Summary and Investment Opportunity

- High and Rapidly Growing Consumer Demand for CBD-Infused Beverages is Sweeping the U.S.
  Trends in the U.S. pertaining to the cannabis plant (marijuana and hemp) have been nothing short of extraordinary in the last few years, recently culminating in the December passage of the Farm Improvement Act of 2018, which removed hemp from the Controlled Substances Act of 1970 and placed it under the control of the U.S. Department of Agriculture as a legitimate farmed crop. While hemp has been used for centuries for its strong fibers in the making of rope and other goods, it has recently become far more widely used due to a therapeutic compound it contains called cannabidiol (CBD). The basis of one FDA-approved treatment for epilepsy, non-psycho-active CBD has been shown to have myriad benefits pertaining to relaxation, pain relief, and in the treatment of addiction to opioids and nicotine. While not FDA approved for these uses as of yet, products containing CBD have taken the market by storm, and will by some estimates constitute a multi-billion dollar market in the United States by 2021.

- RTON Has the Winning Combo for Success: Top-Quality, Delicious CBD Beverages and Strong Distribution
  Right On Brands is an emerging leader in the production of beverages, snacks, and oils containing CBD, and has recently made strong distribution inroads with regional and local beer distributors that are actively seeking such high-growth products to sell through their existing retail channels. Given that these distributors have an iron grip on much of the shelf-space RTON needs to sell its alkaline hemp water products and hemp oils, we believe that the Company’s recent string of new distributor alliances has already put it well on its way to having a national retail footprint. Furthermore, initial anecdotal evidence suggests excellent sell-through of these products, with several distributors already placing follow-on product orders just weeks after signing on and placing their first product orders. This can only be interpreted in one way, in our opinion: RTON has a winning combination of product taste and quality and national distribution strategy.

- Rollout of Franchise-like Branded Wellness Centers Strengthen and Diversify Revenue Base
  In addition to its core wholesale sales effort, the Company has plans to make a major push into online retailing, where its gross margins are over 80% (net of shipping costs), and into licensing its ENDO hemp water brand via a franchise-like model to retail entrepreneurs seeking to capitalize on the consumer demand craze for all things CBD. Licensees under the Company’s program can launch a retail store in just 60 days from signing and for as little as $50,000 in capital investment, which includes $30,000 of initial product purchases from the Company. Under the Company’s pricing model, both it and its licensees can expect to earn gross margins of approx. 50% from retail sales in these “Wellness Centers,” providing an exceptional, high-margin sales channel for the Company and a solid high-margin opportunity for licensed operators.

- Apparent Disconnect Between Share Price and Company Fundamentals Create Exceptional Opportunity for Investors
  Despite recent price action in RTON shares, which we view as inexplicable based on fundamental developments at the Company, we believe RTON has a well above average chance of establishing itself as a CBD-infused beverage powerhouse in the United States over the next 12 to 24 months. The Company has already demonstrated the magic combination of success in the beverage industry: a family of products consumers want, and the distribution power to get that product on the shelves where large numbers of consumers regularly shop. We therefore rate the shares of RTON as a Strong Buy, and set our 12-18 month price target at $0.70 per share.

Company Overview

Right On Brands is a Texas-based Company that develops and markets products based on hemp and/or the CBD it contains. The Company sells its CBD-infused, alkaline water (pH 9.5) products both wholesale and retail (online) under the brand ENDO hemp water. It also licenses its brand for use in retail Wellness Centers that stock 80% RTON products. The Company trades on the OTC-Pink under the symbol RTON.
Industry Background

Right On Brands (RTON – OTC Pink) operates at the convergence of the old and the new. CBD-infused alkaline hemp water is a new product in an entire whole new class of products, namely hemp derived CBD-infused foods and beverages. However, the Company has also aligned itself with the old – in this case, the local and regional distribution companies that for many years have distributed major beer brands to liquor stores, gas stations, convenience stores, grocery stores, and specialty retailers. Given that beer sales are largely flat to down year-over-year in the U.S., beer distributors are eagerly seeking high-growth products that they can provide through their existing distribution channels, and via the retailer shelf space they control. RTON's hemp water and hemp oil drop products are a perfect fit for these beer distributors, and we believe that the Company's recent string of new account wins with many of these distributors is indicative of both the correctness and of the likely future success of this strategy and the partnerships upon which it is based.

As a prospective investor in RTON, it is important to understand both the traditional beer distribution industry as well as the much newer, very rapidly growing cannabis industry, which includes both Marijuana/THC and Hemp/CBD and various ingestible and topical products derived therefrom. This industry involves traditional brand management, manufacturing, distribution, and sales of foods and beverages, but in this case containing legal, hemp-derived Cannabidiol.

Introduction

Broadly defined, the North American cannabis sector consists of not only the production, distribution, and sale of marijuana and hemp, and the products derived therefrom, but also of myriad “support” industries that include:

- Biotechnology and other traditional farming technology and chemical industries;
- Specialty hardware and software industries that enable cannabis producers, distributors, and retailers to harvest and process cannabis into finished goods, and then cost-effectively distribute and sell those goods - all while staying in compliance with the highly complex and dynamic system of federal, state, and local laws in which they operate;
- Specialty legal, accounting, and finance industries that have a high degree of knowledge about not only their respective fields but also of the cannabis sector itself;
- Several niche industries that manufacture packaging and consumption devices for cannabis;
- And last but not least, the cannabis-focused specialty food and beverage industry, which at this point in time produces literally thousands of derivative products including edibles and beverages, smokable products for traditional pipes and the newer vape systems, and oils, lotions, and salves that are either ingested or used topically.
- Also, there is now one FDA-approved drug for certain types of epilepsy that is based on cannabidiol (CBD), and two more FDA-approved drugs that consist essentially of synthetic THC, and are used to treat chronic low-appetite that is often associated with HIV and/or cancer therapies.

Due to the recent and extremely rapid change in state and federal legislation pertaining to cannabis, this sector is growing at rates not seen since the Internet bubble in the late 1990s, and in this case we do not expect a similar bubble. So, what exactly is cannabis, and how have the laws governing it changed?

The Cannabis Plant
There are three species of cannabis known today, Cannabis Sativa, Cannabis Indica, and Cannabis Ruderalis, as well as a variety of hybrid strains primarily based on a mix of Cannabis Sativa and Cannabis Indica.

**Cannabis Sativa**

The Cannabis Sativa plant can grow to be nearly 20 feet high at maturity, and is comprised of a thick, extremely tough, fibrous central stalk from which shoot leaf-producing stems at highly regular intervals, giving the cannabis plant a form similar to that of many other plants of its approximate size and climate range (e.g. bamboo, technically a grass). Also like many other plants, cannabis sativa produces flowers on a seasonal basis, which tend to be fairly dry and small, occurring mainly on the tops of the plants. Cannabis Sativa is the primary strain used in hemp cultivation.

**Cannabis Indica**

The Cannabis Indica plant tends to be a much broader and shorter plant than Cannabis Sativa, and it has a maturation cycle of just 90-120 days vs. as much as 180 days for Cannabis Sativa. As can be clearly seen in the diagram on the preceding page, Cannabis Indica has a much larger leaf than does its close relative in the cannabis family, and its buds tend to be stickier and larger than those of Cannabis Sativa, indicating its much higher THC content. Cannabis Indica and hybrids of Cannabis Indica and Cannabis Sativa are the standard source of the world's marijuana production. Note that Cannabis Ruderalis is also a member of the cannabis family, although it has no commercial, recreational, or medicinal uses of which we are aware.

