

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

AMENDMENT NO. 1
to
FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

CLS HOLDINGS USA, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation)

2833
(Primary Standard Industrial
Classification Code Number)

45-1352286
(I.R.S. Employer Identification No.)

1435 Yarmouth Street
Boulder, Colorado
(Address of principal executive offices)

80304
(Zip Code)

Registrant's telephone number, including area code: (888) 438-9132

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Approximate date of proposed sale to the public: From time to time after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

WE HEREBY AMEND THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL WE SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH

SECTION 8(a) OF THE SECURITIES ACT, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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You should rely only on the information contained in this Prospectus. We have not authorized anyone to provide you with information that is different from that contained in this Prospectus. This Prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted. The information in this Prospectus is complete and accurate only as of the date on the front cover regardless of the time of delivery of this Prospectus or of any sale of our securities.

SUBJECT TO COMPLETION, DATED JUNE 2 , 2016

PROSPECTUS

5,000,000 shares of common stock

CLS HOLDINGS USA, INC.

This Prospectus (this "Prospectus") relates to the offer and sale of up to 5,000,000 shares of common stock, par value \$0.0001 of CLS Holdings USA, Inc., a Nevada corporation, by the Selling Stockholder (as defined below). We are registering the resale of (i) up to 2,181,370 shares of Common Stock issuable upon conversion or redemption of 10% Original Issue Discount Convertible Promissory Notes (the "10% Notes") issued pursuant to the Securities Purchase Agreement between the registrant and Old Main Capital, LLC (the "Selling Stockholder"), dated March 18, 2016 (the "Securities Purchase Agreement"); (ii) up to 785,294 shares of Common Stock issuable upon conversion or redemption of an 8% Convertible Promissory Note (the "8% Note") issued as a commitment fee pursuant to the Equity Purchase Agreement between the registrant and the Selling Stockholder dated April 18, 2016 (the "Equity Purchase Agreement" (the 10% Notes and 8% Note are together referred to as the "Notes"); and (iii) up to 2,033,336 shares of common stock issuable under an equity line in the amount of \$4,000,000 (the "Equity Line") established by the Equity Purchase Agreement, each as more fully described in this Prospectus. The resale of such shares by the Selling Stockholder pursuant to this Prospectus is referred to as the "Offering."

We are not selling any securities under this Prospectus and will not receive any of the proceeds from the sale of shares of common stock by the Selling Stockholder. We will, however, receive proceeds from our sale to the Selling Stockholder of the 10% Notes and under the Equity Line.

The Selling Stockholder is an "underwriter" within the meaning of Section 2(a)(11) of the Securities Act. The Selling Stockholder may sell the shares of common stock described in this Prospectus in a number of different ways and at varying prices. See "Plan of Distribution" for more information about how the Selling Stockholder may sell the shares of common stock being registered pursuant to this Prospectus.

We will pay the expenses incurred in registering the shares, including legal and accounting fees. See "Plan of Distribution."

Our common stock is currently quoted on the OTC Market Group, Inc.'s OTCQB tier under the symbol "CLSH." On June 1 , 2016, the last reported sale price of our common stock was \$ 0.85 .

Our principal executive offices are located at 1435 Yarmouth Street, Boulder, Colorado 80304.

Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 6 of this Prospectus.

Neither the Securities and Exchange Commission (the "SEC") nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus is _____ .

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this Prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our securities, you should carefully read this entire Prospectus, including our financial statements and the documents to which we refer you. The following summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this Registration Statement on Form S-1 (the "Registration Statement") of which this Prospectus is a part.

Unless the context indicates or suggests otherwise, references to "we," "our," "us," the "Company," "CLS Holdings USA," "CLS" or the "Registrant" refer to CLS Holdings USA, Inc., a Nevada corporation, and its subsidiaries.

Business Overview

For the past two years, one of the founders of CLS Labs, Inc. ("CLS Labs"), a Nevada corporation which became a wholly-owned subsidiary of the Company on April 29, 2015 pursuant to a merger (the "Merger") whereby we acquired the business of CLS and abandoned our prior business, has been developing a proprietary method of extracting cannabinoids from cannabis plants and converting the resulting cannabinoid extracts into concentrates such as oils, waxes, edibles and shatter. These concentrates may be ingested in a number of ways, including through vaporization via electronic cigarettes ("e-cigarettes"), and used for a variety of pharmaceutical and other purposes. Internal testing of the cannabinoids extracted through our patent-pending proprietary process versus the cannabinoids resulting from the processes commonly used in the industry, the results of which were reviewed and confirmed by an independent laboratory, has revealed that our process produces a cleaner, higher quality product and a significantly higher yield than the cannabinoid extraction processes currently existing in the marketplace.

On April 17, 2015, CLS Labs took its first step toward commercializing its proprietary methods and processes by entering into an arrangement (the "Colorado Arrangement"), through its wholly owned subsidiary, CLS Labs Colorado, Inc., a Florida corporation ("CLS Labs Colorado"), with certain Colorado entities, to, among other things, (i) license its proprietary technology, methods and processes to Picture Rock Holdings, LLC ("PRH") in exchange for a fee; (ii) build a processing facility and lease such facility, including equipment, to PRH; and (iii) loan certain funds to PRH to be used by PRH in connection with its financing of the building out, equipping, and development of a marijuana grow facility that will be operated by a licensed third-party marijuana grower.

We intend to monetize our extraction method and generate revenues through (i) the licensing of our proprietary methods and processes to others, as in the Colorado Arrangement, (ii) the processing of cannabis for others, and (iii) the purchase of cannabis and the processing and sale of cannabis-related products. We plan to accomplish this through the creation of joint ventures, licensing agreements, and fee-for-service arrangements with growers and dispensaries of cannabis products. We believe that we can establish a position as one of the premier cannabinoid extraction and processing companies in the industry. Assuming we do so, we then intend to explore the creation of our own brand of concentrates for consumer use, which we would sell wholesale to cannabis dispensaries. We believe that we can create a "gold standard" national brand by standardizing the testing, compliance and labeling of our products in an industry currently comprised of small, local businesses with erratic and unreliable product quality, testing practices and labeling. We also plan to offer consulting services through a consulting subsidiary, Cannabis Life Sciences Consulting, LLC ("CLS Consulting"), which will generate revenue by providing consulting services to cannabis-related businesses, including growers, dispensaries and laboratories, and driving business to our processing facilities.

Financing Transactions Related to the Offering

Convertible Notes

On March 18, 2016, we entered into the Securities Purchase Agreement with the Selling Stockholder, whereby the Selling Stockholder agreed to purchase an aggregate of up to \$500,000 in subscription amount corresponding to an aggregate of up to \$555,555 in principal amount of 10% Original Issue Discount Convertible Promissory Notes (the "10% Notes") due, subject to the terms therein, as set forth below. The Securities Purchase Agreement was subsequently amended to modify the closing dates of the final two installments, among other things. Pursuant to the terms of the Securities Purchase Agreement, as amended, the purchase will occur, at our option, in up to five tranches. The first tranche of \$200,000 was purchased on March 18, 2016; the second tranche of \$50,000 was purchased on the first Friday which was a trading day after the date that this Registration Statement was filed with the SEC; the third tranche of \$50,000 was purchased on the first Friday which was a trading day at least three (3) trading days after we received initial comments from the SEC on this Registration Statement; the fourth tranche of \$100,000 will be purchased on the earlier of (i) the first Friday which is a trading day at least three (3) trading days after of the date that this Registration Statement is declared effective by the SEC or (ii) the fifth calendar day following the effective date; and the fifth tranche of \$100,000 will be purchased on the fifth calendar day following such effective date. The terms of the Securities Purchase Agreement require the Selling Stockholder, on an unconditional basis, to purchase the second through fifth tranches of the 10% Notes upon the occurrence of the events set forth above at a fixed price.

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The 10% Notes will bear interest at the rate of 10% per annum. At the earlier of September 18, 2016 or two (2) trading days after this Registration Statement is declared effective, we must begin to redeem 1/24th of the face amount of the 10% Notes and any accrued but unpaid interest on a bi-weekly basis. Such amortization payment may be made, at our option, in cash or, subject to certain conditions, in common stock pursuant to a conversion rate equal to the lower of (a) \$0.80 (the "Fixed Conversion Price") or (b) 75% of the lowest daily volume weighted average price of the common stock of CLS (the "VWAP") in the 20 consecutive trading days immediately prior to the applicable conversion date. The holder may, at its option, convert all or a portion of the 10% Notes into shares of common stock at a conversion price equal to the Fixed Conversion Price. On March 18, 2016, we issued the Selling Stockholder a 10% Note in the principal amount of \$222,222 in exchange for payment of \$200,000 pursuant to the Securities Purchase Agreement, representing the first tranche thereunder. On each of April 22, 2016 and May 27, 2016, we issued the Selling Stockholder a 10% Original Issue Discount Convertible Note in the principal amount of \$55,555 in exchange for \$50,000 pursuant to the Purchase Agreement, representing the second tranche and third tranche, respectively, under the Securities Purchase Agreement.

Commitment Fee Note

In connection with the closing of the Securities Purchase Agreement, on March 18, 2016, we also issued the Selling Stockholder an 8% Convertible Promissory Note (the "8% Note") in the principal amount of \$200,000 with the original issue date of March 18, 2016 in exchange for the Selling Stockholder's commitment to enter into the Equity Line and prepare the Equity Purchase Agreement and related transaction documents. The 8% Note bears interest at the rate of 8% per annum. At the earlier of September 18, 2016 or two (2) trading days after this Registration Statement becomes effective, we must begin to redeem 1/6th of the face amount of the 8% Note and any accrued but unpaid interest on a monthly basis. Such amortization payment may be made, at our option, in cash or, subject to certain conditions, in common stock pursuant to a conversion rate equal to the lower of (a) \$1.07 (the "8% Note Fixed Conversion Price") or (b) 75% of the lowest VWAP in the twenty (20) consecutive trading days ending on the trading day that is immediately prior to the applicable conversion date. The terms of the Equity Purchase Agreement required us to issue the 8% Note as a commitment fee for the Equity Line. This commitment fee was earned in full when the Selling Stockholder delivered and executed the Equity Purchase Agreement on April 18, 2016.

The Equity Line

On April 18, 2016, we entered into the Equity Purchase Agreement with the Selling Stockholder providing for the Equity Line. The Equity Purchase Agreement provides that, upon the terms and subject to the conditions thereof, the Selling Stockholder is committed to purchase, on an unconditional basis, shares of common stock (the "Commitment Shares") at an aggregate price of up to \$4,000,000 over the course of its 24-month term. The Selling Stockholder's obligation to purchase all \$4,000,000 of Commitment Shares is referred to as the "Total Commitment."

From time to time over the 24-month term of the Equity Purchase Agreement, we may, in our sole discretion, provide the Selling Stockholder with a put notice (each, a "Put Notice"), to purchase a specified number of Commitment Shares (each, the "Put Amount Requested").

The actual amount of proceeds we receive pursuant to each Put Notice (each, the "Put Amount") will be determined by multiplying the Put Amount Requested by the applicable purchase price. The purchase price of each Commitment Share equals 80% of the market price during the five (5) consecutive trading days immediately following the clearing date associated with the applicable Put Notice.

Use of Proceeds

We intend to use the proceeds from the 10% Notes and the Equity Line to capitalize the Company with an amount anticipated to be sufficient to establish the Company's management team; lease real estate for one marijuana processing facility; purchase and lease equipment for one marijuana processing facility; lease real estate for one hemp processing facility; purchase and lease equipment for one hemp processing facility; provide working capital for the Company's management to pursue joint venture and fee-for-services opportunities for the Company; repay a portion of the Company's existing debt; and for other working capital needs.

We intend to raise additional capital through equity and debt financing as needed, though there cannot be any assurance that such funds will be available to us on acceptable terms, on an acceptable schedule, or at all.

Corporate Information

Our principal executive offices are located at 1435 Yarmouth Street, Boulder, CO. Our telephone number is (888) 438-9132. We maintain a corporate website at www.clsholdingsinc.com

Transfer Agent

The transfer agent for our common stock is VStock Transfer at 18 Lafayette Place, Woodmere, NY 11598. The transfer agent's telephone number is (212) 828-8436.

The Offering

Securities Offered by the Selling Stockholder	5,000,000 shares (1)
Common Stock Outstanding before Offering	20,350,003 shares
Common Stock Outstanding after Offering	25,350,003 shares, assuming 2,966,664 shares are issued upon conversion or redemption of the Notes, and assuming all 2,033,336 shares are sold to the Selling Stockholder under the Equity Line. If we do not elect to use common stock to pay interest on the Notes or to redeem the Notes, or if we sell less shares of common stock to the Selling Stockholder under the Equity Line, we have substantially less common stock outstanding after the Offering
Use of Proceeds	We will not receive any of the proceeds from the sale of the common stock registered hereunder. We will receive proceeds from the delivery of the unissued 10% Notes and our sales of Commitment Shares to the Selling Stockholder under the Equity Line. We intend to use such proceeds, if any, as set forth under "Use of Proceeds" beginning on page 18.
Risk Factors	An investment in our securities involves a high degree of risk and could result in a loss of your entire investment. Further, the issuance to, or sale by, the Selling Stockholder of a significant amount of shares being registered in this Registration Statement at any given time could cause the market price of our common stock to decline and to be highly volatile and we do not have the right to control the timing and amount of any sales by the Selling Stockholder of such shares. Prior to making an investment decision, you should carefully consider all of the information in this Prospectus and, in particular, you should evaluate the risk factors set forth under the caption "Risk Factors" beginning on page 6.
Symbol on the OTCQB	CLSH

(1) Consists of: (i) 2,181,370 shares issuable upon conversion or redemption of the 10% Notes, (ii) 785,294 shares issuable upon conversion or redemption of the 8% Note and (iii) 2,033,336 Commitment Shares issuable in connection with the Equity Line.

SUMMARY FINANCIAL DATA

The following historical financial information should be read in conjunction with the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and the related notes included elsewhere in this Prospectus. The historical results are not necessarily indicative of results to be expected for any future periods:

Statements of Operations Data:	Nine Months Ended February 29, 2016	Nine Months Ended February 28, 2015	Year Ended May 31, 2015	For the Period May 1, 2014 (Inception) through May 31, 2014
	(unaudited)	(unaudited)		
Total Revenues	\$ -	\$ -	\$ --	\$ -
Cost of goods sold	\$	\$	\$ -	\$ -
Net income (loss)	\$ (1,862,610)	\$ (659,748)	\$ (1,515,587)	\$ -
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.09)	\$ (0.04)	\$ (0.24)	\$ -
Weighted average shares used to compute net loss per share attributable to common stockholders, basic and diluted	\$ 20,081,901	\$ 15,000,000	\$ 6,356,167	\$ -

Balance Sheet Data	February 29, 2016	May 31, 2015	May 31, 2014
	(unaudited)		
Cash	\$ 30,170	\$ 208,821	\$ -
Current assets	\$ 44,332	\$ 240,621	\$ -
Total assets	\$ 140,010	\$ 292,779	\$ -
Current liabilities	\$ 1,082,691	\$ 875,696	\$ -
Total Liabilities	\$ 1,202,736	\$ 881,252	\$ -
Stockholders' equity	\$ (1,062,726)	\$ (588,473)	\$ -
Total liabilities and stockholders' equity	\$ 140,010	\$ 292,779	\$ -

RISK FACTORS

An investment in our securities is subject to numerous risks, including the risk factors described below. You should carefully consider the risks, uncertainties, and other factors described below, in addition to the other information set forth in this Prospectus, before making an investment decision with regard to our securities. Any of these risks, uncertainties, and other factors could materially and adversely affect our business, financial condition, results of operations, cash flows, or prospects. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment. See also "Cautionary Note Regarding Forward-Looking Statements."

Risks Related to the Marijuana Industry

Because the use, sale or possession of marijuana is illegal under federal law, THE COMPANY AND ITS OFFICERS AND EMPLOYEES COULD BE SUBJECT TO CRIMINAL AND CIVIL SANCTIONS.

The U.S. Government classifies marijuana as a Schedule I controlled substance, meaning marijuana is an illegal substance under federal law and its prescription, use, sale or possession is a violation thereof. Although 23 states and the District of Columbia allow the use of medical marijuana, four states and the District of Columbia have legalized marijuana for adult recreational use, and recently-enacted federal spending legislation prohibits the Department of Justice from using federal funds to prevent states from implementing their own marijuana laws, the United States Supreme Court has ruled that federal laws criminalizing the use of marijuana pre-empt state laws. Thus, even if we limit our business to marijuana-friendly states, by possessing, distributing or even aiding others in distributing marijuana or marijuana-based products such as cannabinoid oils, the Company, its officers, directors and employees may face the prospect of criminal and/or civil sanctions for engaging in activities in violation of federal law and the Company could be at risk of civil and/or criminal forfeiture actions against its assets and operations for such violations. As our business plan depends upon the possession, sale, and use of marijuana and certain cannabinoid extracts, such sanctions or forfeiture actions would be debilitating to the business of the Company and would have a material adverse effect on our operations.

Changes in federal law enforcement policy concerning federal marijuana laws could force a suspension or termination of our operations.

The commercial production, processing, distribution and sale of marijuana within the various states of the United States that have legalized these activities for medical and/or recreational purposes is currently proceeding largely free from federal investigation and prosecution as the result of a number of formal written statements issued by the United States Department of Justice deferring federal law enforcement action on these activities to state and local laws and law enforcement under certain circumstances and recently-enacted federal spending legislation prohibiting the Department of Justice from using federal funds to prevent states from implementing their own marijuana laws. The statements issued by the Department of Justice are, however, only guidelines provided to federal law enforcement agencies in setting priorities for the investigation and prosecution of violations of federal laws criminalizing marijuana and the effects of the federal spending legislation are not yet apparent.

Further, major changes in the executive administration, including the 2016 presidential election, particularly ones resulting in a change of political party holding the office of the President, could result in changes to, or even the withdrawal or reversal of, current federal law enforcement policy concerning the investigation and prosecution of activities involving marijuana including those which are legal under certain state laws. Likewise, there are no guarantees that legislation enacted in subsequent years will contain similar marijuana-friendly provisions. As our business plan depends upon the possession, sale, and use of marijuana and certain cannabinoid extracts, a change or reversal of federal law enforcement policy and/or federal spending legislation concerning marijuana would be debilitating to our business as it could result in a temporary suspension or the permanent cessation of our operations.

Even in states where the sale and use of recreational or medicinal marijuana is permitted, we may be unable to obtain a license and may have to rely on collaborative arrangements with licensed entities.

Certain states in which we seek to operate may prohibit non-resident companies from conducting business directly in the state and/or may require certain licensure, such as a Medical Marijuana Infused Product Manufacturer License (MMIP), for us to conduct our business. In such states, we may be required to enter into a collaborative arrangement with a local entity holding the necessary MMIP license, whereby we would agree to lease our facilities and employees to the licensed entity. Securing such an arrangement may be difficult to enter into and/or expensive to maintain. Additionally, our operations would be entirely dependent on the licensed entity's ability to maintain the required licenses, and a loss of licensure by the licensed entity would have a material adverse effect on our operations.

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In states where we are permitted to operate directly, licensing requirements may be difficult and/or expensive to satisfy and maintain.

In states where we are permitted to operate directly, the licensure application and approval process may require significant time and expense. Additionally, upon becoming authorized to do business in a state, it may be difficult or expensive for us to comply with the various laws, regulations and licensure requirements of each state. Compliance may also include a subjective factor that could allow a state to revoke our MMIP license even though we believed we were complying with all applicable requirements. The loss of such an MMIP license for any reason would likely result in a material adverse effect on our operations.

In states where the sale and use of recreational or medicinal marijuana is permitted, local ordinances and regulations may adversely affect the Company and our strategic collaborators, such as growers and dispensaries.

In addition to the federal pre-emption and state law issues mentioned above, local laws and regulations may impact the Company and our strategic collaborators, such as growers and dispensaries, in jurisdictions where marijuana is legal under state law. Ordinances and regulations related to zoning, limiting the size of growers or levying exorbitant taxes and fees on marijuana-related businesses may have a material adverse effect on business and operations.

Laws and regulations affecting the regulated marijuana industry are constantly changing and we cannot predict the impact of future regulations.

Local, state and federal medical marijuana laws and regulations are broad in scope and subject to evolving interpretations. Legal or regulatory changes in the jurisdictions in which we operate or intend to operate may require us to incur substantial costs associated with compliance or alterations to our business plan. Further, violations of these ever-changing laws and regulations, or allegations of such violations, could disrupt our business and result in a material adverse effect on our operations.

Our ability to achieve significant financial success is dependent on additional states and local governments legalizing marijuana.

There can be no assurance that the number of states that allow the use of medicinal or recreational marijuana will increase and there can be no assurance that the 23 existing states that permit the medicinal use of marijuana will not reverse their position in the future. As our growth is dependent upon the continued legalization of marijuana for medical and recreational use, the failure of additional states and local governments to legalize marijuana would significantly curtail our growth potential.

The difficulty of the Company to obtain various insurances that are typically available to businesses may expose us to additional risk and financial liabilities.

Workers compensation, general liability, and directors and officers insurance, among other types of business-related insurance, may be more difficult and/or more expensive to secure due to our engagement in the marijuana industry. If we are forced to go without such insurance or pay a substantially higher premium than anticipated, we may be prevented from engaging in certain strategic collaborations or partnerships, our growth may be inhibited, and we may be exposed to additional risk and financial liabilities.

The Company and its clients, partners and strategic collaborators may have difficulty accessing the service of banks.

On February 14, 2014, the U.S. government issued rules allowing banks to legally provide financial services to state-licensed marijuana-related businesses. However, such guidance fell short of the explicit legal authorization that banking industry officials requested from the federal government. To date, it is unclear whether any banks have relied on the guidance and accepted marijuana-related companies as customers. If we, as well as our clients, partners and strategic collaborators, have difficulty accessing the service of banks, we may not have access to the capital necessary to maintain our operations or may be subject to the security risks of a cash business.

The market for our products is unproven.

While consumer demand for marijuana-based products is well established, consumer demand for marijuana e-cigarettes and other products utilizing cannabinoid extracts is unproven. Lack of acceptance by end users and/or the failure of distributors or customers to accept the price point of our products could have a material adverse effect on the Company and could prevent the Company from ever becoming profitable. Further, the cost of educating the market regarding marijuana e-cigarettes and other products utilizing cannabinoid extracts could prove to be unfeasible.

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The medical marijuana industry faces strong opposition.

