations, or on a farm that has no contractual or permitting relationship with a university or state department of agriculture -- is not protected by the Farm Bill or Omnibus Law provisions. Accordingly, only CBD that is the product of industrial hemp grown or cultivated in such a Farm Bill-program is protected under this federal legal regime.

- Federal law strictly prohibits the DEA from using funds authorized by federal law to interfere with state industrial hemp agricultural pilot programs. Accordingly, with regard to duly registered pilot programs, the DEA has no authority to regulate or restrict the importation of hemp seed, the growth or cultivation of hemp plants, or the use or sale of hemp products such as CBD, from seed to end use.

- Instead, duly registered agricultural pilot programs are regulated under state law, with enforcement procedures enacted in state statute and regulation, and administered by state law enforcement agencies. It is the sole authority of state departments of agriculture and state law enforcement to regulate the administration of agricultural pilot programs.

- CW Botanicals is a duly registered hemp producer in the state of Colorado, which permits and regulates Farm Bill-authorized agricultural pilot programs in that state. The Colorado Department of Agriculture, which administers the state's industrial hemp program under the Colorado Industrial Hemp Act, has provided written guidance that expressly authorizes CW Botanicals (and its affiliated companies) to "process, sell or distribute hemp...and...also sell hemp products made from the hemp." *See Email from Mitchell Yergert to Jonathan Miller, attached hereto as Attachment A.*

- Like all other agencies, the Food and Drug Administration ("FDA") is prohibited by the Omnibus Law from using any federally-authorized funds to interfere with state industrial hemp agricultural pilot programs.

  - In May 2015, the FDA issued online guidance, entitled "FDA Questions and Answers," in which the agency opined that CBD cannot be sold as a dietary supplement because "it has been authorized for investigation as a new drug for which substantial clinical investigations have been instituted," citing the federal Food, Drug and Cosmetic Act ("FDC&A"), 21 U.S.C. 321ff(3)(B)(ii). The FDA, however, did not commit to taking enforcement action against CBD sales, citing "agency resources and the threat to public health."

  - The FDA's regulatory authority remains largely in place – the agency still may enforce those provisions of the FDC&A that relate to industrial hemp products, as long as those provisions or their interpretations do not serve to *prohibit the sale or use* of Farm Bill-authorized products. For example, with respect to CBD products derived from industrial hemp, the FDA *could prevent* the false or deceptive labeling of products that do not contain CBD and/or the marketing of such products as a drug, unless and until FDA procedures and regulations are met.

  - However, it is our opinion that -- under the plain language of the Farm Bill and the Omnibus Law -- the FDA could not enforce the FDC&A so as to *prohibit the sale or use* of a hemp-derived product such as CBD cultivated as part of an agricultural pilot project. This is the case even if that prohibition is based on the FDC&A rather than the CSA. As discussed above, the Farm Bill not-withstands "any other federal law" – including the FDC&A -- while the Omnibus Law states that "None of the funds made available by this Act *or any other Act* may be used... *to prohibit the...sale, or use* of industrial hemp that is grown or cultivated in accordance" with the Farm Bill. (emphasis added).

  - On February 4, 2016, the FDA issued a series of warning letters to small companies making CBD oil sales. The focus of the warnings was on medicinal claims being made by those companies – and as discussed above, the FDA has apparent jurisdiction to regulate such marketing. However, some media sources raised concerns that these warning letters could somehow be interpreted to prohibit all sales of CBD, regardless of marketing claims. We disagree. As

discussed above, while the FDA has jurisdiction to regulate false labeling, they cannot prohibit the sale of hemp products that were part of a duly registered state Farm Bill program.

- Industrial hemp that is grown or cultivated pursuant to a Farm Bill-authorized agricultural pilot program is not subject to the CSA. Hemp, in any form including CBD -- from seed to final product -- is legal to transport, process, sell, and/or use, as long as it was grown or cultivated under a duly registered pilot program. Further, the Omnibus Law clarifies that as a matter of *federal* law, such hemp products can be transported, sold, and used in a state other than the state in which it was cultivated, even if the state in which it is sold, used transported does not have Farm Bill-authorized pilot programs. For example, if a hemp product is derived in Kentucky from hemp cultivated in Kentucky in an agricultural pilot project, the DEA could not prohibit the sale of that product in *any* other state.