Over the millennia that humans have cultivated cannabis, they bred the plant to better serve the use to which they put it. One such use that is still in practice today is in the manufacture of rope, based on the exceptionally strong fibers found in the cannabis' central stalk. The other primary use for cannabis that evolved through the ages was based on chemicals found in the cannabis bud; the buds were either eaten or smoked as an analgesic or as a general relaxant, and in recent decades often simply to laugh a lot, get the munchies, and have an overall good time.

Much like creating different dog breeds, or creating modern-day corn from a grass native to North America that originally had an “ear” only about one inch long, over the millennia humans have used “artificial selection” to make each successive generation of the cannabis plant a little better for its intended use. In the case of ropemaking, this meant that the cannabis plants became stronger and more fibrous over time; an unintended side effect of this selective breeding was that the cannabis plants grew smaller and smaller buds and contained less THC, marijuana’s psychoactive compound. This cannabis strain came to be known as Cannabis Sativa, or simply “hemp.” For the plant’s other main use, growers used time-honored breeding techniques to cause the opposite: larger, more chemically-powerful buds that made each plant more medicinally valuable at harvest time. The plants and especially the large, pungent, chemically-powerful buds they produced came to be known as Cannabis Indica or Cannabis Sativa, or simply “marijuana.”

The salient difference between these two types of cannabis plants is the mix of chemicals each contains; the newest genetically engineered marijuana buds consists of as much as 20% THC by weight, whereas whole hemp plants consist of no more than 0.3% THC by dry weight. Since THC is the chemical responsible for the intoxicating effect of ingesting cannabis plant material, this is an extremely important distinction from both a functional and a regulatory perspective.
Cannabidiol (CBD) and Examples of Its Many Health and Wellness Applications

The Cannabidiol (CBD) Molecule

Hemp Water

Ingredients for Humbly Hemp Snack Bars

Epidiolex, the only FDA-approved Drug Sourced Directly from Cannabis

Cannabidiol (CBD) - Cannabis’ Other Valuable Chemical
Cannabis is known to have some 115 biologically-active compounds in the fluids that can be readily extracted from the plant, and among the most promising of these is CBD, which is not psychoactive like THC is, and accounts for almost 40% of extracted chemicals by volume. Studies confirm that the typical adult can ingest CBD in quantities of up to 500 mg or more per day without experiencing any noticeable side effects, and at these levels CBD consumption has been shown to have many general health and medicinal benefits, including:

- **Anxiety Reduction.** Anxiety disorders are among the most common medical disorders, affecting up to 31% of the general population at some point in life; specific disorders include obsessive-compulsive disorder, panic disorder, post-traumatic stress disorder (PTSD), social anxiety disorder, and generalized anxiety disorder. CBD has been shown to have a relatively pronounced effect in terms of reducing anxiety in general, and this general down regulation of anxiety has a positive effect on all anxiety-related disorders. Note that while there are other highly effective treatments for these disorders (e.g. benzodiazepines, such as Xanax and Valium) these treatments also have moderate to severe side effects (e.g. short-term memory loss) and can also be highly habit-forming.

- **Relief from Chronic Pain.** One of cannabis’ historical uses was as a pain reliever, and rodent studies suggest that CBD may in fact be an effective remedy for chronic pain of the type common in aging individuals (e.g. joint pain).

- **Multiple sclerosis (MS).** A debilitating and ultimately fatal disease, the symptoms of MS are extremely difficult to treat. However, a large trial published in 2012 found that cannabis extract significantly decreased muscle stiffness and other MS symptoms.

- **Cessation of Smoking Cigarettes.** Preliminary studies have shown CBD ingestion to be effective at helping tobacco-addicted individuals smoke fewer cigarettes per day without craving additional cigarettes.

- **Help in Beating an Opioid Addiction.** A study posted to Neurotherapeutics found that CBD may be a promising substance in the use of Opioid addiction treatment.

- **Epilepsy.** On June 25, 2018 the U.S. Food and Drug Administration approved an orally-administered solution of CBD (Epidiolex) for the treatment of seizures associated with two rare and severe forms of epilepsy⁴, Lennox-Gastaut syndrome and Dravet syndrome. For the FDA to approve this drug, it had to have a good safety profile and significant efficacy in the treatment of these two types of epilepsy. Since this was the first time that the FDA has ever approved any cannabis-derived chemicals for medicinal use, we believe that not only was it a landmark decision for the CBD industry, but that it was also a likely harbinger of future loosening CBD restrictions. This in fact proved to be true this past December when Donald Trump signed the Farm Improvement Act into law.

⁴ https://www.fda.gov/newsevents/newsroom/pressannouncements/ucm611046.htm
Although the eventual outcome of various studies pertaining to CBD’s efficacy in treating these and other maladies is unknowable, one thing is certain: a large percentage of the population reports that CBD use helps them and alleviates the symptoms that they are experiencing at an acceptable level of side effect, if any. This tells us that demand for these products is likely to be robust for the next several years at a minimum, and probably indefinitely. There is no question in our minds that this high degree of consumer acceptance and demand will ultimately drive large numbers of customers to desire products such as those made by the Company. And given its rapidly developing distributor relationships and appealing products, this will almost certainly mean at least some degree of success for RTON.

Changing Cannabis Regulations in North America 2012 - 2019
The last few years have been filled with the passages of many new laws regarding the cannabis plant and the products manufactured from it, beginning with its full legalization for any purpose (medicinal or recreational) in Colorado in 2012. During the years since 2012, we have seen ever-increasing pressure from the general population to legalize marijuana and CBD oil, which culminated last year in two truly unprecedented legislative events:

- On December 28, 2018 President Trump signed into law the Farm Improvement Act, which contained a provision that reclassified hemp as an agricultural product, placing it under the control of the United States Department of Agriculture (USDA) rather than the Drug Enforcement Agency (DEA). At least for hemp and CBD, this rectified what we believe was an untenable legal conflict between local and state governments and the federal government, which was increasingly characterized by hemp and CBD products being legal under state law, but illegal under federal felony statutes.

Unfortunately, this single piece of legislation did not completely clear up the confusion in this market, for one primary reason: the U.S. Food and Drug Administration. Even though hemp is now a farm good and can be carried, bought, and sold across state lines at will, the FDA, not the USDA, has the power to regulate the ingredients of dietary supplements, over-the-counter drugs, and drugs requiring a doctor’s prescription. As of yet, the FDA has not approved CBD for medicinal use in any product other than an obscure medication for certain rare forms of epilepsy. And despite this, as before, companies are charging forward with sales of CBD-infused products with little or no fear of a legal reprisal.

In our view, they are probably correct in this. Our recent review of the FDA website found that they mention “issuing a few warning letters” to those they believe to be in violation of the law, but they just barely managed to get their sabre to rattle. We believe that states will act with legalization on the state level, as some have done with marijuana in the past, and the FDA will eventually approve CBD-infused products with little or no interim enforcement action.
On October 17, 2018 Canada became the second country in the world (after Uruguay) to legalize possession and use of marijuana for recreational use. Although this is really of very little significance to RTON, we felt that it was important enough to the entire sector to include here, as it also demonstrates the trend of cannabis legalization and legitimization.

In closing, we are confident at this point in forecasting a continued loosening of regulations pertaining to hemp and marijuana in the United States, and probably overseas as well, for the foreseeable future, and as a result we are not particularly concerned by legal risks at this point in the cycle. The question, then, is just how big is this emerging new economic industry?