Well-funded, politically significant businesses may provide strong economic and political opposition to the medical marijuana industry and the industry could face a material threat from the pharmaceutical companies as marijuana continues to take market share from their products. Any inroads the pharmaceutical industry makes in halting or rolling back the medical marijuana movement could have a detrimental impact on the market for our products and thus on our business, operations and financial condition.

Risks Related to an Investment in our Securities

CLS Labs is newly formed and has minimal operations.

CLS Labs was formed on May 1, 2014 and it has not yet generated revenues. Accordingly, the Company's operations are subject to all of the risks inherent with start-up business enterprises. The likelihood of the Company's success must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the start-up and initial growth of a new business and the competitive and growing market in which the Company operates. The Company must be regarded as a high-risk new and unproven venture with all the unforeseen costs, expenses, problems, and difficulties to which such ventures are subject and no assurance can be given that the Company will ever have enough revenues so as to be profitable.

We may never be profitable.

The Company has never earned a profit and we expect to incur losses during the foreseeable future and may never be profitable. We will need to obtain additional financing until we are able to earn a profit. As a result of our short operating history and the Merger, it is difficult for potential investors to evaluate our business. There can be no assurance that we can implement our business plan, that we will be profitable, or that the securities which may be sold pursuant to this Prospectus will have any value. Continued losses could make it difficult to fund our operations or successfully execute our business plan, and could adversely affect our stock price.

We may encounter start-up delays.

We cannot accurately project the timing of our initial sales although we currently anticipate to commence earning revenue in the fourth quarter of 2016. Delays in raising capital, establishing and implementing our management team, securing relationships with partners and strategic collaborators such as growers and dispensaries, developing products, finalizing sales and marketing structures and/or implementing other portions of CLS Labs' business plan may delay start-up, which could negatively affect an investment in the Company.

Investors may not realize any return on their investment.

There can be no assurance that we will ever achieve revenues or be able to develop into a successful or profitable business. Accordingly, there is no assurance that Investors will realize a return on their investment or that they will not lose their entire investment in the Company.

We have not yet identified or hired a complete management, operations or sales and marketing team and if it takes longer than anticipated or if costs are more than anticipated to do so, the Company could be adversely affected.

We have not yet identified a complete management, sales or marketing team. As a result, aside from the directors, officers and key employees referenced in this Prospectus, investors will not have the benefit of knowing the identities and backgrounds of such team members in making their investment decisions. In addition, we have estimated the compensation we will have to pay to recruit a qualified management, operations and sales and marketing team and have not engaged a compensation consultant or other professional to estimate such costs, but have relied solely on the judgment of our directors. If the budgeted compensation expense is not adequate to retain a qualified management, operations, and sales and marketing team, we may need to scale back other aspects of our proposed operations or we may need to raise additional capital to commence operations. In addition, if it takes longer than anticipated to recruit a qualified team, the commencement of operations could be delayed. All of these potential issues could have a material adverse impact on the Company.

We are subject to penny stock regulations and restrictions and you may have difficulty selling shares of our common stock.

Our common stock is subject to the provisions of Section 15(g) and Rule 15g-9 of the Exchange Act, commonly referred to as the "penny stock rule." Section 15(g) sets forth certain requirements for transactions in penny stock, and Rule 15g-9(d) incorporates the definition of "penny stock" that is found in Rule 3a51-1 of the Exchange Act. The SEC generally defines a penny stock to be any equity security that has a market price less than \$5.00 per share, subject to certain exceptions. We are subject to the SEC's penny stock rules.

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Since our common stock is deemed to be penny stock, trading in the shares of our common stock is subject to additional sales practice requirements on broker-dealers who sell penny stock to persons other than established customers and accredited investors. “Accredited investors” are persons with assets in excess of \$1,000,000 (excluding the value of such person’s primary residence) or annual income exceeding \$200,000 or \$300,000 together with their spouse. For transactions covered by these rules, broker-dealers must make a special suitability determination for the purchase of such security and must have the purchaser’s written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the rules require the delivery, prior to the first transaction, of a risk disclosure document, prepared by the SEC, relating to the penny stock market. A broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements must be sent disclosing recent price information for the penny stocks held in an account and information about the limited market in penny stocks. Consequently, these rules may restrict the ability of brokers-dealers to trade and/or maintain a market in our common stock and may affect the ability of the Company’s stockholders to sell their shares of common stock.

There can be no assurance that our shares of common stock will qualify for exemption from the penny stock rule. In any event, even if our common stock was exempt from the penny stock rule, we would remain subject to Section 15(b)(6) of the Exchange Act, which gives the SEC the authority to restrict any person from participating in a distribution of penny stock if the SEC finds that such a restriction would be in the public interest.

The shares of our common stock we may issue in the future and the options we may issue in the future may have an adverse effect on the market price of our common stock and cause dilution to investors.

We may issue shares of common stock and warrants to purchase common stock pursuant to private offerings and we may issue options to purchase common stock to our executive officers pursuant to their employment agreements. The sale, or even the possibility of sale, of shares pursuant to a separate offering or to executive officers could have an adverse effect on the market price of our common stock or on our ability to obtain future financing.

Our amended and restated articles of incorporation and bylaws could discourage acquisition proposals, delay a change in control or prevent other transactions.

Provisions of our amended and restated articles of incorporation and bylaws, as well as provisions of Nevada Corporation Law, may discourage, delay or prevent a change in control of the Company or other transactions that you as a shareholder may consider favorable and may be in your best interest. The amended and restated articles of incorporation and bylaws contain provisions that: authorize the issuance of shares of “blank check” preferred stock that could be issued by our board of directors to increase the number of outstanding shares and discourage a takeover attempt; limit who may call special meetings of shareholders; and require advance notice for business to be conducted at shareholder meetings, among other anti-takeover provisions.

Our directors have the authority to issue common and preferred shares without shareholder approval, and preferred shares can be issued with such rights, preferences, and limitations as may be determined by our board of directors. The rights of the holders of common stock will be subject to, and may be adversely affected by, the rights of any holders of preferred stock that may be issued in the future. We presently have no commitments or contracts to issue any shares of preferred stock. Authorized and unissued preferred stock could delay, discourage, hinder or preclude an unsolicited acquisition of our company, could make it less likely that shareholders receive a premium for their shares as a result of any such attempt, and could adversely affect the market prices of and the voting and other rights, of the holders of outstanding shares of our common stock.

We have not retained independent professionals for investors.

We have not retained any independent professionals to comment on or otherwise protect the interests of potential investors. Although we have retained our own counsel, neither such counsel nor any other independent professionals have made any examination of any factual matters herein, and potential investors should not rely on our counsel regarding any matters herein described.

We may sell additional equity securities in the future and your ownership interest in the Company may be diluted as a result of such sales.

We intend to sell additional equity securities in order to fully implement our business plan. Such sales will be made at prices determined by our board of directors based on the market value of the Company and could be made at prices less than the price of the shares of our common stock purchased pursuant to this Prospectus, in which case, investors could experience dilution of their investment.

Risks Related to this Offering

Our common stock is thinly traded.

Although our common stock trades on the OTCQB, there is limited trading in our common stock in the over-the-counter market. Such thinly traded, illiquid stocks are more susceptible to significant and sudden price changes than stocks that are widely followed by the investment community and that are actively traded on an exchange. Thus, we cannot assure investors that there will at any time in the future be an active trading market for our common stock. Our stock is not listed on a stock exchange and we currently do not intend to seek listing on an exchange. Even if we successfully list the common stock on a stock exchange, we nevertheless could not assure shareholders that an organized public market for our common stock would develop. Investors should purchase shares for long-term investment only and should purchase our securities if and only if they are capable of making and are seeking to make a long-term investment in the Company.

Financial Industry Regulatory Authority (“FINRA”) sales practice requirements may also limit a stockholder’s ability to buy and sell our common stock, which could depress the price of our common stock.

In addition to the “penny stock” rules described above, FINRA has adopted rules that require a broker-dealer to have reasonable grounds for believing that the investment is suitable for that customer before recommending an investment to a customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer’s financial status, tax status, investment objectives, and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. Thus, the FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our shares of common stock, have an adverse effect on the market for our shares of common stock, and thereby depress our price per share of common stock.

Our securities are traded on the OTCQB, which may not provide as much liquidity for our investors as more recognized senior exchanges such as the NASDAQ Stock Market or other national or regional exchanges.

Our securities are quoted on the OTCQB Market (“the OTC Markets”). The OTC Markets are inter-dealer, over-the-counter markets that provide significantly less liquidity than the NASDAQ Stock Market or other national or regional exchanges. Securities traded on these OTC Markets are usually thinly traded, highly volatile, have fewer market makers and are not followed by analysts. The SEC’s order handling rules, which apply to NASDAQ-listed securities, do not apply to securities quoted on the OTC Markets. Quotes for stocks included on the OTC Markets are not listed in newspapers. Therefore, prices for securities traded solely on the OTC Markets may be difficult to obtain and holders of our securities may be unable to resell their securities at or near their original acquisition price, or at any price.

Our stock price may be volatile and you may not be able to sell your shares for more than what you paid.

Our stock price may be subject to significant volatility, and you may not be able to sell shares of common stock at or above the price you paid for them. The trading price of our common stock has been subject to fluctuations in the past and the market price of the common stock could continue to fluctuate in the future in response to various factors, including, but not limited to: quarterly variations in operating results; our ability to control costs and improve cash flow; announcements of innovations or new products by us or by our competitors; changes in investor perceptions; and new products or product enhancements by us or our competitors.

The issuance to the Selling Stockholder of a large number of shares of our common stock could significantly dilute existing stockholders and negatively impact the market price of our common stock.

Issuance of shares to the Selling Stockholder pursuant to the 10% Notes, 8% Note and Equity Purchase Agreement will have a dilutive impact on our existing shareholders. Pursuant to the terms of the 10% Notes and 8% Note, the Selling Stockholder would receive 881,359 shares of our common stock, which currently would represent 4.15% of our outstanding common stock following issuance, if the Selling Stockholder converted the 10% Notes and 8% Note in full. In addition, the Selling Stockholder will receive additional shares of common stock if we elect to sell shares to it under the Equity Purchase Agreement or if we elect to pay principal and/or interest due under the 10% Notes or 8% Note in shares of common stock instead of in cash. The number of shares we will sell under the Equity Purchase Agreement or issue in payment of interest under the 10% Notes and 8% Note will be determined, in general, based on 80% of the actual market price (for sales under the Equity Purchase Agreement, or the lower of the "fixed conversion price" or 75% of the market price (for payments of principal and/or interest under the 10% Notes and the 8% Note). As a result, if we sell shares of common stock under the Equity Purchase Agreement or elect to make principal and/or interest payments due under the 10% Notes or 8% Note in common stock, we will be issuing common stock at below market prices, which could cause the market price of our common stock to decline, and if such issuances are significant in number, the amount of the decline in our market price could also be significant. The terms of the 10% Notes and 8% Note also state that, absent certain exceptions, if we issue additional common stock, options or warrants at less than \$1.07 (with respect to the 8% Note) or less than \$.80 (with respect to the 10% Notes) then the "fixed conversion price" with respect to each of these notes will be reduced to such issuance price, which would result in our issuance of more shares upon conversion of such notes by the Selling Stockholder. In general, the Company is unlikely to sell shares of common stock under the Equity Purchase Agreement, make payments of principal and/or interest under the 10% Notes or 8% Note using common stock, or issue additional shares of its common stock at prices below the "fixed conversion prices" at a time when the additional dilution to stockholders would be substantial unless it is unable to obtain capital to meet its financial obligations from other sources on better terms at such time. However, if the Company was to sell such shares of common stock, make repayments of principal and/or interest, or issue shares of common stock at a time when the market price of its common stock is substantially less than the "fixed conversion price" associated with the 10% Notes or 8% Note, the dilution that could result from such issuances could have a material adverse impact on existing stockholders and could cause the price of the Company's common stock to fall rapidly based on the amount of such dilution.

The Selling Stockholder may sell a large number of shares, resulting in substantial diminution to the value of shares held by existing stockholders.

Pursuant to the Equity Purchase Agreement, we are prohibited from delivering a Put Notice to the Selling Stockholder to the extent that the issuance of shares would cause the Selling Stockholder to beneficially own more than 4.99% of our then-outstanding common stock. These restrictions however, do not prevent the Selling Stockholder from selling shares of common stock received in connection with the Equity Line, 10% Notes or 8% Note and then receiving additional shares of common stock in connection with a subsequent issuance. In this way, the Selling Stockholder could sell more than 4.99% of the outstanding common stock in a relatively short time frame while never holding more than 4.99% at any one time. As a result, existing stockholders and new investors could experience substantial diminution in the value of their shares of common stock. Additionally, we do not have the right to control the timing and amount of any sales by the Selling Stockholder of the shares issued under the 10% Notes, 8% Note or the Equity Line.

Risks Relating to Competitive Factors

We compete in an industry characterized by extensive research and development efforts and rapid technological progress.

New developments occur and are expected to continue to occur at a rapid pace in the marijuana industry, and there can be no assurance that discoveries or commercial developments by our competitors will not render some or all of our potential products obsolete or non-competitive, which could have a material adverse effect on our business, financial condition and results of operations. We expect to compete with fully integrated and well-established companies in the near and long term. Most of these companies have substantially greater financial, manufacturing and marketing experience and resources than us and represent substantial long-term competition. Such companies may succeed in discovering and developing products and/or extraction processes more rapidly than us and may be more successful than us in manufacturing, sales and marketing.

Strategic collaborations may never materialize or may fail.

We intend to explore a variety of strategic collaborations with existing marijuana growers, dispensaries and related businesses. At the current time, we cannot predict what form such a strategic collaboration might take. We are likely to face significant competition in seeking appropriate strategic collaborators, and these strategic collaborations can be complicated and time consuming to negotiate and document. We may not be able to negotiate strategic collaborations on acceptable terms, or at all, and we are unable to predict when, if ever, we will enter into any such strategic collaborations due to the numerous risks and uncertainties associated with establishing strategic collaborations.

Risks relating to Intellectual Property Protection

Our pending patent application may not be approved.

Our success depends on our ability to protect our proprietary process and methods. Although we filed a patent application regarding our extraction and conversion process, there can be no assurances that such application will result in the issuance of a patent. Further, even if a patent is issued, there can be no assurances that future patent claims will be held valid and enforceable against third-party infringement or that our methods and processes will not infringe any third-party patent or intellectual property or that such claims will afford us protection against competitors with similar technology or permit the commercialization of our products without infringing third-party patents or other intellectual property rights.

If we are unable to protect the secrecy of our proprietary process and methods, we may not be able to compete effectively or operate profitably.

Our success will depend, in large part, on our ability to protect the secrecy of our patent pending process and methods. As we hire employees, enter into strategic collaborations and bring our products to market, maintaining this secrecy will become increasingly difficult, especially if our patent application is denied or the issuance of the patent is delayed. If competitors are made aware of the aspects of our proprietary process and methods that are not protected by a patent, they may be able to duplicate them or independently develop similar or alternative technologies without infringing on our intellectual property rights.

We may rely on trade secrets to protect our process and methods and may attempt to protect these trade secrets, in part, with confidentiality and non-disclosure agreements with our employees, consultants, partners, strategic collaborators and certain contractors, but there can be no assurance that these agreements would not be breached, that we would have adequate remedies for any breach, or that our trade secrets will not otherwise become known or be independently discovered by competitors. If our patent pending proprietary process, methods or related trade secrets become known to competitors, we may be unable to compete effectively, resulting in a material adverse effect on our business, financial condition and results of operations.

We may be subject to litigation with respect to the ownership and use of intellectual property that will be costly to defend or pursue and uncertain in its outcome.

Our success also will depend, in part, on refraining from infringing patents or otherwise violating intellectual property owned or controlled by others. Others may have filed patent applications or have received, or may obtain, issued patents in the United States or elsewhere relating to aspects of our extraction processes or methods, and they may institute litigation against us to protect their intellectual property rights. Such litigation, regardless of the merits, would be extremely expensive and detrimental to our operations. Additionally, it is uncertain whether the issuance of any third-party patents will require us to alter our products or processes, obtain licenses, or cease certain activities. If any licenses are required, there can be no assurance that we will be able to obtain any such licenses on commercially favorable terms, if at all, and if these licenses are not obtained, we might be prevented from pursuing the development and commercialization of certain of our potential products.

Other Risks

There are other unidentified risks.

The risks set forth above are not a complete list of the risks facing our potential investors. We acknowledge that there may exist significant risks yet to be recognized or encountered to which we may not be able to effectively respond. There can be no assurance that we will succeed in addressing these risks or future potential risks, and any failure to do so could have a material adverse effect on our business, financial condition and results of operations.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Except for statements of historical facts, this Prospectus contains forward-looking statements involving risks and uncertainties. The words “anticipate,” “believe,” “estimate,” “expect,” “future,” “intend,” “plan,” or the negative of these terms and similar expressions or variations thereof are intended to identify forward-looking statements. Such statements reflect our current view with respect to future events and are subject to risks, uncertainties, assumptions, and other factors (including the risks contained in the section of this Prospectus entitled “Risk Factors”) relating to our industries, operations, and results of operations and any businesses that may be acquired by us. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended, or planned. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date stated, or if no date is stated, as of the date hereof.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results. The following discussion should be read in conjunction with our financial statements and the related notes included in this Prospectus.

DESCRIPTION OF BUSINESS

Background

We were originally incorporated as Adelt Design, Inc. on March 31, 2011 to manufacture and market carpet binding art. Production and marketing of carpet binding art never commenced. After CLS Labs acquired 55.6% of the outstanding shares of common stock of the Company, Jeffrey Binder, the Chairman, President and Chief Executive Officer of CLS Labs, was appointed Chairman, President and Chief Executive Officer of the Company. Subsequently, the Company adopted amended and restated articles of incorporation, thereby changing its name to CLS Holdings USA, Inc.

The Merger

On April 29, 2015, the Company entered into a merger agreement (the “Merger Agreement”) with CLS Labs and a newly-formed, wholly owned subsidiary of the Company (the “Merger Sub”) and effected the Merger. Upon the consummation of the Merger, the separate existence of the Merger Sub ceased and CLS Labs, the surviving corporation in the Merger, became a wholly owned subsidiary of the Company, with the Company acquiring the stock of CLS Labs, abandoning its previous business, and adopting the existing business plan and operations of CLS Labs. CLS Labs is a company that plans to generate revenues through licensing, fee-for-service and joint venture arrangements related to its patent pending proprietary method of extracting cannabinoids from cannabis plants and converting the resulting cannabinoid extracts into saleable concentrates.

Operations

For the past two years, one of the founders of CLS Labs has been developing a proprietary method of extracting cannabinoids from cannabis plants and converting the resulting cannabinoid extracts into concentrates such as oils, waxes, edibles and shatter. These concentrates may be ingested in a number of ways, including through vaporization via e-cigarettes, and used for a variety of pharmaceutical and other purposes. Internal testing of the cannabinoids extracted through our patent-pending proprietary process versus the cannabinoids resulting from the processes commonly used in the industry, the results of which were reviewed and confirmed by an independent laboratory, has revealed that our process produces a cleaner, higher quality product and a significantly higher yield than the cannabinoid extraction processes currently existing in the marketplace.

On April 17, 2015, CLS Labs took its first step toward commercializing its patent pending proprietary methods and processes by entering into the Colorado Arrangement. CLS Labs had not otherwise commercialized its patent pending proprietary process prior to the Merger and has not earned any revenues.

We intend to monetize this extraction method and generate revenues through (i) the licensing of our patent pending proprietary methods and processes to others, as in the Colorado Arrangement, (ii) the processing of cannabis for others, and (iii) the purchase of cannabis and the processing and sale of cannabis-related products. We plan to accomplish this through the creation of joint ventures, through licensing agreements, and through fee-for-service arrangements with growers and dispensaries of cannabis products. We believe that we can establish a position as one of the premier cannabinoid extraction and processing companies in the industry. Assuming we do so, we then intend to explore the creation of our own brand of concentrates for consumer use, which we would sell wholesale to cannabis dispensaries. We believe that we can create a “gold standard” national brand by standardizing the testing, compliance and labeling of our products in an industry currently comprised of small, local businesses with erratic and unreliable product quality, testing practices and labeling. We also plan to offer consulting services through CLS Consulting, which will generate revenue by providing consulting services to cannabis-related businesses, including growers, dispensaries and laboratories, and driving business to our processing facilities.

Our mission is to be the industry leader in the extraction, conversion and marketing of cannabinoid oils, wax, edibles and shatter by leveraging our extraction methods and conversion processes. We have an experienced team of executives and consultants who each contribute significant value in the scientific, marketing and licensure arenas. Jeffrey Binder, a founder of CLS Labs and our Chairman, President and Chief Executive Officer, is a seasoned executive with experience in the strategic start-up and growth of companies in several different industries. Raymond Keller, a founder of CLS Labs, developed the aforementioned patent pending proprietary process of extracting, cleaning and converting the cannabinoids from the cannabis plant and the associated delivery materials and systems for such cannabinoids. Frank Koretsky, a founder of CLS Labs and director of the Company, is a successful entrepreneur who has proven to be a marketing and brand specialist. Alan Bonsett, our Chief Operating Officer, has extensive experience in the cannabis industry, spanning production and processing facility buildouts, business development and strategic planning, licensing and compliance, and supply chain management.

Mr. Keller developed our patent pending proprietary process for extracting, cleaning and converting cannabinoids from cannabis plants. He has also created various delivery systems and materials to ready the converted cannabis product for different uses by different potential distributors. Mr. Keller contributed this intellectual property to CLS Labs in exchange for stock in CLS Labs, which was subsequently exchanged for stock in the Company in the Merger. A patent application has been filed with respect to the process. As there can be no assurances that the application will be granted, the process is currently maintained as a trade secret by the Company. We believe that this patent pending proprietary process will allow us to extract and convert cannabinoids contained in cannabis in a manner that produces a greater yield than methods currently used in the industry. We believe this ability and the ability to convert these refined cannabinoids into products that can be used in multiple delivery systems will provide us with a strategic advantage in the cannabis industry.

Competitive Advantages

Our patent pending proprietary process is expected to reduce growers' costs and provide them with double the amount of Delta-9 THC compared to our competitors.

Although the current standard within the marijuana extraction industry is to process only the bud and trim from plants, the sophistication of our lab and patent pending proprietary process allow us to use the entire plant, with no trimming or preparation required by the grower prior to delivery. We estimate that this will result in cost savings for growers of 18%-22% versus our competitors' current methods. Further, the trimming process damages some of the crystals present on the plants, thus reducing the levels of Delta-9 THC, marijuana's primary psychoactive ingredient. By processing the entire plant, we expect to eliminate this loss of crystals. We believe that this, along with our patent pending proprietary extraction and conversion method, will result in a concentration of Delta-9 THC that is approximately twice that of the current industry standard.