    - However, if applicable *state* law bans the sale, transport or use of a particular hemp product in that state, that state law *could* still be enforced by the state authorities. For example, if a state definition of marijuana mirrored that of the CSA, a product derived from a non-exempt part of a hemp plant may be unlawful to possess or sell in the state under state law. Before selling or using a hemp product in a state without a hemp regulatory regime, please check applicable state law and consult with counsel as needed.

CONCLUSION

The Omnibus Law clarifies the sweeping reach of industrial hemp agricultural pilot programs that are duly registered in states that have implemented regulatory structures. During the fiscal year, individuals and firms such as CW Botanicals engaged in authorized pilot programs should be permitted to grow, cultivate, transport, process, sell and/or use industrial hemp and hemp-derived CBD under the guidelines and regulations of state law, without interference from agencies using federally-authorized funds.

Accordingly, where CW Botanicals has developed hemp-derived CBD products as part of a state agricultural pilot program – in Colorado, or in states such as Kentucky in the future – it can transport and sell those products across state lines as a matter of federal law. However, in states where there is no hemp regulatory regime, state laws and regulations may be implicated: Please consult with counsel as needed.

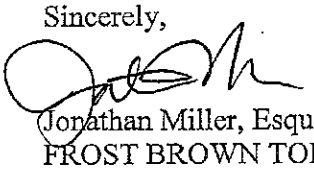
We must emphasize that the Omnibus Law expires at the end of the fiscal year, September 30, 2016. While we are optimistic that Congress will extend and/or expand these provisions; as a matter of law, we cannot provide that assurance.

The legal advice and opinions set forth herein are an expression of our professional judgment and not a guaranty of a result. The federal agencies mentioned above may contest the interpretations we have provided: For example, they may argue that the Omnibus Law's prohibitions apply only to federal appropriations, not all funds authorized by federal law. Additionally, as noted above, in states without hemp regulatory regimes, local and state laws

governing hemp or products containing THC may be applicable.

If you have more specific questions about general applications of the new law, or specific issues that you face in its implementation, please do not hesitate to contact us.

Sincerely,



Jonathan Miller, Esquire
FROST BROWN TODD
Lexington, KY

August 17, 2016

Secretary Tom Vilsack
United States Department of Agriculture
1400 Independence Avenue, SW
Washington, DC 20250

Dear Secretary Vilsack:

We are grateful for your leadership in securing publication of the August 11, 2016 Statement of Principles on Industrial Hemp issued by your office jointly with the Drug Enforcement Administration and the Food and Drug Administration (the "Statement"). The Statement brings farmers and businesses in the new and growing industrial hemp industry some welcome news.

However, there are several legal positions taken within the Statement that raise serious concern, positions that we believe could be read to be inconsistent with, or directly contrary to, existing federal law. And while the Statement clearly notes that it "does not establish any binding legal requirement," we are concerned that selective federal agency enforcement based on several of these positions could have a chilling effect on the industry, and might put at risk existing operations that are fully compliant with current federal law.

Below, we outline our concerns and offer specific questions for which we would appreciate your response:

===

As detailed in our Opinion on the Legal Status of Industrial Hemp, dated December 21, 2015 and attached as *Appendix A* ("our December Opinion"), the Agricultural Act of 2014, P.L. No. 113-79, 7 U.S.C. §5940(b)(2), (the "2014 Farm Bill") and the Consolidated Appropriations Act for FY 2016, P.L. 114-113 (the "Omnibus Law") constituted a sweeping legal revolution for the industrial hemp crop. Taken together, the two laws ensure that individuals and firms that are engaged in authorized state agricultural pilot programs should be permitted to grow, cultivate, transport, process, sell and/or use industrial hemp under the guidelines and regulations of state law, without violating the Controlled Substances Act ("CSA") and without interference from agencies using federally-authorized funds.