By the Numbers - the Cannabis Economy
In terms of the emerging U.S. cannabis industry, recent growth has been nothing short of astounding. According to Sean Murphy, Founder of the Hemp Business Journal, the total value of all hemp products sold in the U.S. was approximately $688 million, which is forecast by some pundits to grow to some $1.8 billion by 2020. Estimates for total retail sales of CBD consumer products in 2018 range from $600 million to $2 billion. While they forecast only a 22% five-year compound annual growth rate in the space, they believe hemp-based CBD product sales will post 53% CAGR during the same five year period. Earlier this year, New York-based Investment bank Cowen & Co. projected total revenue of $16 billion for the CBD market by 2025, and a report released last summer by Hexa Research² forecasts that the U.S. medical cannabis market will reach $19.48 billion by 2024. By all accounts, this is a very large market that is going to become much larger very quickly.

If looked at broadly, the cannabis industry has three primary categories of participants.

The U.S. Cannabis Ecosystem and the Companies and Entities that Operate Within It

<table>
<thead>
<tr>
<th>Group I</th>
<th>Directly Involved with Cannabis Plants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biotech</td>
<td>Biotechnology is perhaps rivalled only by Robotics technology in terms of the likely greatest impact on humanity by the year 2100. Cannabis-focused biotech efforts typically focus on finding therapeutic value in the 115 or so cannabinoids found in cannabis sativa.</td>
</tr>
<tr>
<td>Plant Cultivation and Sales</td>
<td>These typically smaller organizations are your local growers and seed providers. The appetite for products offer by Group II companies vary widely on an individual basis.</td>
</tr>
<tr>
<td>Hemp Product Manufacturers</td>
<td>Hemp is one of the most versatile and useful plants on the planet, and is a primary ingredient in thousands of products manufactured around the world. Such products include paper, textiles, foods, beverages, biofuels, rope, and hemp is also the primary source of CBD, the chemical upon which Right On Brands entire business and product line is based.</td>
</tr>
<tr>
<td>Hemp Product Producers</td>
<td>Right On Brands is, in fact, a brand management company for a variety of hemp-derived or CBD-derived products, which in many cases they manufacture in-house. In addition to the types of products sold by RTON, this category also includes salves, lotions, etc.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Group II</th>
<th>Provide Support to Group I Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>AgTech</td>
<td>Participants in the AgTech industry provide the high-tech equipment used to cultivate the highest quality marijuana buds, often derived from genetically-engineered seeds and grown in hydroponic environments. AgTech products can also be low-tech, such as lights, heating and cooling system, etc.</td>
</tr>
<tr>
<td>Real Estate</td>
<td>Finding real estate on which cannabis can be cultivated can be extremely challenging, unless a firm with specialized local knowledge has been retained to help find, negotiate, acquire, and operate facilities without inviting unnecessary legal entanglements. Such firms are highly valuable.</td>
</tr>
</tbody>
</table>

Secondary Tertiary Services

Like high-growth businesses in any industry, cannabis cultivators, product manufacturers, and retailers are in need of specialized services such as branding, packaging, laboratory testing, online marketing, and other services that help them grow and prosper.

<table>
<thead>
<tr>
<th>Group III</th>
<th>Cannabis May Not Constitute Entire Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>Finance firms help cannabis enterprises fund their growth and expansion, manage cash with services such as banking and receivables factoring, and in the case of the investing public, to find suitable investments in the cannabis space.</td>
</tr>
<tr>
<td>Consumption Enabling Tools</td>
<td>These vendors make paraphernalia such as pipes, vape tubes, and other devices that help consumers of cannabis make use of the product.</td>
</tr>
<tr>
<td>Technology and Media</td>
<td>Although commonly grouped together, technology and media are only loosely associated in this context. As we have seen in more mature industries, we are now beginning to see seed-to-harvest “grow flow” management systems that help cut costs and improve yields. On the media side, we are seeing specialized newsletters, blogs, and more traditional news organizations cropping up to keep those interested in cannabis well-informed.</td>
</tr>
<tr>
<td>Other</td>
<td>Sometimes, companies just don’t fit into any real category, like those developing intoxication testing kits for the police. We place them here.</td>
</tr>
</tbody>
</table>

The cannabis industry is extremely young in the U.S., having legally existed for just under seven years at the time of this writing. However, the industry has grown very rapidly during that time, as a groundswell of popular support has brought some form of legal cannabis to 46 of our 50 states. In terms of cannabis products, the most important segmentation is related to presence of THC, the primary source of the “high” pot users experience. Hemp, defined in the U.S. as cannabis sativa containing no more than 0.3% THC by weight, does not confer a “high,” whereas traditional marijuana, in which THC concentrations can approach as much as 20% by weight, does confer a high – in some cases a very strong one.

Whereas the traditional marijuana segment has both medicinal and solely recreational consumers, the hemp segment has only health, wellness, and medicinal consumers, mostly seeking to ingest a compound called CBD (cannabidiol). Cannabidiol can comprise as much as 40% of a hemp plant’s extractable material (by weight), and has been shown both anecdotally and in bona fide research to have relatively pronounced medicinal value for those with anxiety-related health issues, for sufferers of certain forms of epilepsy and multiple sclerosis, and for those suffering with chronic pain (e.g. joint pain).

Within the two primary cannabis product segments, namely marijuana and hemp, product differentiation is occurring quite rapidly, with most products fitting into one of the following categories:

- **Smokable**, meaning that the actual plant is smoked in the case of marijuana, or that extract from the plant is smoked via a vaping device; for the hemp market, this is typically CBD oils and other related high-concentration extracts
- **Ingestible**, which are most often edible pastries, candies and the like, although this group of products also includes more than a few cannabis beverages such as those made by Right On Brands (RTON – OTC Pink).
- **Dermal**, which usually treat maladies of the skin or chronic pain in specific muscles or joints. The products typically take the form of salves, gels, lotions, and ointments.
- **Medicinal**, which take the typical forms of pills or ingestible CBD solutions, and injectable formulations

Right On Brands is clearly positioned in the ingestible category, offering consumers high pH (alkaline) hemp waters that come either sparkling or still, and in three flavored and one un-flavored variety. The Company’s CBD oil drops are similarly positioned.
Beer Distributors

In the United States, beer distribution is highly regulated on the state and local level, and obtaining the licensing to distribute beer (as well as any other alcoholic beverage) can be quite challenging. As a result, existing distributors have typically been in business for decades, often beginning as family owned and operated businesses and are today operating almost exclusively as private companies.

These organizations are typically flush with cash, as they often effectively have local monopolies on the products they distribute. However, their core product class, namely beer and malt beverages, is in a state of no growth or extremely low growth in most markets; in some markets, beer consumption is declining. However, in addition to their cash resources, these companies have valuable fleets of distribution vehicles, warehouse facilities, personnel, retailer relationships, and strong retailer shelf-space inventory. What these companies really need and want, at this point, is newer, high-growth product categories to distribute to the retailers they already serve. CBD-infused beverages – in RTON's case retailing for $3.99 per bottle – are quite literally a perfect fit.

Company Analysis

Introduction

Right On Brands (RTON – OTC Pink) is a Texas-based consumer non-durables company that specializes in the manufacture and brand management of CBD-infused beverages, snacks, and pure, high-CBD content hemp oil. Also, the Company is in the midst of launching its "Wellness Center" program, which is a franchise-like model that allows its "licensees" to build either a "small" or "full-sized" store footprint very economically. According to the Company, these wellness centers could return all invested capital to licensees within one year, thereafter generating gross profits in the neighborhood of $50,000 per quarter, all of which licensees retain. The Company is currently in what we believe to be the early stages of hyper-growth, as evidenced by their recent success in adding multiple regional beer distributors to carry and provide shelf space and marketing spend for their products. The Right On Brands is a fully-reporting company with the SEC that currently trades on the OTC Pink.