We expect to produce a much larger amount of Delta-9 THC from plants resulting in higher revenues to us.

As it is customary within the industry to charge growers per gram of Delta-9 THC returned to them following processing, in producing twice the concentration of Delta-9 THC, we anticipate that we will generate per-plant revenues twice that of the current industry standard while also providing greater per-plant value to growers.

Our patent pending proprietary process is expected to result in market-changing product consistency.

The sophistication of our patent pending proprietary process and proposed labs will allow us to analyze, break down and mix the various cannabinoids extracted from marijuana plants. Doing so will allow us to control the different cannabinoid levels in our products, and should result in market-changing product consistency. As the cannabinoid makeup of plants varies significantly from grower-to-grower, the products generated by most extractors vary based on the source of the plants. Our potential ability to produce a consistent product regardless of the grower will likely be highly desirable among both consumers looking for reliable products and dispensaries desiring to market a consistent brand of products sourced from multiple growers.

We expect to produce cleaner, safer products as a result of the advanced testing that will be used at our sophisticated labs.

Although states currently require testing of marijuana plants for certain chemicals and pesticides prior to processing, such testing does not identify many harmful and undesirable contaminants such as heavy metals, which might be present in plants as a by-product of certain fertilizers used in their growth. Through our patent pending proprietary process, we will conduct testing that is significantly more extensive than current state laws require or industry standards dictate, then remove such harmful contaminants. This should result in a cleaner, safer product that we believe will be preferred by growers and consumers alike.

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We expect to provide one-stop, multi-state services to companies wishing to build private label brands that deliver consistent products.

Marijuana cannot currently be transported across state lines, which means that a processor with a single facility cannot process marijuana grown in more than one state. This means that companies that wish to produce private label products in multiple states must contract with multiple processors to process, package and label their products, which leads to a lack of internal consistency within the brand. Our multi-state business plan should allow us to provide consistent processing, packaging and labeling services, setting us apart from these “mom and pop” extractors prevalent in the industry. This should allow us to produce currently unavailable multi-state consistency in private label products.

The Colorado Arrangement

As CLS Labs is currently unable to obtain a license in Colorado to operate a cannabis processing facility due to residency requirements, on April 17, 2015, it entered into an arrangement through CLS Labs Colorado with PRH, which will be licensed by the State of Colorado as a marijuana infused product manufacturer and retailer, to, among other things, (i) license its patent pending proprietary technology, methods and processes to PRH in exchange for a fee; (ii) build a processing facility and lease such facility, including equipment, to PRH; and (iii) loan certain funds to PRH to be used by PRH in connection with its financing of the building out, equipping, and development of the grow facility that will be operated by the Grower.

Licensing Agreement

On April 17, 2015, CLS Labs Colorado entered into a Licensing Agreement with PRH whereby, in exchange for a license fee payable over the ten (10) year term of the agreement, CLS Labs Colorado granted to PRH an exclusive license for the State of Colorado of certain proprietary inventions and formulas relating to the extraction from, separation and processing (the “Process”) of marijuana to produce certain marijuana-infused products, including edibles, e-liquids, waxes and shatter (the “Products”), and to practice and use the Process in conjunction with the manufacture, production, sale, and distribution of the Products. The Licensing Agreement was subsequently amended on June 30, 2015 and again on October 31, 2015. The term of the Licensing Agreement will commence once CLS Labs Colorado has completed building a fully equipped lab at the Leased Real Property, the first harvest of marijuana plants at the grow facility has occurred. Pursuant to Colorado law, PRH cannot obtain Colorado marijuana-infused products licenses (the “MIP Licenses”) for the Leased Real Property until the processing facility is built out and ready for operation. PRH has an agreement with one of its affiliates that holds the required MIP Licenses to transfer such MIP Licenses to PRH, subject to State of Colorado Department of Revenue Marijuana Enforcement Division (“MED”) approval, within three (3) days after the MED is ready to attached the MIP Licenses to the Leased Real Property, which is expected to occur during the third quarter of 2016.

Payments by PRH to CLS Labs Colorado under the Licensing Agreement will commence during the fourth quarter of 2016. Pursuant to the Licensing Agreement, if during its term, applicable state and local laws change to permit, in whole or in part, the ownership or issuance of a MIP License, directly or indirectly, by or to a person or entity who is not a Colorado resident, CLS Labs Colorado has the option to demand the transfer of up to a fifty six percent (56%) ownership interest in the MIP Licenses owned by PRH to CLS Labs Colorado or its designees. In exchange for such a transfer, the license fee due to CLS Labs Colorado under the Licensing Agreement will be reduced in proportion to the percentage ownership interest in the MIP Licenses transferred by PRH to CLS Labs Colorado or its designees.

Lease and Sublease

In connection with the Colorado Arrangement, on April 17, 2015, pursuant to an Industrial Lease Agreement (the “Lease”), CLS Labs Colorado leased 14,392 square feet of warehouse and office space (the “Leased Real Property”) in a building in Denver, Colorado where certain intended activities, including growing, extraction, conversion, assembly and packaging of cannabis and other plant materials, are permitted by and in compliance with state, city and local laws, rules, ordinances and regulations. The Lease has an initial term of seventy-two (72) months and provides CLS Labs Colorado with two options to extend the term of the lease by up to an aggregate of ten (10) additional years.

Contemporaneously with the execution of the Lease, CLS Labs Colorado entered into a Sublease Agreement with PRH (the “Sublease”), thereby subletting the entire Leased Real Property to PRH. The Sublease was subsequently amended effective October 31, 2015. The term of the Sublease will commence once the Grower commences planting marijuana plants at the grow facility on the Leased Real Property and rent payments shall commence thirty (30) days after the first harvest of marijuana plants at the grow facility. The balance of the terms of the Sublease is the same as the Lease and PRH is required to pay CLS Labs Colorado monthly rent equal to the total rent due under the Lease for the corresponding month.

In connection with the Sublease, PRH entered into an arrangement with the Grower to grow marijuana on a portion of the Leased Real Property. The Grower obtained zoning approval, a certificate of occupancy to begin planting cannabis and operating the grow facility at the Leased Real Property and a Colorado Retail Marijuana Cultivation Facility License before commencing planting in December 2015.

Equipment Lease

In addition to the above-referenced Sublease, on April 17, 2015, CLS Labs Colorado and PRH entered into an Equipment Lease Agreement (the "Equipment Lease") whereby, in exchange for a lease payment, CLS Labs Colorado agreed to commence building a fully equipped lab at the Leased Real Property, including purchasing all equipment necessary to extract, convert and provide quality control of all cannabis products of PRH. The term of the Equipment Lease commences upon delivery of the equipment and terminates upon the earlier of ten (10) years from its effective date or such earlier date upon which the Lease is terminated. PRH has the option to renew the Equipment Lease for a period of five (5) years, or such lesser period as remains under the Lease at the time of the renewal.

If during the term of the Equipment Lease applicable state and local laws change to permit, in whole or in part, the ownership or issuance of an MIP License, directly or indirectly, by or to a person or entity who is not a Colorado resident, CLS Labs Colorado has the option to demand the transfer of up to a fifty six percent (56%) ownership interest in the MIP Licenses owned by PRH to CLS Labs Colorado or its designees. In the event of a transfer of MIP Licenses by PRH to CLS Labs Colorado or its designees, the payment due to CLS Labs Colorado under the Equipment Lease will be reduced proportionally by the percentage ownership interest in the MIP Licenses that is transferred.

The Promissory Note

On April 17, 2015, CLS Labs Colorado loaned Five Hundred Thousand Dollars (\$500,000) to PRH pursuant to a promissory note (the "Note") to be used by PRH in connection with the financing of the building out, equipping, and development of the grow facility by PRH that will be operated by a licensed third-party marijuana grower. Pursuant to the Note, as amended by the parties effective June 30, 2015 and October 31, 2015, PRH will repay the principal due under the Note in twenty (20) equal quarterly installments of Twenty Five Thousand Dollars (\$25,000) commencing in the fourth quarter of 2016 and continuing until paid in full. Interest will accrue on the unpaid principal balance of the Note at the rate of twelve percent (12%) per annum and will be paid quarterly in arrears commencing after such initial payment and continuing until paid in full. All outstanding principal and any accumulated unpaid interest due under the Note is due and payable on the five-year anniversary of the initial payment thereunder.

Sale of Non-Pharmaceutical Solutions

In connection with the Colorado Arrangement, CLS Labs Colorado intends to enter into an agreement with PRH whereby PRH will purchase from CLS Labs certain proprietary, non-pharmaceutical solutions developed by CLS Labs or its affiliates that enable consumers who ingest the Products to absorb a greater percentage of the cannabinoid extracts contained therein and, in turn, will enable PRH to incorporate a lower percentage of cannabinoid extracts in the Products without diminishing the potency thereof. The terms of the proposed arrangement have not been finalized and a definitive agreement between the parties has not been reached.

Products and Services

Licensing Operations

In states such as Colorado, where we are unable to obtain a license to operate a cannabis processing facility due to residency or other requirements that we cannot meet, we will continue to enter into arrangements similar to the Colorado Arrangement, whereby we will agree to build out a processing facility and then lease the facility and equipment therein to the customer for what will generally be a ten year term. As part of this arrangement, the customer will be required to enter into an agreement of equal length to license our proprietary technology, methods and processes solely for use in the processing facility.

Processing Revenue

We also intend to enter into arrangements with cannabis growers whereby we will process their cannabis for a fee. Under such arrangements, growers will deliver cannabis plants to one of our facilities for processing. We will then apply our proprietary extraction and conversion technology to generate cannabinoid concentrates which may be delivered to the grower in bulk form or, for an additional fee, in individually-labeled retail-ready packages of oils, edibles, wax or shatter. In exchange for our services, we will either charge the grower a flat fee by weight of the finished product or, in certain instances, we may render our services in exchange for a percentage of the finished product which we will then sell to cannabis distributors or dispensaries.

Processing Facilities

We plan to lease buildings at which to construct processing facilities. We estimate the cost to develop each facility, including equipping the facility with appropriate equipment, to be between \$1,000,000 and \$3,000,000 and anticipate that we can complete each build out in approximately 4-6 months after any applicable licensing and permitting requirements have been met. We currently anticipate, subject to the availability of adequate capital, that we will be able to open between two and three processing facilities, for use either by a licensee or by us directly, in the next 18-24 months.

We expect that each processing facility will have the capacity to process, depending on size, between 2,000 and 5,000 pounds of cannabis per month. It is our intent not to build out a processing facility unless we believe that it has the potential to process at least 1,000 pounds of cannabis per month after its first twelve months of operations. The revenue generated from processing will vary, state by state and facility by facility, depending upon state law requirements and other factors.

Sale of Products and Brand Creation

Rather than charging growers a fee for our processing services, we may at times purchase unprocessed cannabis plants from growers, process the cannabis in our facility, and then sell the resulting cannabinoid concentrates, such as oils, wax, edibles and shatter, in the wholesale market to distributors or dispensaries. Eventually, we may explore creation of our own brand of concentrates for consumer use, which we would wholesale to cannabis dispensaries. We believe that by standardizing our quality, testing, compliance and labeling, we can create a national brand of concentrates that will be instantly recognizable in each new state that legalizes marijuana sales.

Consulting Services

Through CLS Consulting, we will offer consulting services to cannabis-related businesses such as growers and dispensaries. CLS Consulting consultants will advise clients regarding a variety of areas, such as licensure, growing, marketing and distribution. In addition to the revenue generated for consulting services, we anticipate that CLS Consulting will generate processing and sales business for the Company from grower and dispensary clients.

Growth Strategy

Our growth strategy includes the following plans:

- Securing capital for the construction of processing centers. We estimate the cost to develop each facility, including equipping the facility with the necessary equipment, to be between \$1,000,000 and \$3,000,000.
- Obtaining the necessary state and local licensure for each proposed facility.
- Securing initial licensing, processing or sales arrangements, as applicable, with growers and dispensaries. Such arrangements may result from marketing efforts, relationships within the industry or the CLS Consulting business.
- Constructing processing facilities. We anticipate that the construction of each facility can be completed in approximately four to six months after any applicable licensing and permitting requirements have been met. We currently anticipate, subject to the availability of adequate capital, that we will be able to open between two and three processing facilities within the next 24 months.
- Expanding per-facility capacity and increasing revenues. After a twelve-month ramp up period, we expect that each processing facility will be able to process, depending on size, between 2,000 to 5,000 pounds of cannabis per month, with the revenue generated therefrom varying state-by-state and facility-by-facility depending upon state law requirements and other factors.
- Developing a national brand of cannabis concentrates, which will be sold wholesale to dispensaries, through standardization of the testing, compliance and labeling process.

Marketing, Distribution and Customers

The medical marijuana industry is rapidly expanding and is expected to continue to expand as additional states legalize marijuana for medical use. Additionally, the recreational use of marijuana by adults is currently legal in four states and the District of Columbia and a number of states have decriminalized the use of marijuana in some fashion. As various states continue to legalize marijuana for medical and/or recreational use, the number of potential grower and dispensary clients is expected to increase accordingly.

As such, our initial target market consists of licensed cannabis growers and dispensaries. As 10-20% of the cannabis plants harvested by licensed growers are currently being converted to cannabinoid oil, growers are expected to immediately recognize the value added by our premier methods, which should generate higher profit margins by producing a higher yield of cannabinoid oil per pound of cannabis versus the methods that are currently being employed. As our competitive advantage is directly related to our patent pending proprietary extraction method and conversion process, and as the value of our services should be immediately recognizable, we intend to target licensed, operating growers and dispensaries with an immediate and substantial need for cannabis processing. Upon attaining significant market share among growers and dispensaries, we may also target pharmaceutical clientele and other potential customers.

In cases where we either purchase cannabis for processing or keep a portion of the converted cannabis in exchange for processing a larger amount of product for a grower, we will likely sell such processed product either to the grower or dispensary who sold or supplied us with the raw cannabis or sell the processed product to an unrelated distributor or dispensary. In some cases, we might also process the product and package it for a certain type of use, such as an edible, and sell the processed product to a licensed bakery.

Competition

The cannabinoid extraction business is extremely competitive. We will compete with numerous entities engaged in cannabinoid extraction and conversion, from large commercial enterprises to local “mom and pop” extractors that provide services and wholesale concentrates to local growers. Although many of our expected competitors enjoy established relationships with growers and dispensaries, we intend to differentiate our company by producing higher quality, tested and labeled products and generating a higher yield, and therefore higher profit margins, for growers and dispensaries. A significant challenge that we will encounter, however, is that the quality of cannabis products is not presently regulated or standardized. Products bear quality and concentration labels, but these labels may or may not be accurate or the result of scientific testing. As a result, we will have to educate the market about the value of our testing, compliance and labeling and the higher quality of the cannabinoid concentrates produced by our patent pending proprietary process as we cannot readily compare laboratory results of our products to other products on the market.

Trademarks and Other Intellectual Property

We have applied for United States federal trademarks for the names Cannabis Life Sciences and CLS Labs. Due to federal laws against the use of cannabis, we are uncertain whether any trademark that includes a reference to cannabis will issue. We have also acquired the Cannabis Life Science, Cannabis Life Sciences and CLS Labs domain names.

Our extraction and processing methods are proprietary, but we do not currently have any issued patents with respect to them. We filed a patent application regarding our proprietary process on October 27, 2015. This patent, if granted, is expected to result in market-changing product consistency, cost savings for growers, and increased anticipated revenues for us due to the larger amount of Delta-9 THC that we believe we can produce through our patent pending proprietary process. As with our trade market, there can be no assurances that the patent application will be granted, for, among other reasons, the fact that it references cannabis.

Until such time as our patent application is granted (assuming it will be granted), we will rely on a combination of confidentiality agreements and procedures as well as trademark and trade secret laws to protect our intellectual property rights with respect to our proprietary process. Our means of protecting our proprietary rights, however, may not be adequate. Despite our efforts, we may be unable to prevent or deter infringement or other unauthorized use of our intellectual property. Time-consuming and expensive litigation may be necessary in the future to enforce these intellectual property rights even if our patent application is granted.

In addition, although we do not believe we are infringing on the rights of others, we cannot assure you that our intellectual property does not infringe the intellectual property rights of others, or will not in the future. If we become liable to third parties for infringing upon their intellectual property rights, we could be required to pay substantial damage awards and be forced to develop non-infringing methods and processes.

Regulation and Licensure

Despite 23 states and the District of Columbia having legalized or decriminalized marijuana use for medical purposes, the prescription, use and possession of marijuana remains illegal under federal law. As such, although we will only operate processing facilities in states that permit the possession, sale and use of cannabis, certain activities of our business, including the possession of cannabis for processing and the sale of cannabis concentrates, will be in violation of federal law. Although state-licensed businesses engaged in such activities are currently proceeding largely free from federal prosecution and recently-enacted federal spending legislation prohibits the Department of Justice from using federal funds to prevent states from implementing their own marijuana laws, changes in congress or in the executive administration, including presidential elections, could result in changes to current federal enforcement policies regarding cannabis-related activities which are legal under certain state laws. Therefore, by operating the business, we will face the possibility of civil and criminal sanctions.

Additionally, certain states in which we seek to operate may prohibit non-resident companies from conducting business directly in the state. In such states, we will seek to enter into a collaborative arrangement with a local entity holding the necessary licensure, whereby we will agree to lease our facilities, equipment and employees to the licensed entity in exchange for a fee. Such an arrangement may be difficult to secure and/or expensive to maintain, as we will be reliant on the licensee to maintain its license in order to continue operations. Further, various state and local licensure application and approval processes may require significant time and expense, and, upon becoming authorized to do business in a state, it may be difficult or expensive for us to comply with the oft-changing laws, regulations and licensure requirements of each state and municipality where we are doing business.

We will need to obtain applicable state licenses in each state in which we will operate processing facilities. License requirements and procedures vary from state to state. The initial state in which we plan to operate is Colorado. Subsequently, we will likely seek to operate in Nevada and Washington.

Employees

We currently have two employees, Jeffrey Binder, who serves as the Chairman, President and Chief Executive Officer of the Company, and Alan Bonsett, who was appointed Chief Operating Officer of the Company effective August 15, 2015. We plan to hire a Chief Financial Officer, administrative staff, a lab manager and a consultant, for a total of approximately six employees. In addition, each processing facility will require six to eight employees, depending upon the size of the facility.

DESCRIPTION OF PROPERTIES

Our principal offices are located at 1435 Yarmouth Street, Boulder, Colorado 80304. We currently lease office and warehouse space located at 1955 South Quince Street, Denver, Colorado 80231, which is subleased to PRH pursuant to the Colorado Arrangement. We also maintain an administrative office at 3355 SW 59th Avenue, Miami, Florida 33155 and a mailing address at 11767 S. Dixie Highway, Suite 115, Miami, Florida 33156. We will lease additional properties in the states in which we conduct our operations as we open processing facilities.

LEGAL PROCEEDINGS

None.

USE OF PROCEEDS

This Prospectus relates to shares of our common stock that may be offered and sold from time to time by the Selling Stockholder. We will receive no proceeds from the sale of shares of common stock by the Selling Stockholder in this Offering. The proceeds from the sales will belong to the Selling Stockholder. However, we will receive proceeds from the sale of the 10% Notes and Commitment Shares to the Selling Stockholder pursuant to the Securities Purchase Agreement and the Equity Purchase Agreement.

We intend to use the proceeds that we may receive from the sale of 10% Notes and Commitment Shares to execute our growth strategy, to establish our management team; lease real estate for one marijuana processing facility; purchase and lease equipment for one marijuana processing facility; lease real estate for one hemp processing facility; purchase and lease equipment for one hemp processing facility; provide working capital for our management to pursue joint venture and fee-for-services opportunities for the Company; repay a portion of our existing debt; and for other startup and working capital needs. There can be no assurance that we will sell any of the Commitment Shares.

We cannot provide any assurance that we will be able to draw down any or all of the Total Commitment, such that the proceeds received would be a source of financing for us.

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We intend to raise additional capital through equity and debt financing, as needed, though there cannot be any assurance that such funds will be available to us on acceptable terms, on an acceptable schedule, or at all.

The amounts and timing of our actual expenditures will depend on numerous factors, including the amount of cash generated through our Colorado Arrangement and any additional strategic collaborations into which we may enter.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act), we are not required to provide the information called for by Item 304 of Regulation S-K.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW AND OUTLOOK

We were incorporated on March 31, 2011 as Adelt Design, Inc. to manufacture and market carpet binding art. Production and marketing of carpet binding art never commenced. On November 20, 2014, we adopted amended and restated articles of incorporation, thereby changing our name to CLS Holdings USA, Inc. Effective December 10, 2014, we effected a reverse stock split of our issued and outstanding common stock at a ratio of 1-for-0.625 (the "Reverse Split"), wherein 0.625 shares of our common stock were issued in exchange for each share of common stock issued and outstanding.

On April 29, 2015, the Company, CLS Labs and the Merger Sub consummated the Merger, whereby the Merger Sub merged with and into CLS Labs, with CLS Labs remaining as the surviving entity. As a result of the Merger, we acquired the business of CLS Labs and abandoned our previous business. As such, only the financial statements of CLS Labs are included in this Prospectus.

CLS Labs was originally incorporated in the state of Nevada on May 1, 2014 under the name RJF Labs, Inc. before changing its name to CLS Labs, Inc. on October 24, 2014. It was formed to commercialize a proprietary method of extracting cannabinoids from cannabis plants and converting the resulting cannabinoid extracts into concentrates such as oils, waxes, edibles and shatter. These concentrates may be ingested in a number of ways, including through vaporization via electronic cigarettes ("e-cigarettes"), and used for a variety of pharmaceutical and other purposes. Testing in conjunction with two Colorado growers of this extraction method and conversion process has revealed that it produces a cleaner, higher quality product and a significantly higher yield than the cannabinoid extraction processes currently existing in the marketplace.

On April 17, 2015, CLS Labs took its first step toward commercializing its proprietary methods and processes by entering into the Colorado Arrangement through its wholly owned subsidiary, CLS Labs Colorado, with certain Colorado entities, including Picture Rock Holdings, LLC. CLS Labs had not otherwise commercialized its proprietary process prior to the Merger and has not earned any revenues.