The issuance of the Statement of Principles by the three federal agencies most involved in these matters confirms the broad reach of these recent laws. For the first time, federal agencies have certified that institutions of higher education and state departments of agriculture could contract out hemp pilot projects to private farmers and businesses, and that as part of marketing research programs, "industrial hemp products can be sold" across state lines. Together, these elements of the Statement will not only

give hemp farmers and businesses confidence that they can grow, process, sell, transfer and transport their products; but perhaps more importantly, they provide much needed assurance to U.S. financial institutions that such commerce is legal, and that they can facilitate financial transactions in the industry.

We are especially pleased by the Statement's declaration that authorized pilot program participants "may be able to participate in USDA research or other programs to the extent otherwise eligible for participation in those programs." This is a tremendous victory for our industry; we are grateful to your staff who relayed our requests for such a new policy and for their hard work in securing inter-agency consent. For the first time, we believe, duly registered hemp pilot projects will now be eligible for loans, grants, crop insurance, certification programs, and the wide variety of other opportunities made available to other farmers and agri-businesses at USDA and its sub-agencies.

QUESTION 1: Because this declaration is broad, we would appreciate a more specific listing of all the new opportunities now available to hemp farmers and businesses through USDA programs, as well as your counsel on how to secure them.

The Statement of Principles, however, also asserts a number of opinions that could be construed in a way that may be detrimental to the industrial hemp industry and, in our view, contrary to federal law. These include:

- Of greatest concern to the industry -- the Statement could be interpreted to redefine the term "industrial hemp."

  Federal law -- Section 7606(b)(2) of the 2014 Farm Bill -- defines "industrial hemp" as follows:

  > *The term "industrial hemp" means the plant Cannabis sativa L. and any part of such plant, whether growing or not, with a delta-9 tetrahydrocannabinol ["THC"] concentration of not more than 0.3 percent on a dry weight basis.*

  By contrast, the Statement reads:

  > *The term "industrial hemp" includes the plant Cannabis sativa L and any part or derivative of such plant, including the seeds of such plant, whether growing or not, that is used exclusively for industrial purposes (fiber and seed) with a tetrahydrocannabinols concentration of not more than 0.3 percent on a dry weight basis. The term "tetrahydrocannabinols" includes all isomers, acids, salts and salts of isomers of tetrahydrocannabinols.*

  Of course, no executive agency, nor even a combination of agencies, can rewrite federal law, nor legal definitions established by Congress. So perhaps the word "*includes*" in the first sentence of the Statement provision above is merely an illustration of one of the definitions of industrial hemp. Or perhaps this paragraph provides a definition of industrial hemp when grown outside of the construct of a duly-registered state pilot-program.

But if instead this is an inter-agency effort to redefine the meaning of "industrial hemp" in a way that is contrary to, and fundamentally inconsistent with, the governing statute, we would be very concerned. The notion, for example, that hemp can only be used for "industrial purposes (fiber and seed)" may improperly be read to ban research involving other parts of the plant (such as flowering tops) grown in a pilot project. Further, the discussion of how THC is measured -- using the plural "tetrahydrocannabinols," combined with the inclusion of "isomers, acids, salts and salts of isomers" – may improperly be read to count non-psychoactive cannabinoids other than actual THC toward the threshold definition of THC. In either case, industrial hemp which is currently exempted by the Farm Bill from CSA regulation could inappropriately and retroactively lose that exemption. Such a reading not only would directly contradict federal law; it could also cause great financial hardship to farmers and businesses who have relied on Farm Bill exemptions to develop and finance the expensive infrastructure often necessary to conduct research pilot programs.

QUESTION 2: Please identify the intent of this definitional provision and provide assurances that no enforcement actions will be taken against industrial hemp that is currently grown and cultivated legally under the broader Farm Bill definition.

- The Statement declares that while sales of industrial hemp products may be made "for purposes of marketing research," they may not be made "for the purpose of general commercial activity." There is no such qualification in the Farm Bill. Of course, all hemp product "sales" are "commercial" in nature. One of the research goals specifically mentioned in the 2014 Farm Bill is "marketing" which includes research on the promotion and sale of hemp products.