Products and Services - CBD-Related Product Manufacture and Retailing

As covered thoroughly in the Industry Background section, cannabidiol (CBD) has myriad putative health benefits, and is even the basis for a medication recently approved by the FDA for certain types of epilepsy. Because hemp-derived CBD was legitimized by the Farm Improvement Act of 2018, which removed hemp from the Controlled Substances Act of 1970 and placed it under the management of the U.S. Department of Agriculture (USDA), over the last few months we have seen what can only be described as a fervor for all things CBD. This fervor most certainly includes the product niches in which the Company operates, namely CBD-infused alkaline water, CBD-rich hemp oil, and hemp-based snacks. We anticipate extremely strong growth in all three of these product categories for the foreseeable future, and furthermore feel comfortable forecasting very strong growth for sales of the specific products produced by RTON.

CBD-Infused ENDº Hemp Water

The Company's primary product line, ENDº Hemp Water (10mg CBD stated; as tested, varies b/t 10mg and 19mg), is available in both still and sparkling forms and in four flavors: Watermelon, Lemon Lime, Cucumber, and Pure Water. All of these products have an appealing taste, which unlike many competing products includes a faint hint of hemp in addition to the stated flavor of the product. Anecdotal evidence suggests that consumers actually prefer the slight hemp taste to that of other similar products, which is a nice differentiating product feature from a competitive perspective. Furthermore, RTON's CBD-infused water products have a pH of 9.5, which is a relatively high level of alkalinity for products in this class and for beverages in general. The intake of alkaline foods and beverages is suggested as a healthy choice by many practitioners of alternative medicine as a means of preventing acidosis (blood pH below 7.35), and as a means of treating or preventing maladies such as heart disease. While the currently available body of scientific evidence does not support this idea, its
promulgation by famous celebrities such as Kate Hudson and futurists such as Ray Kurzweil has firmly rooted it as a fact in the minds of millions of consumers. Therefore, we consider it as a significant sales and marketing benefit that is likely to increase future consumption of the Company’s products.

<table>
<thead>
<tr>
<th>Right On Brands END® Hemp Water and Wellness Center Sales Outlets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Single Bottle of Pure END® Hemp Water</strong></td>
</tr>
<tr>
<td><strong>RTON Digital Brochure and SKUs for END® Water</strong></td>
</tr>
</tbody>
</table>

Overall, we view this product line quite favorably: its packaging and taste both have broad consumer appeal, as does its alkalinity, and its function and CBD concentrations compare well vs. that of competing products. When considered in light of the Company’s many recent “new relationship” announcements pertaining to regional major-brand beer distributors, we believe the Company is likely to experience very strong sales of this product line during the next few months and quarters. Note that because the Company’s fiscal year ends on March 31, we do not have sales data more current than December 31, 2018, although more current information will be available when RTON files its 10-K with the SEC this month, as mandated by SEC annual reporting requirements.

**END® Hemp Drops (1,000 mg CBD)**

The Company does not currently break out reporting for revenues generated by this product line, which includes drops for humans and drops for pets, and a new fully water-soluble product that purchasers can use in baking or to make their own beverages. While we do not foresee this product “group” being a large seller via beer distributors, we do expect it will perform well in specialty cannabis-focused retailers and, potentially, pet stores. These drops are meant to be orally ingested, and due to the high concentration of CBD they contain, they could almost be considered a medicinal rather than dietary product. We have not included any sales of these drops in our financial forecasts, and therefore view the sales they will likely generate as “icing on the cake” rather than a core driver of enterprise value for RTON shares.
Health and Wellness Centers (WCs)

In a fairly unusual move, RTON management has recently launched a retail-outlet licensing model to help diversify sources of revenues and expand the Company’s revenue base, via Company-branded Wellness Centers. Operating much like a franchise model, the Company is licensing their brand and expertise to would-be operators in return for a commitment to purchase 80% of goods sold from the Company. Management envisions two general footprints for these Wellness centers: a small center that is focused strictly on retail shelf space, and a larger center that would include both retail shelf space plus a water massager machine and other spa-like equipment. The smaller center would require a capital outlay of approximately $50,000 (including $30,000 for initial inventory), and in management’s opinion will do in the range of $30,000 to $50,000 in monthly product sales, priced to carry gross margins for the operator of approximately 50%. The larger store footprint will require a total capital outlay including initial inventory purchases of perhaps $80,000 to $100,000 and should give the operator monthly sales in the range of $60,000 to $80,000 per month with gross margins of about 50%. Note that at planned price points, the Company will also earn gross margins of approximately 50% of wholesale sales to location operators.

Under the terms of the RTON license, Wellness Center owner-operators will be responsible for all initial CapX, and will be required to pay a nominal 3% advertising surcharge in addition to purchasing 80% of their products from the Company. Right on Brands is currently building a pilot Wellness Center in Carrollton, TX, and purportedly is already in discussions with a handful of prospective Wellness Center owner-operators.

Sales and Marketing
Beverage Distributors

The Company’s most important product is, of course, its END® line of four sparkling and four still beverages, which it is primarily distributing via regional and local beer distributors. With beer sales flat to slightly down in the United States, major beer distributors are eager to find new products to sell through their exceptionally well-established distribution channels and large “inventory” of retailer shelf space. CBD-infused flavored hemp beverages are a nearly perfect fit to supplement and even supplant flagging beer sales, as they appeal to almost the same demographic as does/did beer, with an even higher average socioeconomic level. Although this sales channel is still in the early stages of development, the Company has made extremely strong inroads with multiple beverage distributors as of this writing. Distributors that have already signed on to carry and placed initial orders for the Company’s water are shown in the table below.
Distributor | Size Category | Geographic Coverage & Notes
--- | --- | ---
SK Distribution | Small | Seattle, Washington area
Mancini Beverage | Small | Full State of Connecticut, alcoholic and non-alcoholic
Mancini Beverage | Small | Full State of Rhode Island, alcoholic and non-alcoholic
AB - Maine Distributing | Small | Northern two-thirds of Maine
Worldwide Beverage Co. | Medium | Full State of Kansas
Belle Point Beverages | Medium | Counties near Ft. Smith, Arkansas plus five in Oklahoma
McBride Distributing Co. | Medium | Counties surrounding Fayetteville, Arkansas
Boardwalk | Medium | Full State of Oklahoma other than five counties
NYC Fancy Natural Foods | Large | 4,000 New York City accounts in all five boroughs
Southern Beverage Co. | Large | Largest alcoholic beverage distributor in Mississippi
Double Eagle Distributing | Large | Dade County, FL. (Metro Miami - Population 2.8 million)
Lipari Foods | Large | 14 Midwestern States plus northern Florida

For the purposes of size categories, we have divided the Company’s current distributors on the basis of likely CY 2019 ENDO purchases, as follows: Small < $100,000 < Medium < $200,000 < Large. Note that we expect CY 2020 sales to far exceed these ranges with these same distributors, as the Company’s brands become better known and the customer base grows in each covered geographic region. We also expect a positive feedback loop to take hold in terms of distribution, as significant market successes begin to make the Company’s products “must have” for all significant beverage distributors.

The Company indicates that it has at least as many distributors currently considering carrying RTON’s products and reviewing its distribution agreements as it has already signed up, indicating that its list of beverage distributors is likely to experience continued strong growth in the near future.