We intend to generate revenue through (i) the licensing of our patent pending proprietary methods and processes to others, as in the Colorado Arrangement, (ii) the processing of cannabis for others, and (iii) the purchase of cannabis and the processing and sale of cannabis-related products. We plan to accomplish this through the creation of joint ventures, through licensing agreements, and through fee-for-service arrangements with growers and dispensaries of cannabis products. We believe that we can establish a position as one of the premier cannabinoid extraction and processing companies in the industry. Assuming we do so, we then intend to explore the creation of our own brand of concentrates for consumer use, which we would sell wholesale to cannabis dispensaries. We believe that we can create a "gold standard" national brand by standardizing the testing, compliance and labeling of our products in an industry currently comprised of small, local businesses with erratic and unreliable product quality, testing practices and labeling. We also plan to offer consulting services through a consulting subsidiary, Cannabis Life Sciences Consulting, LLC ("CLS Consulting"), which will generate revenue by providing consulting services to cannabis-related businesses, including growers, dispensaries and laboratories, and driving business to our processing facilities.

For the reasons above, our net loss for the year ended May 31, 2015 was \$1,515,587. We had a net loss of \$1,862,610 for the nine months ended February 29, 2016, resulting in an accumulated deficit as of February 29, 2016 of \$3,378,197. These conditions raise substantial doubt about our ability to continue as a going concern.

Results of Operations for the Three Months Ended February 29, 2016 compared to the Three Months Ended February 28, 2015

Revenues

We had no revenues during the three month periods ended February 29, 2016 and February 28, 2015.

General and administrative expenses

General and administrative expenses increased \$253,948, or approximately 167%, to \$406,323 during the three months ended February 29, 2016, compared to \$152,375 for the three month ended February 28, 2015. General and administrative expenses consisted primarily of general office expenses, travel costs, rent expense, bank charges and payroll expenses. We expect general and administrative expenses to increase in future periods as we implement our business plan and commence operations.

Professional fees

Professional fees increased \$157,539, or approximately 85%, to \$343,818 during the three months ended February 29, 2016 compared to \$186,279 for the three months ended February 28, 2015. This increase was due primarily to the payment of fees for consulting and investor relations services pursuant to consulting agreements and legal fees. We expect professional fees to increase in future periods as our business grows.

Interest expense

Interest expense for the three months ended February 29, 2016 was \$106,599, an increase of \$106,334 compared to \$265 for the three months ended February 28, 2015. Interest expense consists of \$268 of imputed interest, \$17,696 of interest on related party debt, \$7,479 of interest on debt and \$81,156 of amortization of debt discounts on notes payable.

Net loss

For the reasons above, we had a net loss for the three months ended February 29, 2016 of \$856,740, which is an increase of \$517,821, or approximately 153%, compared to a net loss of \$338,919 during the three months ended February 28, 2015.

Results of Operations for the Nine Months Ended February 29, 2016 compared to the Nine Months ended February 28, 2015

Revenues

We had no revenues during the nine month periods ended February 29, 2016 and February 28, 2015.

General and administrative expenses

General and administrative expenses increased \$555,273, or approximately 153%, to \$917,726 during the nine months ended February 29, 2016, compared to \$362,453 for the nine months ended February 28, 2015. General and administrative expenses consisted primarily of general office expenses, travel costs, rent expense, bank charges and payroll expenses. We expect general and administrative expenses to increase in future periods as we implement our business plan and commence operations.

Professional fees

Professional fees increased \$470,570, or approximately 159%, to \$767,420 during the nine months ended February 29, 2016, compared to \$296,850 for the nine months ended February 28, 2015. This increase was due primarily to the payment of fees for consulting and investor relations services pursuant to consulting agreements and legal fees. We expect professional fees to increase in future periods as our business grows.

Interest expense

Interest expense for the nine months ended February 29, 2016 was \$177,464 compared to \$445 for the nine months ended February 28, 2015. Interest expense consists of \$807 of imputed interest, \$39,647 of interest on related party debt, \$22,521 of interest on debt and \$114,489 of amortization of debt discounts on notes payable.

Net loss

For the reasons above, we had a net loss for the nine months ended February 29, 2016 of \$1,862,610, which is an increase of \$1,202,862, or approximately 182%, compared to a net loss of \$659,748 during the nine months ended February 28, 2015.

Results of Operations for the year ended May 31, 2015 compared to the period from May 1, 2014 (inception) through May 31, 2014.**Revenues**

We had no revenues for the year ended May 31, 2015 and for the period from inception (May 1, 2014) to May 31, 2014.

Selling, general and administrative expenses

Our general and administrative expenses were \$998,994 for the year ended May 31, 2015 compared to \$0 for the period from May 1, 2014 (inception) through May 31, 2014. General and administrative expenses consisted primarily of general office expenses, travel costs, costs related to the protection of intellectual property, impairment charges, bank charges and cost associated with research and development. We expect general and administrative expenses to increase over the next twelve months as we implement our business plan and operations expand.

Professional fees

Our professional fees were \$504,354 for the year ended May 31, 2015 compared to \$0 for the period from May 1, 2014 (inception) through May 31, 2014. Professional fees consisted primarily of legal, investor relations, and business development services. We expect professional fees to increase in future periods as our business grows.

Interest Expense

Our interest expense was \$12,239 for the year ended May 31, 2015 compared to \$0 for the period from May 1, 2014 (inception) through May 31, 2014. Interest expense consists of \$716 of imputed interest, \$5,967 of interest on debt and \$5,556 of amortization of debt discounts on notes payable.

Net loss

For the reasons above, our net loss for the year ended May 31, 2015 was \$1,515,587 compared to \$0 for the period from May 1, 2014 (inception) through May 31, 2014. The net loss per diluted share for the year ended May 31, 2015 was \$0.24. This amount was computed based on the weighted average of 6,356,167 shares outstanding during the fiscal year. Following the issuance of common stock in connection with the Merger, there are currently 20,000,003 shares outstanding. If the net loss per share had been computed based on this number rather than the weighted average, the net loss per diluted share would have been \$0.13. We believe this adjusted number is meaningful to shareholders as it is based on our outstanding shares on a post-Merger basis, which represents our initial capitalization as a public company with a new business plan and is the capitalization against which shareholders will likely wish to measure our performance in the future.

Liquidity and Capital Resources

The following table summarizes total current assets, liabilities and working capital at February 29, 2016 compared to May 31, 2015.

	February 29, 2016	May 31, 2015
Current Assets	\$ 44,332	\$ 240,621
Current Liabilities	\$ 1,082,691	\$ 875,696
Working Capital (Deficit)	\$ (1,038,359)	\$ (635,075)

At February 29, 2016 and May 31, 2015, we had a working capital deficit of \$1,038,359 and \$635,075, respectively. This working capital deficit occurred primarily because we have not yet commenced earning revenues. We anticipate that we will commence earning revenues by the fourth quarter of 2016. During the nine months ended February 29, 2016, we obtained loans from our officers and directors to cover operating expenses and expenses related to the Merger and the Colorado Arrangement. In March 2016, we also closed on the Securities Purchase Agreement and used the proceeds from the first 10% Note for working capital purposes. This working capital deficit will likely continue to increase until we begin earning revenues but should not be viewed as an indicator of our future performance once we commence earning revenues. We have operated at a loss since inception.

Cash flows from operations used \$871,924 during the nine months ended February 29, 2016 compared to \$569,404 during the nine months ended February 28, 2015. This increase is primarily due to the Company having entered into the Colorado Arrangement and having commenced active trading in its common stock on the OTCQB during 2015. As a result, during the nine months ended February 29, 2016, the Company issued its stock to pay for investor relations services, issued stock to its new COO, and incurred deferred compensation owed to its CEO for the entire nine-month period versus only five months during the comparable period in 2014. The increase was also due to the amortization of the debt discount associated with the Company's convertible loans, deferred liabilities associated with the Colorado Arrangement and an increase in accounts payable because the Company was incurring expenses associated with the Colorado Arrangement but has not yet commenced earning revenue.

Cash flows from investing activities used \$44,477 during the nine months ended February 29, 2016 compared to \$297,408 during the nine months ended February 28, 2015. During the nine months ended February 29, 2016 the Company invested in equipment and had leasehold improvements on its Colorado facility. During the nine months ended February 28, 2015, the Company paid a fee to acquire the "public shell."

Cash flows from financing activities provided \$737,750 during the nine months ended February 29, 2016 compared to \$1,000,000 during the nine months ended February 28, 2015. During the nine months ended February 29, 2016, the Company borrowed funds from its officers and directors. During the nine months ended February 28, 2015, these same officers and directors purchased equity in the Company.

On April 29, 2015, we issued a convertible promissory note (the "April 2015 Note") to an unaffiliated individual in the amount of \$200,000. Interest accrues on the April 2015 Note at a rate of 15% per annum. On the first anniversary of the April 2015 Note, we will pay all then-accrued interest. Thereafter, we will make eight (8) equal quarterly payments of principal together with accrued interest, in arrears, commencing on July 1, 2016. All outstanding principal and any accumulated unpaid interest thereon shall be due and payable on the third anniversary of note. At the holder's election, at any time prior to payment or prepayment of the April 2015 Note in full, all principal and accrued interest under the April 2015 Note may be converted in whole, but not in part, into the Company's securities. For each dollar converted, the holder shall receive two shares of common stock and a three-year warrant to purchase 1.33 shares of common stock at \$0.75 per share.

To fund operations during the nine months ended February 29, 2016, we borrowed \$50,000 from Jeffrey Binder, an officer and director of the Company, and \$295,000 from Frank Koretsky, a director of the Company. The \$295,000 borrowed from Mr. Koretsky is in addition to a prior \$600,000 loan from Mr. Koretsky to the Company under identical terms. The terms of these loans were memorialized in convertible notes in favor of each of Mr. Binder and Mr. Koretsky. Pursuant to the terms thereof, these loans are unsecured and bear interest at a rate of 6% per annum. No payments are required until January 1, 2017, at which time all accrued interest becomes due and payable. Principal and additional accrued interest will be paid in eight equal quarterly installments beginning on April 1, 2017. At the election of the holder, at any time prior to payment or prepayment of the loans in full, all principal and accrued interest under loans may be converted, in whole or in part, into the Company's securities. Upon such an election, the holder will receive one "Unit" for each \$0.75 converted, with each Unit consisting of one (1) share of common stock and a five-year warrant to purchase (1) share of common stock at a price of \$1.00 per share.

During January and February 2016, we borrowed an additional \$12,750 from Jeffrey Binder, a director and officer of the Company, and \$380,000 from Frank Koretsky, a director of the Company, to fund operations. These loans, each of which was memorialized in a convertible promissory note dated April 11, 2016, are unsecured and bear interest at a rate of 6% per annum through February 29, 2016 and 10% per annum thereafter. Accrued interest will become due on April 1, 2017, with principal being paid in eight equal quarterly installments, together with accrued interest, beginning on July 1, 2017. At the holder's election, at any time prior to payment or prepayment of the loans in full, all principal and accrued interest under the loans may be converted, in whole or in part, into the Company's securities. Upon such an election, the holder will receive one "Unit" for each \$1.07 converted, with each Unit consisting of one (1) share of common stock and a five-year warrant to purchase (1) share of common stock at a price of \$1.07 per share.

Over the next twelve months we will require significant additional capital to cover our projected cash flow deficits due to the Colorado Arrangement and related agreements, the repayment of the April 2015 Note and the loans from Jeffrey Binder and Frank Koretsky, the implementation of our business plan, and the development of alternative revenue sources. Additionally, we anticipate that we will devote resources to research and development related to the refinement of our patent pending proprietary methods and processes and development of new products. We estimate research and development costs of between \$50,000 and \$100,000 during the next 12 months. Finally, during the next 18-24 months, we plan to construct and open two to three processing facilities for use either by a licensee or by us directly. We anticipate that the build out and opening of each processing facility will require between \$1,000,000 and \$3,000,000 in capital, with additional capital required for liquidity to cover personnel, equipment, and other operating expenses with respect to each opened facility.

We currently have two employees, Jeffrey Binder, who serves as the Chairman, President and Chief Executive Officer of the Company; and Alan Bonsett, who serves as the Chief Operating Officer of the Company. In an effort to assist us conserve cash, Mr. Binder has deferred all of his salary (approximately \$212,500 as of February 29, 2016) to date. During the nine months ended February 29, 2016, the Company issued to Mr. Bonsett a one-time signing bonus of 250,000 (post Reverse Split) shares of restricted common stock of the Company, which will become fully vested one year from the effective date of his employment agreement. The Company valued the shares at \$327,500. During the nine months ended February 29, 2016 we recognized \$327,500 in share-based compensation.

We do not currently have the capital necessary to meet our liquidity needs, fund our capital requirements or implement our business plan. We intend to fund our cash flow and capital requirements during the next year from the proceeds of the unissued 10% Notes and the Equity Line, the sale of our common stock, by obtaining additional loans and with cash generated through operations in connection with the Colorado Arrangement. There can be no assurance that we will be able to meet our needs, however, as we have not yet received any commitments for the purchase of our equity securities or for additional loans. Further, although we anticipate that we will begin receiving payments pursuant to the Licensing Agreement and Equipment Lease during the fourth quarter of 2016, the Colorado Arrangement has not generated revenue to date and, as described above, there can be no assurance that it will ever generate sufficient cash to repay the \$500,000 loan from CLS Labs Colorado or to meet PRH's obligations under the Licensing Agreement or Equipment Lease. We anticipate that we will incur operating losses during the next twelve months.

Consulting Agreements

We also utilize the services of outside investor relations consultants. Pursuant to a consulting agreement, we agreed to pay a consultant a monthly fee of \$6,000 at the beginning of each month and agreed to issue the consultant 120,000 shares of restricted common stock vesting at a rate of 10,000 shares per month. During the three months ended May 31, 2015, we paid \$12,000 to the consultant and 10,000 (post Reverse Split) shares vested. We terminated the consulting agreement during the nine months ended February 29, 2016 and issued the 60,000 shares of common stock that had vested, of which 50,000 shares with a value of \$37,500 were included in stock payable as of May 31, 2015.

On July 22, 2015, pursuant to a consulting agreement, we agreed to issue 5,000 shares of common stock, valued at \$5,750, to a consulting firm in exchange for investor relations consulting services. On August 17, 2015, the consulting agreement was amended, whereby we agreed to issue 5,000 additional shares of common stock, valued at \$6,350. On August 26, 2015, we extended the consulting agreement and agreed to issue the consultant an additional 10,000 shares of common stock, valued at \$12,700. On October 9, 2015, we extended the consulting agreement and agreed to issue the consultant an additional 10,000 shares of common stock, valued at \$11,700. On December 15, 2015, we extended the consulting agreement and agreed to issue the consultant an additional 10,000 shares of common stock, valued at \$8,000. All shares were valued based on the closing market price on the grant date. During the nine months ended February 29, 2016, we issued 10,000 shares to this consultant, and at February 29, 2016 have 30,000 shares of common stock, valued at \$32,750, included in stock payable on the accompanying balance sheets.

During the nine months ended February 29, 2016, pursuant to a consulting agreement, we agreed to issue 10,000 shares of common stock per month, valued at \$11,600 per month, to a consultant in exchange for investor relations consulting services. The consulting agreement was terminated during the first month of its term. The parties are in discussions regarding whether any shares of our common stock have been earned and it is uncertain whether any shares will be issued. As of February 29, 2016, we have included 20,000 shares of common stock, valued at \$23,200 in stock payable on the accompanying balance sheets. The shares were valued based on the closing market price on the grant date.

On December 18, 2015, pursuant to a consulting agreement, we agreed to issue 25,000 shares of common stock per month, valued at \$19,750, to a consultant in exchange for investor relations consulting services. The consulting agreement was terminated during the first month of its term. The parties are in discussions regarding whether any shares of our common stock have been earned and it is uncertain whether any shares will be issued. As of February 29, 2016, we had 50,000 shares of common stock, valued at \$39,500 included in stock payable on the accompanying balance sheet. The shares were valued based on the closing market price on the grant date.

Arrangements with the Selling Stockholder

On March 18, 2016, we entered into the Securities Purchase Agreement with the Selling Stockholder, whereby the Selling Stockholder agreed to purchase an aggregate of up to \$500,000 in subscription amount corresponding to an aggregate of up to \$555,555 in principal amount of 10% Original Issue Discount Convertible Promissory Notes due, subject to the terms therein, as set forth below. The Securities Purchase Agreement was subsequently amended to modify the closing date of the final two installments. Pursuant to the terms of the Securities Purchase Agreement, as amended, the purchase will occur, at our option, in up to five tranches. The first tranche of \$200,000 was purchased on March 18, 2016; the second tranche of \$50,000 was purchased on the first Friday that was a trading day after the filing date of this Registration Statement; the third tranche of \$50,000 was purchased on the first Friday that was a trading day at least three (3) trading days after the Company received initial comments from the SEC on the Registration Statement; the fourth tranche of \$100,000 will be purchased on the earlier of (i) first Friday which is a trading day at least three trading days after the date this Registration Statement is declared effective by the SEC or (ii) the fifth calendar day following the effective date; and the fifth tranche of \$100,000 will be purchased on the fifth calendar day following such effective date.

At the earlier of September 18, 2016 or the two (2) trading days after the SEC Effective Date, we must begin to redeem 1/24th of the face amount of the 10% Notes and any accrued but unpaid interest on a bi-weekly basis. Such amortization payments may be made, at our option, in cash or, subject to certain conditions, in our common stock pursuant to a conversion rate equal to the lower of (a) \$0.80 (the "Fixed Conversion Price") or (b) 75% of the lowest daily VWAP of our common stock in the twenty (20) consecutive trading days immediately prior to the applicable conversion date. At any time after the issue date of the Notes, the holder may convert the 10% Notes into shares of our common stock at the holder's option; provided however, that the 10% Notes may not be converted during the term of the Equity Purchase Agreement at any time between the date that a "put" notice has been issued by the Company under the Equity Purchase Agreement and the date of the closing and payment by the Selling Stockholder for the shares of common stock subject to such "put." In addition, the Securities Purchase Agreement, as amended, prohibits the Company from delivering a Put Notice to the Selling Stockholder during the three (3) days following a conversion by the Selling Stockholder under one of the 10% Notes. The conversion price will be the Fixed Conversion Price. Subject to certain exclusions, if we sell or issue our common stock or certain common stock equivalents at an effective price per share that is lower than the Fixed Conversion Price, the conversion price will be reduced to be equal to such lower price. On March 18, 2016, we issued Old Main a 10% Original Issue Discount Convertible Note in the principal amount of \$222,222 in exchange for \$200,000 pursuant to the Securities Purchase Agreement, representing the first tranche under the Securities Purchase Agreement. On each of April 22, 2016 and May 27, 2016, we issued Old Main a 10% Original Issue Discount Convertible Note in the principal amount of \$55,555 in exchange for \$50,000 pursuant to the Securities Purchase Agreement, representing the second tranche and third tranche, respectively, under the Securities Purchase Agreement. The proceeds from the first, second and third tranches were used by the Company to fund general working capital requirements.

On March 18, 2016, we also issued Old Main an 8% Convertible Promissory Note in the principal amount of \$200,000 for Old Main's commitment to enter into an equity line transaction with us and prepare all of the related transaction documents. The 8% Note bears interest at the rate of 8% per annum. At the earlier of September 18, 2016 or two (2) trading days after the SEC Effective Date, we must begin to redeem 1/6th of the face amount of the 8% Note and any accrued but unpaid interest on a monthly basis. Such amortization payments may be made, at the option of the Company, in cash or, subject to certain conditions, in common stock of the Company pursuant to a conversion rate equal to the lower of (a) \$1.07 (the "8% Note Fixed Conversion Price") or (b) 75% of the lowest VWAP in the twenty (20) consecutive trading days ending on the trading day that is immediately prior to the applicable conversion date. At any time after the issue date of the Notes, the holder may convert the 8% Note into shares of our common stock at the holder's option; provided however, that the 8% Note may not be converted during the term of the Equity Purchase Agreement at any time between the date that a "put" notice has been issued by the Company under the Equity Purchase Agreement and the date of the closing and payment by the Selling Stockholder for the shares of common stock subject to such "put." In addition, the Securities Purchase Agreement, as amended, prohibits the Company from delivering a Put Notice to the Selling Stockholder during the three (3) days following a conversion by the Selling Stockholder under the 8% Note. The conversion price will be the 8% Note Fixed Conversion Price. Subject to certain exclusions, if we sell or issue our common stock or certain common stock equivalents at an effective price per share that is lower than the 8% Note Fixed Conversion Price, the conversion price will be reduced to be equal to such lower price.

On April 18, 2016, we entered into the Equity Purchase Agreement with the Selling Stockholder providing for the Equity Line. The Equity Purchase Agreement provides that, upon the terms and subject to the conditions thereof, the Selling Stockholder is committed to purchase the Commitment Shares at an aggregate price of up to \$4,000,000 over the course of its 24-month term.

From time to time over the 24-month term of the Equity Purchase Agreement, commencing on the trading day immediately following the date on which the Registration Statement of which this Prospectus is a part becomes effective, we may, in our sole discretion, provide the Selling Stockholder with a Put Notice to purchase a Put Amount Requested subject to the limitations discussed below; provided, however, that, pursuant to the terms of the Securities Purchase Agreement, as amended, (i) the Company may not deliver a Put Notice to the Selling Stockholder during the three (3) days following a conversion by the Selling Stockholder under one of the Notes and (ii) the Notes may not be converted during the term of the Equity Purchase Agreement at any time between the date that a Put Notice has been issued by the Company and the date of the closing and payment by the Selling Stockholder for the shares of common stock subject to such Put Notice. Upon delivery of a Put Notice, we must deliver the Put Amount Requested as Deposit Withdrawal at Custodian ("DWAC") shares to the Selling Stockholder within two (2) trading days.

The actual amount of proceeds we receive pursuant to each Put Notice (each, the “Put Amount”) is to be determined by multiplying the Put Amount Requested by the applicable purchase price. The purchase price of each Commitment Share equals 80% of the Market Price (as defined below) during the five (5) consecutive trading days immediately preceding the date of the applicable Put Notice. The “Market Price” is the lowest VWAP of the common stock in the five-trading-day-period immediately following the clearing date associated with the applicable Put Notice (the “Valuation Period”). Within two (2) trading days following the end of the Valuation Period, the Selling Stockholder will deliver the Put Amount to us via wire transfer.

The Put Amount Requested pursuant to any single Put Notice must have an aggregate value of at least \$25,000 based upon the Market Price and cannot exceed the lesser of (i) 200% of the average daily share volume of the common stock in the five (5) trading days immediately preceding the Put Notice or (ii) such number of shares of common stock that has an aggregate value of \$500,000, based upon the Market Price.