We are hopeful that the operative word is "general" and that the qualification "*general* commercial" simply means that hemp firms may not sell their products outside of their pilot program marketing studies. To the extent the Statement might be attempting to impose a limit on size, scope or character of any particular sales, that position would be contrary to the clear language of federal law, and again could impose significant hardship on farmers and business who have incurred startup costs relying on Farm Bill authorization.

QUESTION 3: Please identify the intent of this "general commercial" provision and provide assurances that no enforcement actions will be taken against industrial hemp sales made within the construct of approved pilot program marketing studies.

- The Statement declares that "hemp products" can be sold in states with pilot programs, and among states with pilot programs, but not in states where such sales are prohibited.

To be clear, sales of most hemp products are currently legal, and commerce for these products has occurred in all fifty states for decades. That's because the Controlled Substances Act ("CSA") clearly states that certain parts of the cannabis plant -- stalk, fiber, sterilized seed and oil – are exempt from its scheduling and regulation. To the extent that hemp products are made from these exempt parts, they, of course, can continue to be sold anywhere. Any suggestion that such products cannot be sold if the plant is grown in the U.S. under a pilot program -- but could be sold if the plant was grown abroad and the parts are imported -- would be contrary to federal

law as well as counterproductive as a matter of policy.

Concerning other parts of the plant, as discussed in our attached December Opinion, federal law now permits their sale as long as the hemp was grown or cultivated in a duly registered pilot program, and they are sold in a state in which there is no express law prohibiting such commerce. Sales are not limited to states with pilot programs, as might be implied in the Statement.

QUESTION 4: Please advise on the meaning of this sales provision and provide assurances that no federal enforcement actions will be taken on the sale of products that have been exempted from CSA regulation for decades, nor on the sale of any hemp products that were produced in the construct of a state pilot program.

- The Statement declares that "Industrial hemp plants and seeds may not be transported across State lines." We believe that a literal reading of this sentence is inconsistent with section 763 of the Omnibus Law which prohibits the expenditure of any federal funds to prohibit the transportation of industrial hemp grown under the 2014 Farm Bill provision "within or outside the States in which the industrial hemp is grown or cultivated." That position is also inconsistent with other declarations within the Statement itself that clearly acknowledge the legality of interstate transfers within the guidelines of state agriculture research programs. A literal reading could have a crippling effect on Farm Bill hemp research: one key state Department of Agriculture, for example, imported much of the seed for its successful pilot programs this year from Colorado. It also makes little policy sense: Why would the U.S. government allow seed imports from overseas but not from domestic sources?

  QUESTION 5: Please advise us on your reading of this transport provision, and provide assurances that no enforcement actions would be taken against agricultural pilot programs from securing seed and plant shipments from other states with agricultural pilot programs.

- The Statement takes the position that importation of viable hemp seed, for an approved agricultural pilot program authorized by the Farm Bill, requires an import license from the DEA. We believe that position is legally meritless in view of the Farm Bill's express language completely exempting those programs from CSA requirements and the Omnibus Law's express prohibition against federal agencies from interfering with state pilot programs. (See our attached December Opinion for details.)

  QUESTION 6: Please advise us on your interpretation of this import provision, and if you agree with it, how it can be reconciled with the Farm Bill and Omnibus Law.

We deeply appreciate your leadership and strong support of the industrial hemp industry. We thank you in advance for your attention and response to the six questions we have raised above. As we work together to identify new opportunities for farmers and create good agri-business jobs, we would be grateful for any assurances that you can provide that our important, federally-authorized research can proceed without fear of interference or prosecution.

Sincerely,

Jonathan Miller, Esquire
FROST BROWN TODD
Lexington, KY
On behalf of the Kentucky Hemp Industry Council

Joseph Sandler, Esquire
SANDLER REIFF LAMB ROSENSTEIN & BIRKENSTOCK
Washington, DC
On behalf of the Hemp Industries Association

Tae Darnell, Esquire
LAW OFFICES OF TAE DARNELL
Denver, CO
On behalf of the National Hemp Association

Geoff Whaling
President, Pennsylvania Hemp Industry Council