In closing, we applaud the Company’s selection of beer distributors as its primary retail distribution channel. These distributors have nearly unlimited clout with convenience-focused retailers (e.g. QuikTrip, 7-Eleven, etc.) and many smaller grocery stores, as well as significant influence with major grocery stores (Kroger, Safeway, Whole Foods, etc.). Furthermore, beer distributors are highly motivated to augment their traditional revenue sources with new, high-growth product categories such as CBD-infused beverages and other edibles. And although we do not forecast runaway growth for RTON products or shares at this time, homerun-seeking investors should note that extreme levels of success are possible for the Company.

Online Sales

While not yet a major driver of sales for RTON, management recognizes the potential of the immense gross margins (over 80%) online sales could provide, with per-bottle revenues of $4.00 (after shipping costs) and per-unit costs of approximately $0.66. The Company is currently selling 12-packs of its beverages via amazon.com and via its own ecommerce-enabled website, and is at this time seeking a professional digital marketing firm that will absorb all digital sales and marketing expenses in return for a healthy percentage of sales. Such firms do exist, and we believe at some point in the near future the Company will successful retain such a firm and begin to see online sales grow exponentially.

Wellness Centers

At this stage, the Company does not to our knowledge have any formalized sales and/or marketing programs that target prospective licensees for its Wellness Center program. However, as it is just now building out its pilot center and already has several interested parties, we expect to have more to say on this topic in the very near future.
Additional Markets

While the Company does not as of yet have any international sales and marketing in place, we do believe that at some point in the near future international expansion could very well make sense for RTON. This would be especially true if the Company were able to joint venture with an already-established (or even famous) beverage industry veteran. We believe such a strategy could make immediate sense in some southeast Asian markets, and perhaps even more so in Western Europe. The Canadian market, we believe, is close enough geographically and politically that the Company could pursue it directly, although as of today it has no public plans to do so. Overall, we believe that international expansion could be very important and beneficial to the Company, although we do not believe it is a requirement for the Company’s eventual success nor for strong share price appreciation from current levels.

Leadership Team

Daniel Crawford, Founder and Chairman
Currently an Associate Brand Manager at Pabst Brewing Co., in addition to being the Founder and current Chairman of Right On Brand’s Board of Directors. Daniel is an experienced branding and marketing professional with strong ties to and relationships in the beer and beer distribution industries. Daniel is highly proficient in the various social marketing tools and systems, and is well-versed in the changes facing and opportunities available to companies that manufacture and/or distribute beer. In particular, his background and current position gives us a high degree of confidence in the current and future success of the Company’s distribution strategy.

Dr. Ashok Patel, Ph.D., Director and Chief Executive Officer
In addition to his role as Director and CEO at Right On Brands, Dr. Patel has been the CEO and owner of Centre Manufacturing, LLC since 1997, a key strategic partner of the Company’s. Centre Manufacturing specializes in manufacturing all-natural health and beauty products for its customers. Dr. Patel focuses his time between business development and product formulation and design. His facilities are GMP/GLP certified and have proper certifications to ship products to the EU. Centre Manufacturing LLC has manufactured numerous products over the years for companies around the world that strive to provide the highest quality, all-natural products to their customers, both human and animal. Dr. Patel uses his expertise in medical biochemistry to formulate products that are safe and effective, as well as provide the benefits of the latest breakthroughs in science. Dr. Patel’s wide network of professionals in other fields allows him to develop products based on newly discovered or re-discovered natural ingredients from around the world. Prior to this Dr. Patel has worked in both medical diagnostics and pharmaceutical fields. He supplied both technical help and specialty ingredients to cosmetics, medical diagnostics and pharmaceutical companies from 1991 to 1997.

He was a co-founder and VP of Research and Development at London Diagnostics, Inc (Eden Prairie, MN) from 1985 to 1991 when it was acquired by Nichols Institute, San Juan Capistrano CA. His research on chemiluminescence immunoassays was world renowned. He worked at the University of Georgia from 1983 - 1985 as a Assistant Biochemist in the Department of Biochemistry developing high sensitivity bioluminescence immunoassays.

Dr. Patel received his Ph.D. in Medical Biochemistry from the University of Wales, Cardiff Wales in 1982 and his B.Sc. in Medical Biochemistry from the University of Birmingham, England in 1979. Dr. Patel was born in Uganda and lived there until moving to London England in 1972.

Afshin David Youssefyeh, Esq., Director and Chief Financial Officer
Afshin is a practicing partner-level attorney for A|D|Y Law Group in Los Angeles as well as the CFO for the Company. Not only does he have solid litigation experience but also is well verse in digital marketing, which is both unusual and valuable in a CFO at this stage of the Company’s development.
**David (Vic) Morrison, Executive Vice President, Corporate Development**

Vic is a senior entrepreneurial executive with more than 35 years of experience managing sales, marketing, operations, personnel and merchandizing at the national, international, and corporate level for both startup and established companies. Visionary operations executive with solid experience managing all levels of multiple projects including budgeting and administration. Given the Company’s recent slew of wins with local and regional distributors, we have no doubt that David is doing more than a few things right at RTON.

**Competition**

The markets in which the Company operates can be described as fragmented and hypercompetitive at this point, as this year we have seen a plethora of new product introductions in both beverages and snacks. CBD-infused beverages, which constitute the most important product category for the Company (by far), now include: coffee, tea, juice, energy drinks, water, and alcoholic beverages. However, that said, we do not view their market as being overly competitive at the retail level – the competition that matters, in our opinion, is at the distributor level. In this industry, at this stage of its development, the company that gets the shelf space gets the customers – and the shelf space is controlled by the distributors of both alcoholic and non-alcoholic beverages.

Several of the companies that are directly competitive with the Company include:

- **Kona Gold** (KGKG - NasdaqCM) which sells a CBD-infused energy drink
- **Alkaline Water** (WTER – NasdaqCM), which as its name implies sells high pH water, and most recently, a CBD-infused version of its product
- **Baqua**, an early-stage Kentucky-based company that produces an all-natural raspberry CBD-infused tea
- **New Age Beverages** (NBEV – NasdaqCM) which sells a variety of teas and other natural beverages including several CBD-infused drinks branded "Marley" for the famous Bob Marley and Ziggy Marley reggae superstars; They also sell under the well-known Kombucha product brand
- **Celsius Beverages** (CELH – NasdaqCM) which sells a variety of calorie-burning fitness beverages

The list of competitors in this product category is literally too long to show here, which is typical for a nascent, highly fragmented and young industry such as the CBD-infused beverage industry.

**Risks**

**Dilution Risk**

Other than the risks stemming from competitive threats, we believe that the related issues of undercapitalization and dilution pose by far the greatest risk to RTON shareholders. As discussed in our Financial Analysis section below, in November and December of last year, and January and February of this year, the Company closed on what we would label as seven “toxic” financing instruments. This implies quite clearly that the Company’s financing options, at least as of late 2018 and early 2019, were fairly limited at best. Since the Company operates on a fiscal year ending in March, under SEC reporting rules they have a full quarter to file their 10-K for FY 2019, meaning that as of this writing our most current information about their capital structure is approximately five and one-half months old, other than from this morning's 8K that listed the two most recent financings of Jan and Feb 2019. While we do not believe that they have done any (or at least, many) more similar financings, we certainly could be incorrect in this assumption.