In order to deliver a Put Notice, certain conditions set forth in the Equity Purchase Agreement must be met. In addition, we are prohibited from delivering a Put Notice if: (i) the sale of Commitment Shares pursuant to such Put Notice would cause us to issue and sell to the Selling Stockholder, or the Selling Stockholder to acquire or purchase, a number of shares of common stock that, when aggregated with all shares of common stock purchased by the Selling Stockholder pursuant to all prior Put Notices issued under the Equity Purchase Agreement, would exceed the total Commitment Shares; or (ii) the sale of the Commitment Shares pursuant to the Put Notice would cause us to issue and sell to the Selling Stockholder, or the Selling Stockholder to acquire or purchase, an aggregate number of shares of common stock that would result in the Selling Stockholder's beneficially owning more than 4.99% of the issued and outstanding shares of our common stock.

Unless earlier terminated, the Equity Purchase Agreement will terminate automatically on the earlier to occur of: (i) March 17, 2018, (ii) the date on which the Selling Stockholder has purchased or acquired all of the Commitment Shares or (iii) the date on which certain bankruptcy proceedings are initiated with respect to the Company.

The table below sets forth the amount of each payment the Company has made or is required to make to the Selling Stockholder, its affiliates and any person with whom the Selling Stockholder has a contractual relationship (including the value of any payments the Company may make in common stock) pursuant to the 10% Notes and the 8% Note. The amounts shown below include interest payments and reimbursement for legal fees, but exclude repayments of principal on the 10% Notes and 8% Note. The amounts shown below also exclude late fees and liquidated damages, if applicable, because no such amounts are due at the present and we are unable to determine if any such amounts will be due in the future. The computation of such amounts, should they become due, is included in the footnotes to the table. The timing of the payments shown below assumes that the Selling Stockholder will not convert all or any portion of the 10% Notes or 8% Note into our common stock and that we will not prepay all or any portion of the 10% Notes or 8% Note. If the Selling Stockholder does convert all or any portion of the 10% Notes or 8% Note into our common stock, all accrued interest on the portion of the note that is converted will be due and payable at the time of conversion. If we prepay all or any portion of the 10% Notes or 8% Note, all accrued interest on the portion of the note that is prepaid will be due and payable at the time of conversion together with a 30% prepayment fee. In an effort to approximate the maximum possible interest payments to the Selling Stockholder under the Notes, the table below assumes that the registration statement, of which this Prospectus is a part, will not become effective until September 15, 2016, and that the final two tranches of the 10% Notes will be issued and the initial payment of accrued interest under the Notes will be paid on September 19, 2016. If the registration statement becomes effective and this Prospectus issued prior to September 15, 2016, the final two tranches of the 10% Notes will be issued prior to September 19, 2016 and the accrued interest on all the 10% Notes will be less than the amounts indicated in this table.

Payments to the Selling Stockholder on 10% Notes and 8% Note

<u>Date Paid or Due</u>	<u>Type of Payment</u>	<u>Amount of Payment</u>
March 18, 2016	Reimbursement of Legal Fees	\$ 10,000
September 19, 2016	Accrued Interest on 10% Notes and 8% Note	\$ 23,731(1)(2)(3)(4)
October 3, 2016	Accrued Interest on 10% Notes	\$ 2,070(1)(2)(3)(4)
October 17, 2016	Accrued Interest on 10% Notes and 8% Note	\$ 3,017(1)(2)(3)(4)

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October 31, 2016	Accrued Interest on 10% Notes	\$	1,890(1)(2)(3)(4)
November 14, 2016	Accrued Interest on 10% Notes and 8% Note	\$	2,630(1)(2)(3)(4)
November 28, 2106	Accrued Interest on 10% Notes	\$	1,710(1)(2)(3)(4)
December 12, 2016	Accrued Interest on 10% Notes and 8% Note	\$	2,243(1)(2)(3)(4)
December 26, 2016	Accrued Interest on 10% Notes	\$	1,530(1)(2)(3)(4)
January 9, 2017	Accrued Interest on 10% Notes and 8% Note	\$	1,855(1)(2)(3)(4)
January 23, 2017	Accrued Interest on 10% Notes	\$	1,350(1)(2)(3)(4)
February 6, 2017	Accrued Interest on 10% Notes and 8% Note	\$	1,468(1)(2)(3)(4)
February 20, 2017	Accrued Interest on 10% Notes	\$	1,170(1)(2)(3)(4)
March 6, 2017	Accrued Interest on 10% Notes	\$	1,080(1)(2)(3)(4)
March 20, 2017	Accrued Interest on 10% Notes	\$	990(1)(2)(3)(4)
April 3, 2017	Accrued Interest on 10% Notes	\$	900(1)(2)(3)(4)
April 17, 2017	Accrued Interest on 10% Notes	\$	810(1)(2)(3)(4)
May 1, 2017	Accrued Interest on 10% Notes	\$	720(1)(2)(3)(4)
May 15, 2017	Accrued Interest on 10% Notes	\$	630(1)(2)(3)(4)
May 29, 2017	Accrued Interest on 10% Notes	\$	540(1)(2)(3)(4)
June 12, 2017	Accrued Interest on 10% Notes	\$	450(1)(2)(3)(4)
June 26, 2017	Accrued Interest on 10% Notes	\$	360(1)(2)(3)(4)
July 10, 2017	Accrued Interest on 10% Notes	\$	270(1)(2)(3)(4)
July 24, 2017	Accrued Interest on 10% Notes	\$	180(1)(2)(3)(4)

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August 7, 2017 Accrued Interest on 10% Notes \$ 90(1)(2)(3)(4)

(1) Assumes that \$222,222 of 10% Notes are issued on or before the fifth (5th) calendar day after the date the registration statement is declared effective, which is the latest permitted issuance of such 10% Notes pursuant to the Securities Purchase Agreement, as amended. For purposes of the calculations used in this Prospectus, it is assumed that such 10% Notes are issued on September 19, 2016.

(2) In certain instances, we have the option to make interest payments by delivering a number of shares of our common stock with a value equal to the interest payment then due. For purposes of such payments, the value of our common stock will be deemed to be equal to the lower of the "fixed conversion rate" (currently \$0.80 per share with respect to the 10% Notes and \$1.07 per share with respect to the 8% Note, as such amounts may be adjusted), or 75% of the lowest "volume weighted average price" in the 20 consecutive trading days ending on the trading day that is immediately prior to the applicable conversion date. For example, if an interest payment was due on March 18, 2016, the value of each share of our common stock used to make such interest payment would be \$0.75 under the 10% Notes and the 8% Note.

(3) Assumes that all payments are made on a timely basis pursuant to the terms of the 10% Notes or 8% Note, as applicable. If we fail to make any interest payment when due, a late fee equal to the lesser of 24% per annum or the maximum rate permitted by applicable law shall accrue daily commencing three trading days after the date such interest payment was due until and including the date of actual payment in full.

(4) If this Prospectus ceases for any reason to remain continuously effective as to all of the common stock registered with respect to the 10% Notes or the Selling Stockholder is otherwise not permitted to use this Prospectus to resell such common stock for more than 10 consecutive calendar days or more than an aggregate of 15 calendar days during any 12-month period, then on such date as such failure occurs and each month thereafter until such failure is cured, the outstanding principal amount of the applicable note or notes shall be increased in an amount equal to the product of 2% multiplied by the amount paid by the Selling Stockholder for the 10% Notes pursuant to the Securities Purchase Agreement. If we fail to pay these liquidated damages in full within seven days after the date payable, we will owe interest thereon at the rate of 18% per annum.

The total payments to be made by us to the Selling Stockholder and its affiliates during the first year following our sale of the 10% Notes and the 8% Note to the Selling Stockholder are reflected in the table above as the payments from March 18, 2016 to March 6, 2017. Such payments exclude late fees and liquidated damages, if applicable, because no such amounts are due as of the date hereof or expected to become due.

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The following table sets forth the net proceeds we received and will receive as a result of the sale of the 10% Notes and the 8% Note to the Selling Stockholder:

<u>Net Proceeds Paid to Company</u>		
<u>Date of Receipt of Proceeds</u>	<u>Amount of Proceeds</u>	<u>Applicable Note</u>
March 18, 2016	\$ 190,000	10% Notes
March 18, 2016	\$ 0 (1)	8% Note
April 22, 2016	\$ 40,000 (2)	10% Notes
May 31, 2016	\$ 50,000	10% Notes
[Fifth calendar day after Effective Date]	\$ 200,000 (3)	10% Notes

(1) The 8% Note was issued in lieu of a \$200,000 cash commitment fee in connection with the Equity Purchase Agreement. As a result, we did not receive any cash proceeds from the 8% Note.

(2) Reflects a reduction in proceeds in the amount of \$10,000 paid to the Selling Stockholder to reimburse it for legal fees incurred in connection with the Equity Purchase Agreement.

(3) Assumes that \$222,222 of 10% Notes are issued on or before the fifth (5th) calendar day after the date the registration statement is declared effective, which is the latest permitted issuance of such 10% Notes pursuant to the Securities Purchase Agreement, as amended.

Going concern

Our financial statements were prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplate the realization of assets and liquidation of liabilities in the normal course of business. We have incurred continuous losses from operations since inception, have an accumulated deficit of \$3,378,197 and had a working capital deficit of \$1,038,359 at February 29, 2016. In addition, we do not currently have the cash resources to meet our operating commitments during the next twelve months. Our ability to continue as a going concern must be considered in light of the problems, expenses, and complications frequently encountered by developmental stage companies.

Our ability to continue as a going concern is dependent on our ability to generate sufficient cash from operations to meet our cash needs, to borrow capital and to sell equity to support the opening of processing facilities and to finance ongoing operations. There can be no assurance, however, that we will be successful in our efforts to raise additional debt or equity capital and/or that cash generated by our future operations will be adequate to meet our needs. These factors, among others, indicate that we may be unable to continue as a going concern for a reasonable period of time.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Recently Issued Accounting Standards

Accounting standards promulgated by the Financial Accounting Standards Board (“FASB”) are subject to change. Changes in such standards may have an impact on our future financial statements. The following are a summary of recent accounting developments.

In November 2015, the FASB issued Accounting Standards Update (“ASU”) 2015-17, “Balance Sheet Classification of Deferred Taxes,” which requires that deferred tax liabilities and assets be classified as non-current on the balance sheet. ASU 2015-17 is effective in fiscal years beginning after December 15, 2016. Early adoption is permitted on either a prospective or retrospective basis. We have elected early adoption as of the interim period beginning December 1, 2015, effective for the annual period ending May 31, 2016, and has selected the prospective application. Prior periods have not been retrospectively adjusted.

In September 2015, the FASB issued ASU No. 2015-16, “Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments,” which requires the acquirer in a business combination to recognize in the reporting period in which adjustment amounts are determined, any adjustments to provisional amounts that are identified during the measurement period, calculated as if the accounting had been completed at the acquisition date. Prior to the issuance of ASU 2015-16, an acquirer was required to restate prior period financial statements as of the acquisition date for adjustments to provisional amounts. ASU 2015-16 is effective for annual and interim periods beginning after December 15, 2015. The adoption of ASU 2015-16 is not expected to have a material impact on our financial position or results of operations.

In August 2015, the FASB issued ASU No. 2015-14, “Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date.” This amendment defers the effective date of the previously issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606),” until the interim and annual reporting periods beginning after December 15, 2017. The FASB’s ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606),” was issued in three parts: (a) Section A, “Summary and Amendments That Create Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs-Contracts with Customers (Subtopic 340-40),” (b) Section B, “Conforming Amendments to Other Topics and Subtopics in the Codification and Status Tables” and (c) Section C, “Background Information and Basis for Conclusions.” The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Earlier application is permitted for interim and annual reporting periods beginning after December 15, 2016. We intend to adopt the provisions of ASU 2015-14 for interim and annual reporting periods beginning after December 15, 2017. We are currently evaluating the impact of the adoption of ASU 2015-14 on its consolidated financial statements.

In July 2015, the FASB, issued ASU No. 2015-11, “Inventory (Topic 330): Simplifying the Measurement of Inventory, ” which requires an entity to measure inventory within the scope of the ASU at the lower of cost or net realizable value. The amendments in ASU 2015-11 are effective for fiscal years beginning after December 15, 2016, including interim periods within that reporting period. Earlier adoption is permitted. The adoption of ASU 2015-11 is not expected to have a material impact on our financial position or results of operations.

Management does not believe that any other recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on the accompanying unaudited condensed consolidated financial statements.

DIRECTORS AND EXECUTIVE OFFICERS

Upon CLS Labs’ acquisition of a majority interest in the Company on November 12, 2014, Jeffrey I. Binder, the Chairman, President and Chief Executive Officer of CLS Labs, was appointed Chairman, President and Chief Executive Officer of the Company, and Michael Abrams, the former Chief Operating Officer of CLS Labs, was appointed the Chief Operating Officer of the Company. Effective August 15, 2015, Mr. Abrams resigned as Chief Operating Officer of the Company and was replaced by Alan Bonsett. Mr. Binder and Mr. Bonsett remain the only two employees of the Company. Mr. Binder and Frank Koretsky are the directors of the Company. Messrs. Binder, Koretsky and Raymond Keller are the founders and directors of CLS Labs.

The following sets forth information about our directors and executive officers as of the date of this Memorandum.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Jeffrey Binder	69	Chairman, President, CEO and Director
Frank Koretsky	53	Director
Alan Bonsett	42	Chief Operating Officer

Select information about Messrs. Binder, Koretsky, and Bonsett, and about Mr. Keller, one of the founders of CLS Labs, is set forth below.

Jeffrey Binder. Mr. Binder was one of the individuals who founded CLS Labs in 2014 and he has served as its Chairman, President, Chief Executive Officer and a director since its inception. Upon CLS Labs' acquiring control of the Company on November 12, 2014, Mr. Binder was appointed Chairman, President, Chief Executive Officer and a director of the Company. He continues to serve in these roles. Since 2008, Mr. Binder has served as founder, Chairman and President of Power 3 Network, Inc., a company that develops websites and back offices for home-based businesses. In 2003, Mr. Binder founded Infinity 8, Inc., a software development company, where he served as its Chairman, Treasurer and a director until 2011. In addition to his employment history, Mr. Binder has invested in and mentored several start-up and mid-stage companies through his private holding company, JeMJ Financial Services, Inc., which he formed in 1988 and for which he serves as Chairman, President and a director. Through JeMJ, Mr. Binder invested in GGL Industries, Inc., a private holding company that owned Sterling Yacht and Classic Motor Carriages, as well as various other companies, and had extensive real estate holdings. Mr. Binder received his Juris Doctorate from the National Law Center, George Washington University, in 1971, where he received the honor of membership in the Order of the Coif. He also served as a legislative assistant to Adlai Stevenson II, a United States Senator for Illinois, and practiced Law at Sonnenschein Nath & Rosenthal, LLP, Chicago, Illinois for five years.

Frank Koretsky. Mr. Koretsky is a founder and has served as a director of CLS Labs since its formation in 2014. Upon consummation of the Merger, Mr. Koretsky was also appointed a director of the Company. It is expected that Mr. Koretsky will serve as a consultant to the Company in the future. Since 1995, Mr. Koretsky has served as the President of East Coast News Corp., a leading company in the adult product distribution industry. As a result of Mr. Koretsky's business experience, he brings a strong background in management, marketing and branding to the Company.

Alan Bonsett. Mr. Bonsett joined the Company on August 1, 2015 and was appointed Chief Operating Officer effective August 15, 2015. Mr. Bonsett has extensive experience in the cannabis industry, spanning production and processing facility buildouts, business development and strategic planning, licensing and compliance, and supply chain management from grower to processing center to dispensary. From December 2014 until July 2015, Mr. Bonsett was a principal of Picture Rock Holdings, LLC, a marijuana extraction company, and President of Picture Rock Management, Inc., its management company. From February 2014 until July 2015, Mr. Bonsett served as Chief Executive Officer of Redwood Investment Partners, LLC, a wholesale medical and recreational marijuana grow facility in Denver, Colorado. From March 2014 until July 2015, Mr. Bonsett was a member and head of sales and marketing of Herbal Medical Institute, LLC, a medically-infused marijuana production kitchen and wholesaler. From November 2014 until July 2015, Mr. Bonsett served as Chief Operating Officer of NoBo Investment Partners, LLC, a marijuana consulting firm. From November 2014 until April 2015, Mr. Bonsett was a consultant for Personalized Organic Treatments, LLC, a medical marijuana dispensary and grow facility. From June 2013 until October 2014, Mr. Bonsett served as co-owner and general manager of Colorado Product Services, LLC d/b/a Doctor's Garden, a multi-location medical marijuana dispensary and grow facility. From December 2012 until May 2013, Mr. Bonsett was employed as head of the wholesale department of Holly Medicinal Services, LLC d/b/a The Clinic, a multi-location medical marijuana dispensary and grow facility. Mr. Bonsett, who graduated from Arizona State University with a bachelor's degree in business, was self-employed as a real estate project manager from December 2009 until November 2012 and spent over twelve years as a mortgage and real estate professional prior to his involvement in the marijuana industry.

Raymond Keller. Mr. Keller is a founder and has served as a director of CLS Labs since its formation in 2014. Mr. Keller also contributed his intellectual property rights related to the patent pending proprietary process of extracting, cleaning and converting the cannabinoids from the cannabis plant and the associated delivery materials and systems for such cannabinoids to CLS Labs in exchange for shares therein, which shares were later exchanged for his shares in the Company pursuant to the Merger. It is expected that Mr. Keller will serve as a consultant to the Company in the future. Since 2009, Mr. Keller has served as the founder and Chief Executive Officer of GoodCat, LLC, an FDA-approved laboratory that produces e-cigarette liquid for a number of distributors and brands. Mr. Keller graduated from the College of Charleston with a degree in Biology in 1989.

Our amended and restated articles of incorporation provide that the board of directors be divided into three classes with each class serving a staggered three-year term. The term of Class I expires at our 2018 annual meeting, the term of Class II expires at our 2016 annual meeting, and the term of Class III expires at our 2017 annual meeting. Frank Koretsky serves as the sole member of Class II and Jeffrey Binder serves as the sole member of Class III. Class I is currently unrepresented. We did not hold a 2015 annual meeting due to our present desire to conserve cash and focus on financing the Company. As a result, the Class I director may be elected by our existing directors once we identify a suitable candidate. Executive officers are appointed by the board of directors and serve at its pleasure. None of our directors are independent, as that term is defined by NASDAQ rules. None of our directors is a financial expert, as that term is defined by the SEC.

We are not currently listed on any national securities exchange or quoted on an inter-dealer quotation system that has a requirement that certain of the members of the board of directors be independent. In evaluating the independence of its members and the composition of its planned committees, the board of directors utilizes the definition of "independence" developed by the Nasdaq Stock Market and in SEC rules, including the rules relating to the independence standards of audit committee members and the non-employee director definition of Rule 16b-3 promulgated under the Exchange Act. The board of directors has determined that none of its current members is independent.

The board of directors expects to continue to evaluate whether and to what extent the members of the board of directors are independent. The Company intends to appoint persons to the board of directors who will meet the corporate governance requirements imposed by a national securities exchange. Therefore, the Company expects that in the future a majority of its directors will be independent directors of which at least one director will qualify as an “audit committee financial expert,” within the meaning of SEC rules.

Additionally, the board of directors expects to appoint an audit committee, governance committee and compensation committee and to adopt charters relative to each such committee in the future.

EXECUTIVE COMPENSATION

As a smaller reporting company, we are required to disclose for fiscal years 2014 and 2015 the executive compensation of our “Named Executive Officers,” which consist of the following individuals: (i) any individual serving as our principal executive officer or acting in a similar capacity; (ii) the two other most highly compensated executive officers of the Company serving as executive officers at the most recently completed fiscal year; and (iii) any additional individuals for whom disclosure would have been provided but for the fact the individual was not serving as an executive officer at the end of the most recently completed fiscal year.

Summary Compensation Table

The following table discloses compensation paid or to be paid to our named executive officers for the fiscal years ended May 31, 2014 and May 31, 2015, respectively.

<u>Name and Principal Position</u>	<u>Fiscal Year</u>	<u>Salary (\$)</u>	<u>Bonus (\$)</u>	<u>Option Awards (\$)</u>	<u>Non-Equity Incentive Plan Compensation (\$)</u>	<u>Non-Qualified Deferred Compensation (\$)</u>	<u>All Other Compensation (\$)</u>	<u>Total (\$)</u>
Larry Adelt, Former President and Chief Executive Officer(1)	2015	—	—	—	—	—	—	—
	2014	—	—	—	—	—	—	—
Jeffrey Binder, Chairman, President and Chief Executive Officer(2)	2015	106,250	—	—	—	—	—	106,250
	2014	—	—	—	—	—	—	—
Michael Abrams, Former Chief Operating Officer(3)	2015	100,000	—	—	—	—	—	100,000
	2014	—	—	—	—	—	—	—
Alan Bonsett, Chief Operating Officer(4)	2015	—	—	—	—	—	—	—
	2014	—	—	—	—	—	—	—

1 Mr. Adelt resigned as an officer and director of the Company on November 12, 2014 following the sale of all of his shares of common stock in the Company to CLS Labs. On the same date, Jeffrey Binder was appointed Chairman, President and Chief Executive Officer of the Company.

2 Mr. Binder was appointed Chairman, President and Chief Executive Officer of the Company on November 12, 2014. Although Mr. Binder’s employment agreement provides for an annual salary of \$150,000 per annum; to date, he has deferred all compensation from the Company, including the referenced salary.

3 Mr. Abrams earned a salary of \$150,000 per annum during the fiscal year ended May 31, 2015 pursuant to his employment agreement. Mr. Abrams resigned as Chief Operating Officer effective August 15, 2015 and was replaced by Alan Bonsett on that date.

4 Mr. Bonsett and the Company entered into an employment agreement effective August 1, 2015 and he was appointed Chief Operating Officer of the Company effective August 15, 2015.

Narrative Disclosure to Summary Compensation Table

We currently do not have a stock option plan. We do not currently have an incentive plan that provides compensation intending to serve as an incentive for performance.

The following is a narrative discussion of our officers' employment agreements that we believe is necessary to understand the information disclosed in the foregoing Summary Compensation Table with respect to fiscal year 2015.

Employment Agreements

CLS Labs and Jeffrey Binder entered into a five-year employment agreement effective October 1, 2014. Under the agreement, Mr. Binder serves as CLS Labs' Chairman, President and Chief Executive Officer and is entitled to receive an annual salary of \$150,000. Under the agreement, Mr. Binder is also entitled to receive a performance bonus equal to 2% of CLS Labs' annual EBITDA, up to a maximum annual cash compensation of \$1 million (including his base salary), and annual stock options, exercisable at the fair market value of CLS Labs' common stock on the date of grant, in an amount equal to 2% of its annual EBITDA up to \$42.5 million and 4% of its annual EBITDA in excess of \$42.5 million.

On April 28, 2015, Mr. Binder, CLS Labs and the Company entered into an addendum to Mr. Binder's employment agreement whereby Mr. Binder agreed that following the Merger, in addition to his obligations to CLS Labs, he would serve the Company and its subsidiaries in such roles as the Company may request. In exchange, the Company agreed to assume the obligations of CLS Labs to grant Mr. Binder annual stock options, as referenced above. Mr. Binder would continue to receive an annual salary of \$150,000 from CLS Labs for serving as its Chairman, President and Chief Executive Officer.

CLS Labs and Michael Abrams entered into a five-year employment agreement effective October 1, 2014. Under the agreement, Mr. Abrams served as CLS Labs' Chief Operating Officer and was entitled to receive an annual salary of \$150,000. Under the agreement, Mr. Abrams was also entitled to receive a performance bonus equal to 2% of CLS Labs' annual EBITDA, up to a maximum annual cash compensation of \$1 million (including his base salary), and annual stock options, exercisable at the fair market value of CLS Labs' common stock on the date of grant, in an amount equal to 2% of its annual EBITDA up to \$42.5 million and 4% of its annual EBITDA in excess of \$42.5 million. Additionally, Mr. Abrams was entitled to a one-time signing bonus of 250,000 shares of common stock of CLS Labs, which shares did not vest.

On April 28, 2015, Mr. Abrams, CLS Labs and the Company entered into an addendum to Mr. Abrams's employment agreement whereby Mr. Abrams agreed that following the Merger, in addition to his obligations to CLS Labs, he would serve the Company and its subsidiaries in such roles as the Company may request. Subsequently, effective August 15, 2015, Mr. Abrams left the Company and was replaced as Chief Operating Officer by Alan Bonsett.

Effective August 1, 2015, the Company and Alan Bonsett entered into a five-year employment agreement. Pursuant to the agreement, Mr. Bonsett commenced serving as the Company's Chief Operating Officer on August 15, 2015. Under the agreement, Mr. Bonsett is entitled to receive an annual salary of \$150,000. Further, he is entitled to receive a performance bonus equal to 2% of the Company's annual EBITDA, up to a maximum annual cash compensation of \$1 million (including his base salary), and annual stock options, exercisable at the fair market value of the Company's common stock on the date of grant, in an amount equal to 2% of its annual EBITDA up to \$42.5 million and 4% of its annual EBITDA in excess of \$42.5 million. Additionally, Mr. Bonsett is entitled to a one-time signing bonus of 250,000 (post Reverse Split) shares of restricted common stock of the Company, which will become fully vested one year from the effective date of the agreement.

Outstanding Equity Awards at Fiscal Year Ended May 31, 2015

The Company has never issued equity awards. As such, there were no outstanding stock options or other equity awards at May 31, 2015.

Director Compensation

To date, the Company has not paid its directors any compensation for services on its board of directors. Our directors are, however, entitled to receive compensation as determined by the board of directors.

Board of Directors and Corporate Governance

The board of directors currently consists of two (2) members and is divided into three classes with each class of directors serving a staggered three-year term. Frank Koretsky holds office until our 2016 annual meeting and Jeffrey Binder holds office until our 2017 annual meeting.

Board Independence and Committees

We are not currently listed on any national securities exchange or quoted on an inter-dealer quotation system that has a requirement that certain of the members of the board of directors be independent. In evaluating the independence of its members and the composition of the committees of the board of directors, the board of directors utilizes the definition of “independence” developed by the Nasdaq Stock Market and in SEC rules, including the rules relating to the independence standards of audit committee members and the non-employee director definition of Rule 16b-3 promulgated under the Exchange Act. The board of directors has determined that none of its current members is independent.

The board of directors expects to continue to evaluate whether and to what extent the members of the board of directors are independent. The Company intends to appoint persons to the board of directors who will meet the corporate governance requirements imposed by a national securities exchange. Therefore, the Company expects that in the future a majority of its directors will be independent directors of which at least one director will qualify as an “audit committee financial expert,” within the meaning of SEC rules.

Additionally, the board of directors expects to appoint an audit committee, governance committee and compensation committee and to adopt charters relative to each such committee in the future.

Code of Ethics

The Company’s board of directors expects to adopt a code of ethics that is reasonably designed to deter wrongdoing and promote honest and ethical conduct; provide full, fair, accurate, timely and understandable disclosure in public reports; comply with applicable laws; ensure prompt internal reporting of code violations; and provide accountability for adherence to the code.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information with respect to the beneficial ownership of our common stock as of June 1, 2016 by (i) each stockholder known by us to be the beneficial owner of more than 5% of our common stock, (ii) each of our directors and executive officers, and (iii) all of our directors and executive officers as a group. Our only class of voting securities is our common stock. To the best of our knowledge, except as otherwise indicated, each of the persons named in the table has sole voting and investment power with respect to the shares of our common stock beneficially owned by such person, except to the extent such power may be shared with a spouse. To our knowledge, none of the shares listed below are held under a voting trust or similar agreement. To our knowledge, there are no pending arrangements, including any pledges by any person of securities of the Company, the operation of which may at a subsequent date result in a change in control of the Company. Unless otherwise indicated in the following table, the address for each person named in the table is c/o CLS Holdings USA, Inc., 11767 S. Dixie Hwy, Suite 115, Miami, FL 33156.

Name and Address of Beneficial Owner¹	Amount and Nature of Beneficial Ownership²	Percentage of Class³
Jeffrey I. Binder	5,000,000	24.6%
Raymond Keller	5,000,000	24.6%
Frank Koretsky	5,000,000	24.6%
Charles DeAngelo	1,096,094	5.4%
Marc Douglas	1,096,094	5.4%
Alan Bonsett	250,000	1.2%
All directors and executive officers as a group (3 persons)	10,250,000	50.4%

¹ Except as otherwise indicated, the persons named in this table have sole voting, investment and dispositive power with respect to all shares of common stock listed.

² Reflects the extinguishment of the 6,250,000 (post Reverse Split) shares of common stock owned by CLS Labs and the issuance of 15,000,000 shares of common stock to the stockholders of CLS Labs in connection with the Merger and the issuance of 250,000 shares of common stock to Alan Bonsett pursuant to his employment agreement, as amended. Excludes any impact of stock options expected to be issued in connection with employment agreements for Mr. Binder and Mr. Bonsett.

³ Percentages are based upon 20,350,000 shares of our common stock outstanding as of June 1, 2016.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS AND DIRECTOR INDEPENDENCE

Related Party Transactions

Colorado Arrangement

On April 17, 2015, prior to Alan Bonsett's appointment as Chief Operating Officer, the Company, through CLS Labs Colorado, entered into the Colorado Arrangement with PRH to, among other things, (i) license its proprietary technology, methods and processes to PRH in Colorado in exchange for a fee; (ii) sub-lease warehouse and office space in Denver, Colorado to PRH where PRH can grow, extract and process cannabis and other plant products in exchange for lease payments totaling an aggregate of \$1,067,067 over a seventy-two (72) month term; (iii) build a processing facility and lease such facility, including equipment, to PRH in exchange for a monthly fee; and (iv) loan to PRH \$500,000 pursuant to a promissory note (the "PRH Note"), to be used by PRH in connection with financing the building out, equipping, and developing a grow facility by PRH that will be operated by a licensed third-party marijuana grower. Pursuant to the PRH Note, as amended by the parties, PRH will repay the principal due under the PRH Note in twenty (20) equal quarterly installments of Twenty-five Thousand Dollars (\$25,000) commencing in the fourth quarter of 2016 (the "Payment Date") and continuing until paid in full. Interest will accrue on the unpaid principal balance of the PRH Note at the rate of twelve percent (12%) per annum and will be paid quarterly in arrears commencing on the Payment Date and continuing until paid in full. All remaining outstanding principal and any accumulated unpaid interest due under the PRH Note will be due and payable on the fifth anniversary of the Payment Date. In the event of default as defined in the agreements related to the PRH Note, all amounts under the PRH Note shall become at once due and payable. Mr. Bonsett, as an owner of PRH, will indirectly receive the benefits of the Colorado Arrangement.

Koretsky Notes

During the year ended May 31, 2015, we borrowed \$600,000 from Frank Koretsky, a director of the Company, to fund operations (the "Koretsky Funding Note 1"). From June 1, 2015 through January 12, 2016, the Company borrowed an additional \$295,000 from Mr. Koretsky under the Koretsky Funding Note 1. These loans were unsecured, due not less than one year after the date the loans were made, and carried interest at the rate of 6% per annum. On January 12, 2016, we entered into a new loan agreement with Mr. Koretsky (the "Koretsky Convertible Note"), and the principal balance of \$895,000 and accrued interest in the amount of \$31,008 from the Koretsky Funding Note 1 were transferred into the Koretsky Convertible Note. This note is unsecured and bears interest at the rate of 6% per annum. No payments are required until January 1, 2017, at which time all accrued interest becomes due and payable. Principal will be paid in eight equal quarterly installments, together with accrued interest, beginning on April 1, 2017. At Mr. Koretsky's election, at any time prior to payment or prepayment of the loans in full, all principal and accrued interest under the loans may be converted, in whole or in part, into our securities. Upon such an election, Mr. Koretsky will receive one "Unit" for each \$0.75 converted, with each Unit consisting of one (1) share of common stock and a five-year warrant to purchase (1) share of common stock at a price of \$1.00 per share.

During January and February 2016, we borrowed an additional \$380,000 from Mr. Koretsky to fund operations at an interest rate of 6% per annum with the balance of the loan terms remaining unfinalized. The interest rate was increased to 10% per annum effective March 1, 2016 and the terms of the loans were subsequently memorialized in a convertible promissory note dated April 11, 2016 (the "Koretsky Funding Note 2"). The Koretsky Funding Note 2 is unsecured and bears interest at a rate of 6% per annum through February 29, 2016 and 10% per annum commencing March 1, 2016. All accrued interest will become due on April 1, 2017, with principal paid in eight equal quarterly installments together with accrued interest beginning on July 1, 2017. At Mr. Koretsky's election, at any time prior to payment or prepayment of the loans in full, all principal and accrued interest under the loans may be converted, in whole or in part, into our securities. Upon such an election, Mr. Koretsky will receive one "Unit" for each \$1.07 converted, with each Unit consisting of one (1) share of common stock and a five-year warrant to purchase (1) share of common stock at a price of \$1.07 per share.

Binder Notes

From June 1, 2015 through January 12, 2016, we borrowed \$50,000 from Mr. Binder, a director and officer of the Company, to fund operations (the "Binder Funding Note 1"). These loans were unsecured, due not less than one year after the date the loans were made, and carried interest at the rate of 6% per annum. On January 12, 2016, the Company entered into a new loan agreement with Mr. Binder (the "Binder Convertible Note"), and the principal balance of \$50,000 and accrued interest in the amount of \$962 from the Binder Funding Note 1 were transferred into the Binder Convertible Note. This note is unsecured and bears interest at the rate of 6% per annum. No payments are required until January 1, 2017, at which time all accrued interest becomes due and payable. Principal will be paid in eight equal quarterly installments together with accrued interest beginning on April 1, 2017. At Mr. Binder's election, at any time prior to payment or prepayment of the loans in full, all principal and accrued interest under the loans may be converted, in whole or in part, into the Company's securities. Upon such an election, Mr. Binder will receive one "Unit" for each \$0.75 converted, with each Unit consisting of one (1) share of common stock and a five-year warrant to purchase one (1) share of common stock at a price of \$1.00 per share.

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During January and February 2016, we borrowed an additional \$12,750 from Mr. Binder to fund operations at an interest rate of 6% per annum with the balance of the loan terms remaining unfinalized. The interest rate was increased to 10% per annum effective March 1, 2016. During March 2016, the Company borrowed an additional \$29,750 from Mr. Binder to fund operations at an interest rate of 10% per annum. The terms of the loans were subsequently memorialized in a convertible promissory note dated April 11, 2016 (the "Binder Funding Note 2") with an original principal amount of \$42,500. The Binder Funding Note 2 is unsecured and bears interest at a rate of 6% per annum through February 29, 2016 and 10% commencing March 1, 2016. All accrued interest will become due on April 1, 2017, with principal paid in eight equal quarterly installments together with accrued interest beginning on July 1, 2017. At Mr. Binder's election, at any time prior to payment or prepayment of the loans in full, all principal and accrued interest under the loans may be converted, in whole or in part, into the Company's securities. Upon such an election, Mr. Binder will receive one "Unit" for each \$1.07 converted, with each Unit consisting of one (1) share of common stock and a five-year warrant to purchase one (1) share of common stock at a price of \$1.07 per share.

Director Independence

The Board currently does not have any independent directors or separately designated standing committees.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock became eligible for trading on the OTCQB on August 27, 2014 under the symbol "ADSN." Prior to August 27, 2014, there was no public market for our common stock. Effective December 3, 2014, our trading symbol was changed to "CLSH" in connection with the Company's name change. Trading activity commenced on June 23, 2015 following the April 29, 2015 consummation of the Merger. All historical trading prices have been adjusted to reflect the Reverse Split. The following table sets forth the range of high and low sales prices for the applicable period on a post-Reverse-Split basis.

	Common Stock	
	High (\$)	Low (\$)
Fiscal Year Ending May 31, 2016:		
Fourth Quarter	\$ 1.22	\$ 0.85
Third Quarter	\$ 1.22	\$ 0.72
Second Quarter	\$ 1.31	\$ 0.77
First Quarter	\$ 1.80	\$ 0.75
Fiscal Year Ended May 31, 2015:		
Fourth Quarter *	\$ 0.20	\$ 0.20
Third Quarter *	\$ 0.20	\$ 0.20
Second Quarter *	\$ 0.20	\$ 0.20

* Reflects historical share price listed by OTC Markets for dates prior to the commencement of trading. Although our common stock became eligible for trading on the OTCBB on August 27, 2014, trading activity did not commence until June 23, 2015.

At April 18, 2016, we had 20,350,003 outstanding shares of common stock and approximately twelve (12) shareholders of record. The number of record holders was determined from the records of our transfer agent and does not include beneficial owners of common stock whose shares are held in the names of bank, brokers and other nominees.

We have not paid any cash dividends on our common stock to date. Any future decisions regarding dividends will be made by our board of directors. We do not anticipate paying dividends in the foreseeable future, but expect to retain earnings to finance the growth of our business. Our board of directors has complete discretion on whether to pay dividends. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

Securities Authorized for Issuance under Equity Compensation Plans

We do not have in effect any compensation plans under which our equity securities are authorized for issuance.

Penny Stock Regulations

The SEC has adopted regulations which generally define “penny stock” to be an equity security that has a market price of less than \$5.00 per share. Our common stock, when and if a trading market develops, may fall within the definition of penny stock and be subject to rules that impose additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers and accredited investors (generally those with assets in excess of \$1,000,000, or annual incomes exceeding \$200,000 individually, or \$300,000, together with their spouse).

For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchase of such securities and have received the purchaser’s prior written consent to the transaction. Additionally, for any transaction, other than exempt transactions, involving a penny stock, the rules require the delivery, prior to the transaction, of a risk disclosure document mandated by the SEC relating to the penny stock market. The broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and, if the broker-dealer is the sole market-maker, the broker-dealer must disclose this fact and the broker-dealer’s presumed control over the market. Finally, monthly statements must be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. Consequently, the penny stock rules may restrict the ability of broker-dealers to sell our common stock and may affect the ability of investors to sell their common stock in the secondary market.

SELLING STOCKHOLDER

This Prospectus relates to the possible resale from time to time by the Selling Stockholder named in the table below of any or all of the shares of common stock that has been or may be issued by us to the Selling Stockholder under the Securities Purchase Agreement and Equity Purchase Agreement. For additional information regarding the transaction relating to the issuance of common stock covered by this Prospectus, see "Management's Discussion and Analysis of Results of Operation and Financial Condition – Liquidity and Capital Resources – Arrangements with Selling Stockholders" above. We are registering the shares of common stock pursuant to the provisions of the Registration Rights Agreement in order to permit the Selling Stockholder to offer the shares for resale from time to time.

The table below presents information regarding the Selling Stockholder and the shares of common stock that it may offer from time to time under this Prospectus. This table is prepared based on information supplied to us by the Selling Stockholder, and reflects holdings as of April 11, 2016. As used in this Prospectus, the term “Selling Stockholder” includes the Selling Stockholder, and any donees, pledgees, transferees, or other successors-in-interest selling shares received after the date of this Prospectus from the Selling Stockholder as a gift, pledge, or other non-sale related transfer. The number of shares in the column “Maximum Number of Shares of Common Stock to be Offered Pursuant to this Prospectus” represents all of the shares of common stock that the Selling Stockholder may offer under this Prospectus. The Selling Stockholder may sell some, all or none of its shares offered by this Prospectus. We do not know how long the Selling Stockholder will hold the shares before selling them, and we currently have no agreements, arrangements, or understandings with the Selling Stockholder regarding the sale of any of the shares.

Beneficial ownership is determined in accordance with Rule 13d-3(d) promulgated by the SEC under the Exchange Act, and includes shares of common stock with respect to which the Selling Stockholder has voting and investment power. With respect to the Equity Line with the Selling Stockholder, because the purchase price of the shares of common stock issuable under the Equity Purchase Agreement is determined on each settlement date, the number of shares that may actually be sold by us under the Equity Purchase Agreement may be fewer than the number of shares being offered by this Prospectus. The fourth column assumes the sale of all of the shares offered by the Selling Stockholder pursuant to this Prospectus.

Name of Selling Stockholder	Number of Shares of Common Stock Owned Prior to Offering		Maximum Number of Shares of Common Stock to be Offered Pursuant to this Prospectus	Number of Shares of Common Stock Owned after Offering	
	Number	Percent		Number (1)	Percent
Old Main Capital, LLC (2)	881,360(3)	4.15%	5,000,000	0	*

* Represents beneficial ownership of less than one percent of the outstanding shares of our common stock.

(1) Assumes the sale of all shares being offered pursuant to this Prospectus.

(2) The Selling Stockholder’s principal business is that of a private investment firm. We have been advised that the Selling Stockholder is not a member of FINRA, or an independent broker-dealer, and that neither the Selling Stockholder nor any of its affiliates is an affiliate or an associated person of any FINRA member or independent broker-dealer. We have been further advised that Eric Rogers, Adam Long and Mark Rozeboom collectively share the voting and dispositive powers with respect to the shares of common stock being registered for sale by the Selling Stockholder.

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(3) Represents 694,444 shares of common stock issuable upon conversion of all of the 10% Notes that the Selling Stockholder is obligated to purchase, and which 10% Notes are, or will be upon issuance, immediately convertible; and 186,916 shares of common stock issuable upon conversion of the 8% Note held by the Selling Stockholder that is presently convertible. This number excludes an additional 2,085,304 shares of common stock that may be issued to the Selling Stockholder either as payment of interest on either the 10% Notes or the 8% Note or in redemption of either the 10% Note or the 8% Note, in each case in accordance with the terms of such applicable note. In accordance with Rule 13d-3(d) under the Exchange Act, we have excluded from the number of shares beneficially owned prior to the Offering all of the shares that the Selling Stockholder may be required to purchase under the Equity Purchase Agreement because the issuance of such shares is solely at our discretion and is subject to certain conditions, the satisfaction of all of which are outside of the Selling Stockholder's control, including, but not limited to, the Registration Statement of which this Prospectus is a part becoming and remaining effective. Furthermore, the maximum dollar value of each Put of common stock to the Selling Stockholder under the Equity Purchase Agreement is subject to certain agreed upon threshold limitations set forth therein. Also, under the terms of the Equity Purchase Agreement, we may not issue shares of our common stock to the Selling Stockholder to the extent that the Selling Stockholder or any of its affiliates would, at any time, beneficially own more than 4.99% of our outstanding common stock.

The following tables set forth the potential profit to be realized upon conversion by the Selling Stockholder of each of (i) the 10% Notes and (ii) the 8% Note, based on the conversion price at March 18, 2016 and the trading price of our common stock on such date:

10% Notes

Market price per share at March 18, 2016 ¹	\$	1.03
Conversion price per share at March 18, 2016 ²	\$	0.80
Total shares underlying Notes ³		694,444
Aggregate market value of underlying shares based on market price as of March 18, 2016	\$	715,277
Aggregate conversion price of underlying shares	\$	555,555
Total dollar amount of discount to market price	\$	159,722
<u>Percentage discount to market price</u>		<u>22.3%</u>

- (1) Market price calculated as the average of the high and low prices for the Company's common stock on March 18, 2016, as reported on the OTC Market Group, Inc.'s OTCQB tier.
- (2) Pursuant to the terms of the 10% Notes, the conversion price was calculated as 80% of the lowest VWAP (as defined in the 10% Notes) during the 20 trading days prior to March 18, 2016.
- (3) Assumes issuance of all of the 10% Notes on March 18, 2016.

8% Note

Market price per share at March 18, 2016 ¹	\$	1.03
Conversion price per share at March 18, 2016 ²	\$	1.07
Total shares underlying Notes		186,915
Aggregate market value of underlying shares based on market price as of March 18, 2016	\$	192,522
Aggregate conversion price of underlying shares ³	\$	200,000
Total dollar amount of premium to market price	\$	7,477
<u>Percentage premium to market price</u>		<u>3.88%</u>

- (1) Market price calculated as the average of the high and low prices for the Company's common stock on March 18, 2016, as reported on the OTC Market Group, Inc.'s OTCQB tier.
- (2) Pursuant to the terms of the 8% Note, the conversion price is the average VWAP (as defined in the 8% Note) during the ten days immediately preceding the closing date.
- (3) The 8% Note was issued in lieu of a \$200,000 cash commitment fee in connection with the Equity Purchase Agreement.

PLAN OF DISTRIBUTION

The Selling Stockholder, including any of its pledgees, assignees and successors-in-interest may, from time to time, sell any or all of their securities covered hereby on the OTC Bulletin Board or any other stock exchange, market or trading facility on which the securities are traded or in private transactions. These sales may be at fixed or negotiated prices. A Selling Stockholder may use any one or more of the following methods when selling securities:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the securities as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- exchange distributions in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- settlements of short sales;
- transactions through broker-dealers that agree with the Selling Stockholders to sell a specified number of such securities at a stipulated price per security;
- writings or settlements of options or other hedging transactions, whether through an options exchange or otherwise;
- combinations of any such methods of sale; or
- any other methods permitted pursuant to applicable law.

The Selling Stockholder may also sell securities under Rule 144 under the Securities Act, if available, rather than under this Prospectus.