Also, and to our minds strangely, based on a rather obscure U.S. GAAP rule, the Company has so far chosen not to show any of their convertible instruments in their reported financials, showing “Basic and Diluted” shares on a single line. While this may be technically allowable – making that particular judgment is beyond the scope of this report – we do believe that reporting total shares “Basic and Diluted” does not meet the U.S. GAAP principle of transparent financial reporting. As of June 18, 2019, if all of the Company’s convertible instruments were to be converted as of March 1, 2019, including the 5,000,000...
shares of Series A Convertible Preferred shares issued on October 1, 2016 that convert into 25,000,000 shares of common stock (and have perpetual voting control), the total common shares outstanding would be an additional 207,017,781 shares for a total of 273,384,259 shares representing a 311.9% increase from the Basic and Fully diluted share count of 66,366,478 reported as of December 31, 2018. We hope that this is something that the Company will rectify in the filing of its FY 2019 10-K, which we expect to see no later than June 30, 2019, so that current and prospective shareholders can get the clearest picture of what percentage of the Company each share actually represents. Note that we have used the fully diluted share count (as of Dec. 31 2018, March 1, 2019, and as of prior FQEs, as appropriate) in our EPS calculations, and we do believe the Company's shares will remain under some level of "dilutive attack" for at least another quarter or two.

**Under-Capitalization Risk**

A related but different risk from the dilution risk discussed above, we view under-capitalization risk in RTON’s case as the likelihood that the Company’s growth will be constrained or severely constrained by insufficient capital. That said, given the number of new distributors that the Company has signed on – all of which have placed at least one substantial initial order already – we feel comfortable that their risk of outright failure due to undercapitalization is extremely limited. Since our knowledge of the Company’s balance sheet and cap table is now nearly six months old, we cannot know if RTON is currently in better or worse financial condition than it was as of the first of the year, or if it has significantly diluted its equity even more. But in any event, the Company has what we believe will be a very successful product line and a potentially very successful licensing model (providing a captive sales channel); these strong micro-fundamentals plus the growing consumer demand for CBD products should provide the Company with the tailwind they need to succeed.

**Legal/Regulatory Risk**

As of this writing, the FDA still holds that any products containing CBD or THC cannot be sold in foods or beverages on an interstate basis without FDA approval. In regards to this, the FDA website speaks of the agency having taken "a few actions" that constitute them having sent out warning letters to some companies that they might be out of compliance with the Food, Drugs and Cosmetics Act of 1940. Also of note, several states have passed or are passing their own legislation pertaining to selling CBD-infused foods and beverages, and the USDA has recently stated that individual States should not interfere with interstate transport of hemp.

Overall, in our view, the FDA is very unlikely to bring any real anti-CBD enforcement action now or in the foreseeable future, because 1) it simply doesn’t have the resources to do so on a relevant scale, and 2) the strong and growing demand for CBD-infused products, fueled by the passing of the Farm Improvement Act in late 2018, is likely to sweep the FDA towards blanket Federal approval, rather than the other way around.

**Risks - Conclusion**

Overall, we do not believe that the risks associated with RTON shares are greater than those one would expect to find with a Company of this stage. We are concerned with potential future dilution and inadequate growth capital issues, but believe in the final analysis the Company’s product and marketing strengths are more likely to determine the Company’s future success level.

**Capital Structure Analysis**

The capital structure of this Company became fairly complex during the final three months of CY 2018 and first two months of CY 2019, as the Company entered into seven different financing arrangements which, in the aggregate, as of today's closing price history, would cause an additional 182,017,781 shares of common stock to exist. These financings, plus one from earlier in 2018 (all of which we would consider fairly toxic are as follows):
We hope and believe that the Company’s financing options and status will improve in the very near future, if they have not already, based on the strong traction its hemp water has had with distributors across the continental U.S. But have no doubt, if the Company continues to engage in such dilutive financing arrangements for an extended period of time, the resulting dilution could certainly act as a damper on how much the shares would likely appreciate.
Valuation Analysis and Investment Thesis

Rather atypically, many of Right On Brands' close competitors are growing annual revenues at several hundred percent per year – in some cases approaching 1000% CAGR – making us wonder if even the term hypergrowth falls a little short of reality here. While this is in no way negative for RTON or any of the other companies vying for leadership positions in this space, it does make traditional equity valuation techniques somewhat challenging to apply. This is largely because the extremely high growth rates, myriad new and recent entrants, and the constantly changing competitive landscape makes even near-term predictions unreliable at best.

However, we feel that by applying a rather simplistic valuation methodology and by limiting our look-forward period to just 24 months, we can arrive at a fairly conservative and highly defensible estimate of the Company's current fair value. However, we must at least mention that if our conservatism proves to have been unwarranted, the hypergrowth phase of this industry has the ability to create companies and brands worth several hundred million dollars in relatively short timeframes. Such a scenario would almost certainly mean a windfall for all new and many existing RTON shareholders.

In terms of valuation comparables, we selected several companies we feel are sufficiently similar to the Company to be of use. Although none are exactly the same as RTON, we feel that they are good proxies for how the market would/will value RTON when and if it reaches a higher level of maturity such as they now have.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>RTON</td>
<td>OTC-Pink</td>
<td>0.0085</td>
<td>195</td>
<td>66,580</td>
<td>1,990</td>
<td>N/A</td>
<td>3.58</td>
<td>0.84</td>
<td>0.84</td>
<td>0.004</td>
<td>N/A</td>
<td>1.39</td>
<td>1.04</td>
<td>-101.5%</td>
<td>0.50</td>
<td>280</td>
<td>199</td>
<td>0.120</td>
<td>473</td>
<td>0.00</td>
<td>13.61</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NBEV</td>
<td>NasdaqCM</td>
<td>4.69</td>
<td>5,200</td>
<td>75,390</td>
<td>353,390</td>
<td>355,470</td>
<td>N/A</td>
<td>117.22</td>
<td>3.51</td>
<td>3.09</td>
<td>-16.81</td>
<td>99,890</td>
<td>1.76</td>
<td>404.5%</td>
<td>118.19</td>
<td>(31,300)</td>
<td>199</td>
<td>0.179</td>
<td>109,260</td>
<td>1.46</td>
<td>34.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CELH</td>
<td>NasdaqCM</td>
<td>4.04</td>
<td>79</td>
<td>57,310</td>
<td>231,520</td>
<td>238,370</td>
<td>48.47</td>
<td>67.12</td>
<td>4.21</td>
<td>4.33</td>
<td>33.56</td>
<td>55,000</td>
<td>1,050</td>
<td>20.1%</td>
<td>77,100</td>
<td>3,200</td>
<td>0.059</td>
<td>N/A</td>
<td>2,760</td>
<td>0.05</td>
<td>38.05</td>
<td></td>
<td></td>
</tr>
<tr>
<td>KGKG</td>
<td>NasdaqCM</td>
<td>0.113</td>
<td>9,020</td>
<td>2,500</td>
<td>281</td>
<td>259</td>
<td>0.94</td>
<td>N/A</td>
<td>0.34</td>
<td>0.31</td>
<td>0.93</td>
<td>833</td>
<td>0.51</td>
<td>308.5%</td>
<td>280</td>
<td>199</td>
<td>0.120</td>
<td>473</td>
<td>0.00</td>
<td>13.61</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WTER</td>
<td>NasdaqCM</td>
<td>1.69</td>
<td>480</td>
<td>61,330</td>
<td>69,880</td>
<td>55,240</td>
<td>N/A</td>
<td>14.23</td>
<td>2.31</td>
<td>1.93</td>
<td>-9.81</td>
<td>30,190</td>
<td>1.04</td>
<td>101.5%</td>
<td>0.50</td>
<td>280</td>
<td>199</td>
<td>0.120</td>
<td>473</td>
<td>0.00</td>
<td>13.61</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Yahoo! Finance

Based on the growth rates of the companies in this space now, and based on the forward price-to-sales and price-to-forward-earnings the marketing is currently assigning to them, we could easily argue that the Company should carry a forward P/E multiple of 50x or more, given its likely growth over the next 2-3 years. However, we think the best indicator of current value would be to apply a much smaller 20x multiple to FYE 2021 earnings, which on a fully-diluted basis we have modeled at $0.050 per share. The Company's fiscal year is nine months ahead of the calendar year, so this means we have applied a 20x P/E multiple to the year beginning on April 1, 2020 (just a little more than nine months from now), and ending on March 31, 2021. Based on this calculation, to which we have applied a 30% discount rate, to account for the extra nine months in this calculation, we arrive at a current value estimate of $0.70 per share.