Broker-dealers engaged by the Selling Stockholder may arrange for other broker-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the Selling Stockholder (or, if any broker-dealer acts as agent for the purchaser of securities, from the purchaser) in amounts to be negotiated, but, except as set forth in a supplement to this Prospectus, in the case of an agency transaction not in excess of a customary brokerage commission in compliance with FINRA Rule 2440; and in the case of a principal transaction a markup or markdown in compliance with FINRA IM-2440.

In connection with the sale of the securities or interests therein, the Selling Stockholder may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the securities in the course of hedging the positions they assume. The Selling Stockholder may also sell securities short where a corresponding Notice of Conversion is tendered to the Company and deliver these securities to close out their short positions, or loan or pledge the securities to broker-dealers that in turn may sell these securities. The Selling Stockholder may also enter into option or other transactions with broker-dealers or other financial institutions or create one or more derivative securities which require the delivery to such broker-dealer or other financial institution of securities offered by this prospectus, which securities such broker-dealer or other financial institution may resell pursuant to this Prospectus (as supplemented or amended to reflect such transaction).

The Selling Stockholder and any broker-dealers or agents that are involved in selling the securities may be deemed to be “underwriters” within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the securities purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. The Selling Stockholder has informed the Company that it does not have any written or oral agreement or understanding, directly or indirectly, with any person to distribute the securities.

The Company is required to pay certain fees and expenses incurred by the Company incident to the registration of the securities. The Company has agreed to indemnify the Selling Stockholder against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

Because the Selling Stockholder may be deemed to be an “underwriter” within the meaning of the Securities Act, it will be subject to the prospectus delivery requirements of the Securities Act including Rule 172 thereunder. In addition, any securities covered by this Prospectus which qualify for sale pursuant to Rule 144 under the Securities Act may be sold under Rule 144 rather than under this Prospectus. The Selling Stockholder has advised us that there is no underwriter or coordinating broker acting in connection with the proposed sale of the resale securities by the Selling Stockholder.

We have agreed to keep this Prospectus effective until the earlier of (i) the date on which the securities may be resold by the Selling Stockholder without registration and without regard to any volume or manner-of-sale limitations by reason of Rule 144, without the requirement for the Company to be in compliance with the current public information under Rule 144 under the Securities Act or any other rule of similar effect or (ii) the sale of all of the securities pursuant to this Prospectus or Rule 144 under the Securities Act or any other rule of similar effect. The resale securities will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states, the resale securities covered hereby may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

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Under applicable rules and regulations under the Exchange Act, any person engaged in the distribution of the resale securities may not simultaneously engage in market making activities with respect to the common stock for the applicable restricted period, as defined in Regulation M, prior to the commencement of the distribution. In addition, the Selling Stockholder will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including Regulation M, which may limit the timing of purchases and sales of securities of the common stock by the Selling Stockholder or any other person. We will make copies of this Prospectus available to the Selling Stockholder and have informed it of the need to deliver a copy of this Prospectus to each purchaser at or prior to the time of the sale (including by compliance with Rule 172 under the Securities Act).

DESCRIPTION OF SECURITIES TO BE REGISTERED

General

The following summary includes a description of material provisions of our capital stock, however the description does not purport to be complete and is subject to, and is qualified by, our Articles of Incorporation and Bylaws, which are filed as exhibits to the Registration Statement of which this Prospectus is a part.

Common Stock

We are authorized to issue 250,000,000 shares of common stock. As of the date of the Memorandum, there are 20,350,003 shares of common stock outstanding. Holders of common stock do not have preemptive rights to subscribe to additional shares we may issue in the future. There are no conversions, redemption, sinking fund or similar provisions regarding the common stock. All outstanding shares of common stock are fully paid and non-assessable. The holders of common stock are entitled to one vote per share on all matters submitted to a vote of the stockholders, including the election of directors. Generally, all matters to be voted on by stockholders must be approved by a majority (or, in the case of election of directors, by a plurality) of the votes entitled to be cast by all shares of common stock that are present in person or represented by proxy. Except as otherwise provided by law, amendments to our articles of incorporation generally must be approved by a majority of the votes entitled to be cast by the holders of all outstanding shares of common stock. The articles do not provide for cumulative voting in the election of directors. The holders of common stock will be entitled to such cash dividends as may be declared from time to time by our board of directors from funds available, subject to any preferential rights of holders of preferred stock. Upon liquidation, dissolution or winding up of the Company, the holders of common stock will be entitled to receive pro rata all assets available for distribution to such holders, subject to the rights of holders of preferred stock, if any.

Preferred Stock

We are authorized to issue 20,000,000 shares of preferred stock. As of the date of this Memorandum, there are no shares of preferred stock outstanding. Our board of directors has the authority, without further action by the our stockholders, to issue preferred stock in any number of series or classes, and to determine the terms of each such series or class within the limits of our articles and bylaws. Such terms that may be determined by the board of directors include the voting rights of each class or series; the number of shares comprising each class or series; redemption prices and rights; whether or not a class or series will be subject to a retirement or sinking fund; dividend rights and dividend rate; amounts payable upon liquidation, dissolution or winding up; and conversion rights. All shares of preferred stock that may be offered in the future will be fully paid and non-assessable. Any shares of preferred stock that are issued and outstanding may have priority over the common stock with respect to dividend or liquidation rights, or both.

Registration Rights

In accordance with the Registration Rights Agreement, the Selling Stockholder is entitled to certain rights with respect to the registration of the shares of common stock issued in connection with the Securities Purchase Agreement and Equity Purchase Agreement (the "Selling Stockholder Registrable Securities").

We are obligated to file a registration statement with respect to the Selling Stockholder Registrable Securities. Upon becoming effective, such registration statement shall remain effective at all times until the earliest of (i) the date that the Selling Stockholder may sell all of the Selling Stockholder Registrable Securities required to be covered by such registration statement without restriction pursuant to Rule 144 and without the need for current public information as required by Rule 144(c)(1) (or Rule 144(i)(2), if applicable), and (ii) the date the Selling Stockholder no longer owns any of the Selling Stockholder Registrable Securities. We must also take such action as is necessary to register and/or qualify the Selling Stockholder Registrable Securities under such other securities or blue sky laws of all applicable jurisdictions in the United States.

We will pay all reasonable expenses incurred in connection with the registrations described above. However, we will not be responsible for any broker or similar concessions or any legal fees or other costs of The Selling Stockholder.

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We have also granted registration rights pursuant to each of the April 2015 Note, Koretsky Convertible Note, Koretsky Funding Note 2, Binder Convertible Note and Binder Funding Note 2. Specifically, with respect to the shares of our common stock underlying such notes, we granted “piggyback” registration rights containing such terms as we reasonably determine. Mr. Binder and Mr. Koretsky subsequently agreed to waive their registration rights with respect to the Registration Statement of which this Prospectus is a part.

Dividends

Dividends, if any, will be contingent upon our revenues and earnings, if any, capital requirements, and financial conditions. The payment of dividends, if any, will be within the discretion of our Board. We intend to retain earnings, if any, for use in our business operations and accordingly, our Board does not anticipate declaring any dividends in the foreseeable future.

SHARES ELIGIBLE FOR FUTURE SALE

We cannot predict the effect, if any, that market sales of shares of our common stock or the availability of shares of our common stock for sale will have on the market price of our common stock prevailing from time to time. Future sales of our common stock in the public market, or the availability of such shares for sale in the public market, could adversely affect market prices prevailing from time to time. The availability for sale of a substantial number of shares of our common stock acquired through the exercise of outstanding warrants could materially adversely affect the market price of our common stock. In addition, sales of our common stock in the public market after the restrictions lapse as described below, or the perception that those sales may occur, could cause the prevailing market price to decrease or to be lower than it might be in the absence of those sales or perceptions.

Sale of Restricted Shares

As of April 18, 2016, there were 20,350,003 shares of common stock outstanding. The 5,000,000 shares of common stock being offered by this Prospectus will be freely tradable, other than by any of our “affiliates,” as defined in Rule 144(a) under the Securities Act, without restriction or registration under the Securities Act. In addition, 20,350,003 outstanding shares were issued and sold by us in private transactions and those shares, as well as shares issuable on exercise of currently outstanding convertible notes are, or will be, eligible for public sale if registered under the Securities Act or sold in accordance with Rule 144 under the Securities Act. These remaining shares are “restricted securities” within the meaning of Rule 144 under the Securities Act.

Rule 144

In general, under Rule 144, as currently in effect, a person (or persons whose shares are required to be aggregated), including a person who may be deemed an “affiliate” of a company, who has beneficially owned restricted securities for at least six months may sell, within any three-month period, a number of shares that does not exceed the greater of: (1) 1% of the then-outstanding shares of common stock, or (2) if and when the common stock is listed on a national securities exchange, the average weekly trading volume of the common stock during the four calendar weeks preceding the date on which notice of such sale was filed under Rule 144. Sales under Rule 144 are also subject to certain requirements as to the manner of sale, notice, and availability of current public information about our company. A person who is not deemed to have been an affiliate of us at any time during the 90 days preceding a sale by such person, and who has beneficially owned the restricted shares for at least one year, is entitled to sell such shares under Rule 144 without regard to any of the restrictions described above.

We cannot estimate the number of shares of our common stock that our existing stockholders will elect to sell under Rule 144.

Transfer Agent

The transfer agent for our common stock is V-Stock Transfer, LLC at 18 Lafayette Place, Woodmere, NY. V-Stock’s Transfer’s telephone number is (212) 828-8436.

LEGAL MATTERS

_____ will provide opinions regarding the validity of the shares of our common stock offered pursuant to this Prospectus.

EXPERTS

The consolidated financial statements of the Company and its subsidiaries as of May 31, 2015 and May 31, 2014 and for the year and period then ended, respectively, have been audited by M&K CPAs, PLLC, an independent registered public accounting firm, and upon the authority of said firm as experts in accounting and auditing.

INTERESTS OF NAMED EXPERTS AND COUNSEL

None.

DISCLOSURE OF THE SEC POSITION OF INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Sections 78.7502 and 78.751 of the Nevada Revised Statutes authorizes a court to award, or a corporation's board of directors to grant, indemnity to directors and officers in terms sufficiently broad to permit indemnification, including reimbursement of expenses incurred, under certain circumstances for liabilities arising under the Securities Act. In addition, our Bylaws provide that we have the authority to indemnify our directors and officers and may indemnify our employees and agents (other than officers and directors) against liabilities to the fullest extent permitted by Nevada law. We are also empowered under our Bylaws to purchase insurance on behalf of any person whom we are required or permitted to indemnify.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, or persons controlling us pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by a director, officer, or controlling person in the successful defense of any action, suit, or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed hereby in the Securities Act and we will be governed by the final adjudication of such issue.

WHERE YOU CAN FIND MORE INFORMATION

We have filed the Registration Statement, together with all amendments and exhibits, with the SEC. This Prospectus, which forms a part of the Registration Statement, does not contain all information included in the Registration Statement. Certain information is omitted and you should refer to the Registration Statement and its exhibits. With respect to references made in this Prospectus to any of our contracts or other documents, the references are not necessarily complete and you should refer to the exhibits attached to the Registration Statement for copies of the actual contracts or documents. You may read and copy any document that we file at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. Our filings and the Registration Statement, of which this Prospectus is a part, can also be reviewed by accessing the SEC's website at www.sec.gov.

We file periodic reports and other information with the SEC. Such periodic reports and other information are available for inspection and copying at the public reference room and website of the SEC referred to above. We maintain a website at www.clsholdingsinc.com. You may access our annual reports on Form 10-K and quarterly reports on Form 10-Q free of charge at our website as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The information and other content contained on any of our websites are not part of this Prospectus.

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February 29, 2016 and February 28, 2015 (Unaudited)**

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**As of May 31, 2015 and 2014 and for the Year Ended May 31, 2015 and for the
Period from Inception (May 1, 2014) to May 31, 2014 (Audited)**

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CLS HOLDINGS USA, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	February 29, 2016	May 31, 2015
	(unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 30,170	\$ 208,821
Prepaid expenses	14,162	31,800
Total current assets	44,332	240,621
Security deposit	50,000	50,000
Property, plant and equipment, net of accumulated depreciation of \$669 and \$0	2,005	-
Construction in progress	41,803	-
Note receivable related party, noncurrent, net of allowance of \$500,000 and \$500,000	-	-
Intangible assets, net of accumulated amortization of \$288 and \$0	1,870	2,158
Total assets	<u>\$ 140,010</u>	<u>\$ 292,779</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 343,488	\$ 145,024
Deferred rent liability	47,888	-
Accrued compensation, related party	212,500	106,250
Due to related party	17,930	18,455
Accrued interest	25,151	2,630
Accrued interest, related party	42,984	3,337
Notes payable, related party	392,750	600,000
Total current liabilities	1,082,691	875,696
Noncurrent liabilities		
Related party convertible notes, net of debt discount of \$880,510 and \$0	64,489	-
Convertible notes payable, net of debt discount of \$144,444 and \$194,444	55,556	5,556
Total Liabilities	1,202,736	881,252
Commitments and contingencies		
-		
Stockholder's equity		
Common stock, \$0.0001 par value; 250,000,000 shares authorized; 20,320,003 and 20,000,003 shares issued and outstanding at February 29, 2016 and May 31, 2015	2,032	2,000
Preferred stock, \$0.001 par value; 20,000,000 shares authorized; no shares issued	-	-
Additional paid-in capital	2,217,989	887,614
Stock payable	95,450	37,500
Accumulated deficit	(3,378,197)	(1,515,587)
Total stockholder's equity (deficit)	(1,062,726)	(588,473)
Total liabilities and stockholders' equity (deficit)	<u>\$ 140,010</u>	<u>\$ 292,779</u>

See accompanying notes to these financial statements.

CLS HOLDINGS USA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended February 29, 2016	For the Three Months Ended February 28, 2015	For the Nine Months Ended February 29, 2016	For the Nine Months Ended February 28, 2015
Revenue	\$ -	\$ -	\$ -	\$ -
Cost of goods sold	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Gross margin	-	-	-	-
Selling, general and administrative expenses	406,323	152,375	917,726	362,453
Professional fees	<u>343,818</u>	<u>186,279</u>	<u>767,420</u>	<u>296,850</u>
Total operating expenses	750,141	338,654	1,685,146	659,303
Operating loss	(750,141)	(338,654)	(1,685,146)	(659,303)
Other (income) expense:				
Interest expense	<u>106,599</u>	<u>265</u>	<u>177,464</u>	<u>445</u>
Total other expense	106,599	265	177,464	445
Income (Loss) before income taxes	(856,740)	(338,919)	(1,862,610)	(659,748)
Income tax expense	-	-	-	-
Net income (loss)	<u>\$ (856,740)</u>	<u>\$ (338,919)</u>	<u>\$ (1,862,610)</u>	<u>\$ (659,748)</u>
Net income (loss) per share - basic	<u>\$ (0.04)</u>	<u>\$ (0.02)</u>	<u>\$ (0.09)</u>	<u>\$ (0.04)</u>
Net income (loss) per share - diluted	<u>\$ (0.04)</u>	<u>\$ (0.02)</u>	<u>\$ (0.09)</u>	<u>\$ (0.04)</u>
Weighted average shares outstanding - basic	<u>20,182,640</u>	<u>15,000,000</u>	<u>20,081,901</u>	<u>15,000,000</u>
Weighted average shares outstanding - diluted	<u>20,182,640</u>	<u>15,000,000</u>	<u>20,081,901</u>	<u>15,000,000</u>

See accompanying notes to these financial statements.

CLS HOLDINGS USA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended February 29, 2016	For the Nine Months Ended February 28, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (1,862,610)	\$ (659,748)
Adjustments to reconcile net loss to net cash used in operating activities:		
Imputed interest	807	445
Issuance of stock for services	115,050	-
Stock-based compensation	327,500	-
Amortization of debt discount	114,489	-
Depreciation and amortization expense	957	-
Changes in assets and liabilities:		
Due from related parties	-	(6,497)
Prepaid expenses	17,638	(102,216)
Accounts payable and accrued expenses	198,464	111,932
Deferred liabilities	47,888	-
Accrued compensation, related party	106,250	68,750
Due to related parties	(525)	17,930
Accrued interest, related party	39,647	-
Accrued interest	<u>22,521</u>	<u>-</u>
Net cash used in operating activities	(871,924)	(569,404)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments to acquire equipment	(2,674)	-
Payment for construction in progress	(41,803)	-
Payments to acquire intangible assets	-	(2,158)
Payments for investment in shell company	<u>-</u>	<u>(295,250)</u>
Net cash used in investing activities	(44,477)	(297,408)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sale of common stock	-	1,000,000
Proceeds from related party convertible notes payable	345,000	-
Proceeds from related party notes payable	<u>392,750</u>	<u>-</u>
Net cash provided by financing activities	737,750	1,000,000
Net increase in cash and cash equivalents	(178,651)	133,188
Cash and cash equivalents at beginning of period	<u>208,821</u>	<u>-</u>
Cash and cash equivalents at end of period	<u>\$ 30,170</u>	<u>\$ 425,302</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Stock issued to founder for intellectual property	\$ -	\$ 500
Discount on notes payable	\$ 945,000	\$ -
Transfer principle from related party notes payable to related party convertible notes payable	\$ 945,000	\$ -

See accompanying notes to these financial statements.

CLS HOLDINGS USA, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
February 29, 2016
(Unaudited)

Note 1 – Nature of Business and Significant Accounting Policies

Nature of Business

CLS Holdings USA, Inc. (the “Company”) was originally incorporated as Adelt Design, Inc. (“Adelt”) on March 31, 2011 to manufacture and market carpet binding art. Production and marketing of carpet binding art never commenced.

On November 12, 2014, CLS Labs, Inc. (“CLS Labs”) acquired 10,000,000 shares, or 55.6%, of the outstanding shares of common stock of Adelt from its founder, Larry Adelt. On that date, Jeffrey Binder, the Chairman, President and Chief Executive Officer of CLS Labs, was appointed Chairman, President and Chief Executive Officer of the Company. On November 20, 2014, Adelt adopted amended and restated articles of incorporation, thereby changing its name to CLS Holdings USA, Inc. Effective December 10, 2014, the Company effected a reverse stock split of its issued and outstanding common stock at a ratio of 1-for-0.625 (the “Reverse Split”), wherein 0.625 shares of the Company’s common stock were issued in exchange for each share of common stock issued and outstanding. As a result, 6,250,000 shares of the Company’s common stock were issued to CLS Labs in exchange for the 10,000,000 shares that it owned by virtue of the above-referenced purchase from Larry Adelt.

On April 29, 2015, the Company, CLS Labs and CLS Merger Inc., a Nevada corporation and wholly owned subsidiary of CLS Holdings, entered into an Agreement and Plan of Merger (the “Merger Agreement”) and completed a merger, whereby CLS Merger Inc. merged with and into CLS Labs, with CLS Labs remaining as the surviving entity (the “Merger”). Upon the consummation of the Merger, the shares of the common stock of CLS Holdings owned by CLS Labs were extinguished and the former stockholders of CLS Labs were issued an aggregate of 15,000,000 (post Reverse Split) shares of common stock in CLS Holdings in exchange for their shares of common stock in CLS Labs. As a result of the Merger, the Company acquired the business of CLS Labs and abandoned its previous business.

The Company has a patent pending proprietary method of extracting cannabinoids from cannabis plants and converting the resulting cannabinoid extracts into concentrates such as oils, waxes, edibles and shatter. These concentrates may be ingested in a number of ways, including through vaporization via electronic cigarettes (“e-cigarettes”), and used for a variety of pharmaceutical and other purposes. Internal testing of this extraction method and conversion process has revealed that it produces a cleaner, higher quality product and a significantly higher yield than the cannabinoid extraction processes currently existing in the marketplace. The Company has not commercialized its patent pending proprietary process or otherwise earned any revenues. The Company plans to generate revenues through licensing, fee-for-service and joint venture arrangements related to its patent pending proprietary method of extracting cannabinoids from cannabis plants and converting the resulting cannabinoid extracts into saleable concentrates.

The Company has adopted a fiscal year end of May 31st.

Basis of Presentation

These financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States and are expressed in US dollars.

Principals of Consolidation

The accompanying consolidated financial statements include the accounts of CLS Holdings USA, Inc., and its wholly owned operating subsidiaries, CLS Labs, Inc. and CLS Labs Colorado, Inc. All material intercompany transactions have been eliminated upon consolidation of these entities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents. The Company had cash and cash equivalents of \$30,170 and \$208,821 as of February 29, 2016 and May 31, 2015, respectively.

Property, Plant and Equipment

Property and equipment is recorded at the lower of cost or estimated net recoverable amount, and is depreciated using the straight-line method over the estimated useful lives. Computer equipment is being depreciated over a three-year period.

Concentrations of Credit Risk

The Company maintains its cash in bank deposit accounts, the balances of which at times may exceed federally insured limits. The Company continually monitors its banking relationships and consequently has not experienced any losses in such accounts.

Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred. The Company incurred no advertising and marketing costs for the three and nine months ended February 29, 2016 and February 28, 2015.

Research and Development

Research and development expenses are charged to operations as incurred. The Company incurred research and development costs of \$0 and \$32,769, respectively, for the nine months ended February 29, 2016 and February 28, 2015, respectively.

Income Taxes

The Company accounts for income taxes using the asset and liability method, which requires the establishment of deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided to the extent deferred tax assets may not be recoverable after consideration of the future reversal of deferred tax liabilities, tax planning strategies, and projected future taxable income.

Fair Value of Financial Instruments

Under FASB ASC 820-10-05, the Financial Accounting Standards Board established a framework for measuring fair value in generally accepted accounting principles and expanded disclosures about fair value measurements. This Statement reaffirms that fair value is the relevant measurement attribute. The adoption of this standard did not have a material effect on the Company's financial statements as reflected herein. The carrying amounts of accrued expenses reported on the balance sheet are estimated by management to approximate fair value primarily due to the short term nature of the instruments. The Company had no items that required fair value measurement on a recurring basis.

Revenue Recognition

For revenue from product sales, the Company recognizes revenue using four basic criteria that must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the selling price is fixed and determinable; and (4) collectability is reasonably assured. Determination of criteria (3) and (4) are based on management's judgment regarding the fixed nature of the selling prices of the products delivered and the collectability of those amounts. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded. The Company defers any revenue for which the product has not been delivered or is subject to refund until such time that the Company and the customer jointly determine that the product has been delivered or no refund will be required.

The Company has not generated revenue to date.

Basic and Diluted Loss Per Share

Basic net earnings per share is based on the weighted average number of shares outstanding during the period, while fully-diluted net earnings per share is based on the weighted average number of shares of common stock and potentially dilutive securities assumed to be outstanding during the period using the treasury stock method. Potentially dilutive securities consist of options and warrants to purchase common stock, and convertible debt. Basic and diluted net loss per share is computed based on the weighted average number of shares of common stock outstanding during the period.