Note that this is based on a level of financing-related dilution that may not even be legally possible based on the standard prohibition of any single financing to exceed 4.99% or 9.99% of the then-outstanding equity at the time of conversion, which at this point would probably apply to at least some of the Company's recent investors if all instruments were converted today. Also of note is that if the Company is able to grow based on the trajectory we have modeled, this same calculation made one year from today would yield a then-current price estimate of $1.53 per share. This highlights the extreme potential for RTON's share price to exceed our estimates either through multiple expansion, fundamental outperformance of our estimates, or both, making a current investment in RTON shares potentially very attractive to risk-tolerant investors at this time.
Conclusion

In summary, we are almost certain that the consumer demand for products based on hemp-derived CBD that we are now seeing in the United States is likely to persist and in fact strengthen in the coming quarters and years. Furthermore, we are comfortable that the Company and its alkaline hemp water products have strong consumer appeal in terms of packaging, taste, and price point, and there can be no doubt that the beer distributors with which the Company is now working will have success in placing them in myriad retail outlets across the U.S. The Company is not capacity constrained to any meaningful extent, and thus we see its current dearth of capital to be its only real weakness at this time. Given that capital is flowing to other similar companies in record amounts, we must believe that this is a temporary hiccup – albeit a recently highly dilutive one – that is unlikely to continue plaguing the Company. Therefore, we rate the shares of RTON a Strong Buy, and set our 12 to 18 month price target at $0.70 per share Unbelievably, this is over 100 times the most recent closing price as of the date of this equity research report, and as a result recommend the shares of this Company for all risk-tolerant investors.
Our Rating System

We rate enrolled companies based on the appreciation potential we believe their shares represent. The performance of those companies rated “Speculative Buy” or “Strong Speculative Buy” are often highly dependent on some future event, such as FDA drug approval or the development of a new key technology.

## Explanation of Ratings Issued by Harbinger Research

<table>
<thead>
<tr>
<th>Rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>STRONG BUY</td>
<td>We believe the enrolled company will appreciate more than 50% relative to the general market for U.S. equities during the next 12 to 24 months.</td>
</tr>
<tr>
<td>BUY</td>
<td>We believe the enrolled company will appreciate more than 30% relative to the general market for U.S. equities during the next 12 to 24 months.</td>
</tr>
<tr>
<td>STRONG SPECULATIVE BUY</td>
<td>We believe the enrolled company could appreciate more than 50% relative to the general market for U.S. equities during the next 12 to 24 months, if certain assumptions about the future prove to be correct.</td>
</tr>
<tr>
<td>SPECULATIVE BUY</td>
<td>We believe the enrolled company could appreciate more than 30% relative to the general market for U.S. equities during the next 12 to 24 months, if certain assumptions about the future prove to be correct.</td>
</tr>
<tr>
<td>NEUTRAL</td>
<td>We expect the enrolled company to trade between -10% and +10% relative to the general market for U.S. equities during the following 12 to 24 months.</td>
</tr>
<tr>
<td>SELL</td>
<td>We expect the enrolled company to underperform the general market for U.S. equities by more than 10% during the following 12 to 24 months.</td>
</tr>
</tbody>
</table>

## Analyst Certification

I, Brian R. Connell, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

Harbinger Research is an independent equity research firm with a focus on providing coverage to small-cap companies. Our mission is to help our clients achieve fairer market valuations, an expanded shareholder base, improved liquidity, and easier access to capital markets. We do this by providing insightful, in-depth research reports and by making sure those reports are widely distributed and made available to both institutional and individual investors. We strive to deliver superior research coverage and the result is compelling – consistent coverage from industry-expert analysts that is well written and consists of insightful analysis, cogent arguments, and in-depth financial models. To learn more about Harbinger Research and view our research reports, we invite you to visit our website located at www.harbingerresearch.com.

### Analyst Highlight

**Brian Connell, CFA, Senior Research Analyst**

Mr. Connell has over 20 years’ experience in the securities industry, as an equity analyst and portfolio manager, and as the founder and CEO of StreetFusion (acquired by CCBN/StreetEvents), a software company serving the institutional investment community. On the sell-side, Mr. Connell served as the technology analyst for Neovest, an Atlanta-based boutique, and as a Senior Analyst - Internet for Preferred Capital Markets, an investment bank based in San Francisco. Mr. Connell has also held the position of Executive Director of Marquis Capital Management, a technology-focused investment management organization.

Mr. Connell holds degrees in Economics and Psychology from Duke University, and is a CFA Charterholder.
Disclaimer

This report was prepared for informational purposes only. Harbinger Research, LLC ("HARBINGER") was paid $10,000 by a third party for the preparation and distribution of this research report. All information contained in this report was provided by the Company. To ensure complete independence and editorial control over its research, Harbinger has developed various compliance procedures and business practices including but not limited to the following: (1) Fees from covered companies are due and payable prior to the commencement of research; (2) HARBINGER, as a contractual right, retains complete editorial control over the research; (3) Analysts are compensated on a per-company basis and not on the basis of his/her recommendations; (4) Analysts are not permitted to accept fees or other consideration from the companies they cover for HARBINGER except for the payments they receive from HARBINGER; (5) HARBINGER will not conduct investment banking or other financial advisory, consulting or merchant banking services for the covered companies.

HARBINGER did not make an independent investigation or inquiry as to the accuracy of any information provided by the Company and is relying solely upon information provided by the Company for the accuracy and completeness of all such information. The information provided in the Report may become inaccurate upon the occurrence of material changes, which affect the Company and its business. Neither the Company nor HARBINGER is under any obligation to update this report or ensure the ongoing accuracy of the information contained herein. This report does not constitute a recommendation or a solicitation to purchase or sell any security, nor does it constitute investment advice. This report does not take into account the investment objectives, financial situation or particular needs of any particular person. This report does not provide all information material to an investor’s decision about whether or not to make any investment. Any discussion of risks in this presentation is not a disclosure of all risks or a complete discussion of the risks mentioned. Information about past performance of an investment is not necessarily a guide to, indicator of, or assurance of, future performance. Harbinger cannot and does not assess, verify or guarantee the adequacy, accuracy, or completeness of any information, the suitability or profitability of any particular investment, or the potential value of any investment or informational source. Harbinger and its clients, affiliates and employees, may, from time to time, have long or short positions in, buy or sell, and provide investment advice with respect to, the securities and derivatives (including options) thereof, of companies mentioned in this report and may increase or decrease those positions or change such investment advice at any time. Harbinger is not registered as a securities broker-dealer or an investment adviser either with the U.S. Securities and Exchange Commission or with any state securities regulatory authority.

ALL INFORMATION IN THIS REPORT IS PROVIDED "AS IS" WITHOUT WARRANTIES, EXPRESSED OR IMPLIED, OR REPRESENTATIONS OF ANY KIND. TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, HARBINGER EQUITY RESEARCH, LLC WILL NOT BE LIABLE FOR THE QUALITY, ACCURACY, COMPLETENESS, RELIABILITY OR TIMELINESS OF THIS INFORMATION, OR FOR ANY DIRECT, INDIRECT, CONSEQUENTIAL, INCIDENTAL, SPECIAL OR PUNITIVE DAMAGES THAT MAY ARISE OUT OF THE USE OF THIS INFORMATION BY YOU OR ANYONE ELSE (INCLUDING, BUT NOT LIMITED TO, LOST PROFITS, LOSS OF OPPORTUNITIES, TRADING LOSSES, AND DAMAGES THAT MAY RESULT FROM ANY INACCURACY OR INCOMPLETENESS OF THIS INFORMATION). TO THE FULLEST EXTENT PERMITTED BY LAW, HARBINGER EQUITY RESEARCH, LLC WILL NOT BE LIABLE TO YOU OR ANYONE ELSE UNDER ANY TORT, CONTRACT, NEGLIGENCE, STRICT LIABILITY, PRODUCTS LIABILITY, OR OTHER THEORY WITH RESPECT TO THIS PRESENTATION OF INFORMATION.
Right On Brands, Profit and Loss Model

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(In 000s, except per-share items)</td>
<td>FYE 2018A</td>
<td>Q1 FY’19A</td>
<td>Q2 FY’19A</td>
<td>Q3 FY’19A</td>
<td>Q4 FY’19A</td>
<td>FYE 2019</td>
<td>Q1 FY’20E</td>
<td>Q2 FY’20E</td>
<td>Q3 FY’20E</td>
<td>Q4 FY’20E</td>
<td>FYE 2020E</td>
<td>Q1 FY’21E</td>
<td>Q2 FY’21E</td>
</tr>
<tr>
<td><strong>Cost of goods sold</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ENDO Water wholesale (via distributors)</td>
<td>0</td>
<td>71</td>
<td>25</td>
<td>57</td>
<td>115</td>
<td>268</td>
<td>361</td>
<td>910</td>
<td>1,891</td>
<td>3,348</td>
<td>6,509</td>
<td>5,142</td>
<td>7,087</td>
</tr>
<tr>
<td>Sequential growth</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>215%</td>
<td>152%</td>
<td>108%</td>
<td>77%</td>
<td>2322%</td>
<td>54%</td>
</tr>
<tr>
<td><strong>Net profit (loss)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net profit (loss) attributable to noncontrolling interest</td>
<td>0</td>
<td>-253</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income (expense)</td>
<td>-5,374</td>
<td>-178</td>
<td>-27</td>
<td>-785</td>
<td>-500</td>
<td>-1,490</td>
<td>-500</td>
<td>-250</td>
<td>0</td>
<td>0</td>
<td>-750</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Change in fair value of derivative</td>
<td>0</td>
<td>55</td>
<td>-30</td>
<td>-554</td>
<td>0</td>
<td>-510</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total other expenses</td>
<td>-5,374</td>
<td>-123</td>
<td>-57</td>
<td>-1,319</td>
<td>-500</td>
<td>-1,999</td>
<td>-500</td>
<td>-250</td>
<td>0</td>
<td>0</td>
<td>-750</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Net profit (loss)</td>
<td>-6,254</td>
<td>-595</td>
<td>-465</td>
<td>-1,731</td>
<td>-895</td>
<td>-3,466</td>
<td>-856</td>
<td>-218</td>
<td>983</td>
<td>1,819</td>
<td>1,859</td>
<td>2,920</td>
<td>4,217</td>
</tr>
<tr>
<td>Net profit (loss) attributable to noncontrolling interest</td>
<td>0</td>
<td>-253</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>-253</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
### Right on Brands, Key Assumptions Model

<table>
<thead>
<tr>
<th>Cap Table Adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model divisor</td>
</tr>
<tr>
<td><strong>Series A Preferred</strong> (convertible at 5:1 ratio into Common Stock)</td>
</tr>
<tr>
<td>Common Stock from Series A Convertible Preferred, if fully converted</td>
</tr>
<tr>
<td>Newly-issued common shares to $125,000 note holder, as of 12 Feb 2019</td>
</tr>
<tr>
<td>Total new shares if Series A + All Notes, if converted today</td>
</tr>
<tr>
<td>Total fully-diluted shares as of 31 December 2018</td>
</tr>
</tbody>
</table>

### END* Wellness Center Assumptions

**ENDO WC Size Mix**
- Smaller stores: 60%
- Larger stores: 40%

**Product mix, RTON products, on average**
- 80%

**RTON margin on wholesale sales to WCs, on average**
- 50%

**Operator gross margin on WC sales, retail**
- 50%

**ENDO WCs quarterly sales per store, small stores (quarterly)**
- 100

**ENDO WCs quarterly sales per store, large stores (quarterly)**
- 200

**Time to build out each facility (in days)**
- 60

**Percentage of sales to be based on Company’s products**
- 80%

**Percentage of total stores likely to be “Large”**
- 40%

**Company advertising allocation from WC sales, surcharge**
- 3%

**Small store CapX for buildout (In $000s, paid by licensee)**
- 20

**Large store CapX for buildout (In $000s, paid by licensee)**
- 65

**Initial inventory investment, all stores (In $000s)**
- 30

**Forecast per-WC revenues, smaller locations (In $000s, quarterly)**
- 100

**Forecast per-WC revenues, larger locations (In $000s, quarterly)**
- 200

### END* Product Sales, both Internet and via Distributors Assumptions

**U.S. Population Analysis**
- Total Est. Pop.: 327,000,000
- Target Mkt: 40%
- Target Mkt: 130,800,000

**Av. Monthly Consumption per capita (btl), online buyers**
- 12

**RTON, average cost per bottle at scale**
- 0.66

**RTON, average wholesale price per bottle**
- 1.46

**RTON, average retail price per bottle**
- 5.00

**RTON, average retail price S&H cost, per bottle**
- 1.00 (after $14.95 paid by consumer)

**Net revenues per bottle, retail**
- 4.00

**ENDO Distributors, size mix and likely order growth**

<table>
<thead>
<tr>
<th></th>
<th>Portion of all by CYE 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>20%</td>
</tr>
<tr>
<td>Medium</td>
<td>47%</td>
</tr>
<tr>
<td>Large</td>
<td>33%</td>
</tr>
</tbody>
</table>

**ENDO BnM customers, mean per-capita quarterly consumption (btl)**

<table>
<thead>
<tr>
<th>Mar</th>
<th>Jun</th>
<th>Sept</th>
<th>Dec</th>
<th>Mar</th>
<th>Jun</th>
<th>Sept</th>
<th>Dec</th>
<th>Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4 FY'19</td>
<td>Q1 FY'20</td>
<td>Q2 FY'20</td>
<td>Q3 FY'20</td>
<td>Q4 FY'20</td>
<td>Q1 FY'21</td>
<td>Q2 FY'21</td>
<td>Q3 FY'21</td>
<td>Q4 FY'21</td>
</tr>
<tr>
<td>30</td>
<td>32</td>
<td>33</td>
<td>35</td>
<td>36</td>
<td>38</td>
<td>40</td>
<td>42</td>
<td>44</td>
</tr>
</tbody>
</table>