The Company uses the treasury stock method to calculate the impact of outstanding stock options and warrants. Stock options and warrants for which the exercise price exceeds the average market price over the period have an anti-dilutive effect on earnings per common share and, accordingly, are excluded from the calculation.

A net loss causes all outstanding stock options and warrants to be antidilutive. As a result, the basic and dilutive losses per common share are the same for the three and nine months ended February 29, 2016 and February 28, 2015.

Commitments and Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company's management assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

Recent Accounting Pronouncements

Accounting standards promulgated by the Financial Accounting Standards Board ("FASB") are subject to change. Changes in such standards may have an impact on the Company's future financial statements. The following are a summary of recent accounting developments.

In November 2015, the FASB issued Accounting Standards Update ("ASU") 2015-17, "Balance Sheet Classification of Deferred Taxes," which requires that deferred tax liabilities and assets be classified as non-current on the balance sheet. ASU 2015-17 is effective in fiscal years beginning after December 15, 2016. Early adoption is permitted on either a prospective or retrospective basis. The Company has elected early adoption as of the interim period beginning December 1, 2015, effective for the annual period ending May 31, 2016, and has selected the prospective application. Prior periods have not been retrospectively adjusted.

In September 2015, the FASB issued ASU No. 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments", which requires the acquirer in a business combination to recognize in the reporting period in which adjustment amounts are determined, any adjustments to provisional amounts that are identified during the measurement period, calculated as if the accounting had been completed at the acquisition date. Prior to the issuance of ASU 2015-16, an acquirer was required to restate prior period financial statements as of the acquisition date for adjustments to provisional amounts. ASU 2015-16 is effective for annual and interim periods beginning after December 15, 2015. The adoption of ASU 2015-16 is not expected to have a material impact on the Company's financial position or results of operations.

In August 2015, the FASB issued ASU No. 2015-14, “Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date”. This amendment defers the effective date of the previously issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), until the interim and annual reporting periods beginning after December 15, 2017. The FASB’s ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), was issued in three parts: (a) Section A, “Summary and Amendments That Create Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs—Contracts with Customers (Subtopic 340-40),” (b) Section B, “Conforming Amendments to Other Topics and Subtopics in the Codification and Status Tables” and (c) Section C, “Background Information and Basis for Conclusions.” The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Earlier application is permitted for interim and annual reporting periods beginning after December 15, 2016. The Company intends to adopt the provisions of ASU 2015-14 for interim and annual reporting periods beginning after December 15, 2017. The Company is currently evaluating the impact of the adoption of ASU 2015-14 on its consolidated financial statements.

In July 2015, the FASB, issued ASU No. 2015-11, “Inventory (Topic 330): Simplifying the Measurement of Inventory ”, which requires an entity to measure inventory within the scope of the ASU at the lower of cost and net realizable value. The amendments in ASU 2015-11 are effective for fiscal years beginning after December 15, 2016, including interim periods within that reporting period. Earlier adoption is permitted. The adoption of ASU 2015-11 is not expected to have a material impact on the Company’s financial position or results of operations.

Management does not believe that any other recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on the accompanying unaudited condensed consolidated financial statements.

Note 2 – Going Concern

As shown in the accompanying financial statements, the Company has incurred net losses from operations resulting in an accumulated deficit of \$3,378,197 as of February 29, 2016. Further losses are anticipated in the development of its business raising substantial doubt about the Company’s ability to continue as a going concern. The ability to continue as a going concern is dependent upon the Company generating profitable operations in the future and/or obtaining the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management intends to finance operating costs over the next twelve months with loans and/or the proceeds from the sale of securities. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might result from this uncertainty.

Note 3 – Merger with CLS Labs

On April 29, 2015, the Company, CLS Labs and CLS Merger, Inc., a Nevada corporation and wholly owned subsidiary of the Company, entered into an Agreement and Plan of Merger (the “Merger Agreement”) and completed a merger, whereby CLS Merger, Inc. merged with and into CLS Labs, with CLS Labs remaining as the surviving entity (the “Merger”). Upon the consummation of the Merger, the shares of common stock of CLS Holdings owned by CLS Labs were extinguished and the former stockholders of CLS Labs were issued an aggregate of 15,000,000 (post Reverse Split) shares of common stock in the Company in exchange for their shares of common stock in CLS Labs. As a result of the Merger, the Company acquired the business of CLS Labs and abandoned its previous business.

For financial reporting purposes, the Merger represents a capital transaction of CLS Labs or a “reverse merger” rather than a business combination, because the sellers of CLS Labs controlled the Company immediately following the completion of the Merger. As such, CLS Labs is deemed to be the accounting acquirer in the transaction and, consequently, the transaction is being treated as a recapitalization of CLS Labs. Accordingly, the assets and liabilities and the historical operations reflected in the Company’s ongoing financial statements are those of CLS Labs and are recorded at the historical cost basis of CLS Labs. The Company’s assets, liabilities and results of operations have been consolidated with the assets, liabilities and results of operations of CLS Labs after consummation of the Merger. The Company’s historical capital accounts have been retroactively adjusted to reflect the equivalent number of shares issued by the Company in the Merger while CLS Labs’ historical retained earnings have been carried forward. The historical financial statements of the Company before the Merger will be replaced with the historical financial statements of CLS Labs before the Merger in all future filings with the Securities and Exchange Commission, or “SEC”. The Merger is intended to be treated as a tax-free exchange under Section 368(b) of the Internal Revenue Code of 1986, as amended.

Pro Forma Results

The following tables set forth the unaudited pro forma results of the Company as if the acquisition of CLS Labs had taken place on the first day of the three and nine month periods ended February 28, 2015. These combined results are not necessarily indicative of the results that may have been achieved had the companies always been combined.

	Three Months Ended February 28, 2015	Nine Months Ended February 28, 2015
Total revenue	\$ -	\$ -
Net loss attributable to CLS Holdings USA, Inc.	(338,919)	(659,748)
Basic net income (loss) per common share	(0.02)	(0.04)
Diluted net income (loss) per common share	(0.02)	(0.04)
Weighted average shares - basic	15,000,000	15,000,000
Weighted average shares - diluted	15,000,000	15,000,000

Note 4 – Prepaid Expenses

Prepaid expenses consisted of the following as of February 29, 2016 and May 31, 2015:

	February 29, 2016	May 31, 2015
Prepaid legal fees	8,162	3,466
Prepaid consulting fees	1,000	28,334
Other prepaid expenses	5,000	-
Total	<u>\$ 14,162</u>	<u>\$ 31,800</u>

Note 5 – Security Deposit

The Company had a security deposit in the amount of \$50,000 at February 29, 2016 and May 31, 2015. This amount consists of a deposit to secure office and warehouse space.

Note 6 – Property, Plant and Equipment

Property, plant and equipment consisted of the following at February 29, 2016 and May 31, 2015.

	February 29, 2016	May 31, 2015
Computer equipment	\$ 2,674	\$ -
Property and equipment, gross	2,674	-
Less: accumulated depreciation	(669)	-
Property and equipment, net	<u>\$ 2,005</u>	<u>\$ -</u>

Depreciation expense totaled \$223 and \$669 for the three and nine months ended February 29, 2016 and \$0 for the three and nine months ended February 28, 2015, respectively.

During the nine months ended February 29, 2016, the Company paid \$41,803 for construction in progress related to the Company's Colorado facility.

Note 7 – Intangible Assets

Intangible assets consisted of the following at February 29, 2016 and May 31, 2015.

	February 29, 2016	May 31, 2015
Domain name	\$ 2,158	\$ 2,158
	2,158	2,158
Less: accumulated amortization	(288)	-
Intangible assets, net	<u>\$ 1,870</u>	<u>\$ 2,158</u>

Total amortization expense charged to operations for the three and nine months ended February 29, 2016 was \$108 and \$288 and \$0 for the three and nine months ended February 28, 2015, respectively. The domain name is being amortized over a period of 60 months.

Note 8 – Accounts Payable and Accrued Liabilities

The Company had accounts payable and accrued liabilities of \$343,488 and \$145,024 at February 29, 2016 and May 31, 2015 consist of legal fees and other trade payables.

Note 9 – Convertible Notes Payable

April 2015 Note:

On April 29, 2015, the Company issued a convertible note to an unaffiliated individual in the amount of \$200,000 (the “April 2015 Note”). Interest accrues on the April 2015 Note at a rate of 15% per annum. On the first anniversary of the April 2015 Note, the Company shall pay all then accrued interest. Thereafter, the Company shall make eight (8) equal payments of principal together with accrued interest, quarterly in arrears, commencing on July 1, 2016 and continuing on the same day of each October, January, April and July thereafter until paid in full. All outstanding principal and any accumulated unpaid interest thereon shall be due and payable on the third anniversary of note.

At the election of the holder of the April 2015 Note, at any time prior to payment or prepayment of the April 2015 Note in full, all principal and accrued interest under the April 2015 Note may be converted in whole, but not in part, into the Company’s securities. For each dollar converted, the holder of the April 2015 Note shall receive two shares of common stock and a three-year warrant to purchase 1.33 shares (post Reverse Split) of common stock at \$0.75 per share (post Reverse Split).

During the nine months ended February 29, 2016 and February 28, 2015, the Company recorded interest expense in the amount of \$22,521 and \$0, respectively, on this note. As of February 29, 2016 and May 31, 2015 the outstanding principal balance on the Convertible Note was \$200,000 and the Company had accrued interest in the amount of \$25,151 and \$2,630, respectively, on this note.

The Company calculated the fair value of the beneficial conversion features embedded in the April 2015 Note via the intrinsic value method. The Company also calculates the fair value of the detachable warrants offered with the April 2015 Note via the Black-Scholes valuation method. The value of the conversion feature and the detachable warrants are considered discounts to the April 2015 Note, to the extent the aggregate value of the warrants and conversion features do not exceed the face value thereof. These discounts were amortized to interest expense over the term of the April 2015 Note.

The Company recorded a discount to the April 2015 Note in the amount of \$200,000 during the year ended May 31, 2015. The discount was comprised of \$100,000 related to the beneficial conversion feature embedded in the April 2015 Note and \$100,000 for the detachable warrants. During the nine months ended February 29, 2016, the Company amortized \$50,000 of this discount to interest expense. As of February 29, 2016 and May 31, 2015, the Company had unamortized discounts on the April 2015 Note in the amount of \$144,444 and \$194,444, respectively.

Related Party Notes:

During the year ended May 31, 2015, the Company borrowed \$600,000 from Frank Koretsky, a director of the Company, to fund operations (the “Koretsky Funding Note 1”). From June 1, 2015 through January 12, 2016, the Company borrowed an additional \$295,000 from Mr. Koretsky under the Koretsky Funding Note 1. These loans were unsecured, due not less than one year after the date the loans were made, and carried interest at the rate of 6% per annum. On January 12, 2016, the Company entered into a new loan agreement with Mr. Koretsky (the “Koretsky Convertible Note”), and the principal balance of \$895,000 and accrued interest in the amount of \$31,008 from the Koretsky Funding Note 1 were transferred into the Koretsky Convertible Note. This note is unsecured and bears interest at the rate of 6% per annum. No payments are required until January 1, 2017, at which time all accrued interest becomes due and payable. Principal and additional accrued interest will be paid in eight equal quarterly installments beginning on April 1, 2017. At Mr. Koretsky’s election, at any time prior to payment or prepayment of the loans in full, all principal and accrued interest under the loans may be converted, in whole or in part, into the Company’s securities. Upon such an election, Mr. Koretsky will receive one “Unit” for each \$0.75 converted, with each Unit consisting of one (1) share of common stock and a five-year warrant to purchase (1) share of common stock at a price of \$1.00 per share. As of February 29, 2016 and May 31, 2015, the outstanding principal balance under the Koretsky Funding Note 1 was \$0 and \$600,000, respectively; the outstanding principal balance under the Koretsky Convertible Note was \$895,000 and \$0, respectively. At February 29, 2016 and May 31, 2015, the Company had a total of \$38,070 and \$3,337, respectively, of accrued interest due to Mr. Koretsky under the Koretsky Convertible Note and Koretsky Funding Note 1.

During January and February 2016, the Company borrowed an additional \$380,000 from Mr. Koretsky to fund operations at an interest rate of 6% per annum with the balance of the loan terms remaining unfinalized. The interest rate was increased to 10% per annum effective March 1, 2016 and the terms of the loans were subsequently memorialized in a convertible promissory note dated April 11, 2016 (the “Koretsky Funding Note 2”). The Koretsky Funding Note 2 is unsecured and bears interest at a rate of 6% per annum through February 29, 2016 and 10% per annum commencing March 1, 2016. All accrued interest will become due on April 1, 2017, with principal paid in eight equal quarterly installments along with accrued interest beginning on July 1, 2017. At Mr. Koretsky’s election, at any time prior to payment or prepayment of the loans in full, all principal and accrued interest under the loans may be converted, in whole or in part, into the Company’s securities. Upon such an election, Mr. Koretsky will receive one “Unit” for each \$1.07 converted, with each Unit consisting of one (1) share of common stock and a five-year warrant to purchase (1) share of common stock at a price of \$1.07 per share. As of February 29, 2016, the outstanding principal balance under the Koretsky Funding Note 2 was \$380,000 and the Company had accrued interest in the amount of \$3,487.

The Company calculated the fair value of the beneficial conversion features embedded in the convertible notes via the intrinsic value method. The Company also calculates the fair value of the detachable warrants offered with the convertible notes via the Black-Scholes valuation method. The value of the conversion feature and the detachable warrants are considered discounts to the convertible note, to the extent the aggregate value of the warrants and conversion features do not exceed the face value thereof. These discounts were amortized to interest expense over the term of the convertible notes.

The Company recorded a discount to the convertible notes in the amount of \$895,000 during the nine months ended February 29, 2016. The discount was comprised of \$458,982 related to the beneficial conversion feature embedded in the convertible note and \$436,018 for the detachable warrants. During the nine months ended February 29, 2016, the Company amortized \$61,077 of this discount to interest expense. As of February 29, 2016, the Company had unamortized discounts on this convertible note in the amount of \$833,923.

From June 1, 2015 through January 12, 2016, the Company borrowed \$50,000 from Mr. Binder, a director and officer of the Company, to fund operations (the “Binder Funding Note 1). These loans were unsecured, due not less than one year after the date the loans were made, and carried interest at the rate of 6% per annum. On January 12, 2016, the Company entered into a new loan agreement with Mr. Binder (the “Binder Convertible Note”), and the principal balance of \$50,000 and accrued interest in the amount of \$962 from the Binder Funding Note 1 were transferred into the Binder Convertible Note. This note is unsecured and bears interest at the rate of 6% per annum. No payments are required until January 1, 2017, at which time all accrued interest becomes due and payable. Principal and additional accrued interest will be paid in eight equal quarterly installments beginning on April 1, 2017. At Mr. Binder’s election, at any time prior to payment or prepayment of the loans in full, all principal and accrued interest under the loans may be converted, in whole or in part, into the Company’s securities. Upon such an election, Mr. Binder will receive one “Unit” for each \$0.75 converted, with each Unit consisting of one (1) share of common stock and a five-year warrant to purchase (1) share of common stock at a price of \$1.00 per share. As of February 29, 2016 and May 31, 2015, the outstanding principal balance under the Binder Convertible Note was \$50,000 and \$0, respectively. At February 29, 2016 and May 31, 2015, the Company had an aggregate of \$1,357 and \$0, respectively, of accrued interest due to Mr. Binder under the Binder Convertible Note.

The Company calculated the fair value of the beneficial conversion features embedded in this convertible note via the intrinsic value method. The Company also calculates the fair value of the detachable warrants offered with the convertible note via the Black-Scholes valuation method. The value of the conversion feature and the detachable warrants are considered discounts to the convertible note, to the extent the aggregate value of the warrants and conversion features do not exceed the face value thereof. These discounts were amortized to interest expense over the term of the convertible note.

The Company recorded a discount to the convertible note in the amount of \$50,000 during the nine months ended February 29, 2016. The discount was comprised of \$25,641 related to the beneficial conversion feature embedded in the convertible note and \$24,359 for the detachable warrants. During the nine months ended February 29, 2016, the Company amortized \$3,412 of this discount to interest expense. As of February 29, 2016, the Company had unamortized discounts on this convertible note in the amount of \$46,588.

During January and February 2016, the Company borrowed an additional \$12,750 from Mr. Binder to fund operations at an interest rate of 6% per annum with the balance of the loan terms remaining unfinalized. The interest rate was increased to 10% per annum effective March 1, 2016 and the terms of the loans were subsequently memorialized in a convertible promissory note dated April 11, 2016 (the "Binder Funding Note 2"). The Binder Funding Note 2 is unsecured and bears interest at a rate of 6% per annum through February 29, 2016 and 10% commencing March 1, 2016. All accrued interest will become due on April 1, 2017, with principal paid in eight equal quarterly installments along with accrued interest beginning on July 1, 2017. At Mr. Binder's election, at any time prior to payment or prepayment of the loans in full, all principal and accrued interest under the loans may be converted, in whole or in part, into the Company's securities. Upon such an election, Mr. Binder will receive one "Unit" for each \$1.07 converted, with each Unit consisting of one (1) share of common stock and a five-year warrant to purchase (1) share of common stock at a price of \$1.07 per share. As of February 29, 2016, the outstanding principal balance under the Binder Funding Note 2 was \$12,750, and the Company had accrued interest in the amount of \$70.

Note 10 – Stockholders' Equity

The Company's authorized capital stock consists of 250,000,000 shares of common stock, par value \$0.0001 per share and 20,000,000 shares of preferred stock, par value \$0.001 per share. The Company had 20,320,003 and 20,000,003 shares (post Reverse Split) of common stock issued and outstanding as of February 29, 2016 and May 31, 2015, respectively.

On December 10, 2014, the Company effected a reverse stock split of the Company's issued and outstanding common stock at a ratio of 1-for-0.625, wherein 0.625 shares of common stock were issued in exchange for each share of the Company's common stock owned by the Company's stockholders on December 1, 2014, the record date for the reverse stock split. As a result of the reverse stock split, 11,250,000 shares (post Reverse-Split) of common stock were outstanding as of December 10, 2014. The reverse stock split did not affect the number of authorized shares of the Company's common stock. All share and per share information contained in the financial statements has been retroactively adjusted to reflect the reverse stock split.

The Company recorded imputed interest of \$807 and \$0 during the nine months ended February 29, 2016 and February 28, 2015 on related party payables due to a director and officer of the Company.

On August 1, 2015, the Company and Alan Bonsett entered into a five-year employment agreement. Pursuant to the agreement, Mr. Bonsett commenced serving as the Company's Chief Operating Officer on August 15, 2015. Mr. Bonsett is entitled to a one-time signing bonus of 250,000 (post Reverse Split) shares of restricted common stock of the Company, which will become fully vested one year from the effective date of the agreement. The shares were issued on January 19, 2016. The Company valued the shares at \$327,500 based on the stock price at August 3, 2015. During the nine months ended February 29, 2016, the Company recognized \$327,500 in share based compensation.

Stock Issued for Services

On August 28, 2015, the Company issued 60,000 shares of common stock, valued at \$45,000, to a consultant for services. Of these shares, 50,000, valued at \$37,500, were included in stock payable as of May 31, 2015. The shares were valued based on the closing market price on the grant date.

On July 22, 2015, pursuant to a consulting agreement, the Company agreed to issue 5,000 shares of common stock, valued at \$5,750, to a consulting firm in exchange for investor relations consulting services. On August 17, 2015, the consulting agreement was amended, whereby the Company agreed to issue 5,000 additional shares of common stock, valued at \$6,350. On August 26, 2015, the Company extended the consulting agreement ("First Extension") and agreed to issue the consultant an additional 10,000 shares of common stock, valued at \$12,700. On October 9, 2015, the Company extended the consulting agreement ("Second Extension") and agreed to issue the consultant an additional 10,000 shares of common stock, valued at \$11,700. On December 15, 2015, the Company extended the consulting agreement ("Third Extension") and agreed to issue the consultant an additional 10,000 shares of common stock, valued at \$8,000. All shares were valued based on the closing market price of the common stock on the grant date. During the nine months ended February 29, 2016, the Company issued 10,000 shares to this consultant and at February 29, 2016 had 30,000 shares of common stock, valued at \$32,750 included in stock payable on the accompanying balance sheets.

On October 15, 2015, pursuant to a consulting agreement, the Company agreed to issue 10,000 shares of common stock per month, valued at \$11,600 per month, to a consultant in exchange for investor relations consulting services. The consulting agreement was terminated during the first month of its term. The parties are in discussions regarding whether any shares of the Company's common stock have been earned and it is uncertain whether any shares will be issued. As of February 29, 2016, we have included 20,000 shares of common stock, valued at \$23,200 in stock payable on the accompanying balance sheets. The shares were valued based on the closing market price on the grant date.

On December 18, 2015, pursuant to a consulting agreement commencing on January 4, 2016, the Company agreed to issue 25,000 shares of common stock per month, valued at \$19,750 per month, to a consultant in exchange for investor relations consulting services. The consulting agreement was terminated during the first month of its term. The parties are in discussions regarding whether any shares of the Company's common stock have been earned and it is uncertain whether any shares will be issued. As of February 29, 2016, the Company had 50,000 shares of common stock, valued at \$39,500 included in stock payable on the accompanying balance sheet. The shares were valued based on the closing market price on the grant date.

Note 11 – Related Party Transactions

During the nine months ended February 29, 2016 and February 28, 2015, the Company accrued related party payables in the amount of \$0 and \$0, respectively, for amounts due to officers and directors related to expenses paid on behalf of the Company. As of February 29, 2016 and May 31, 2015, the Company had related party payables in the amount of \$17,930 and \$18,455.

During the nine months ended February 29, 2016 and February 28, 2015, the Company recorded imputed interest of \$807 and \$0, respectively, on related party payables due to directors and an officer of the Company.

During the nine months ended February 29, 2016 and February 28, 2015, the Company accrued compensation in the amount \$106,250 and \$25,000, respectively, to Jeffrey Binder pursuant to his employment agreement. Mr. Binder has deferred all salary since the commencement of the agreement. At February 29, 2016 and May 31, 2015, total accrued compensation to Mr. Binder was \$212,500 and \$106,250, respectively.

Effective August 1, 2015, the Company and Alan Bonsett entered into a five-year employment agreement. Pursuant to the agreement, Mr. Bonsett commenced serving as the Company's Chief Operating Officer on August 15, 2015. Under the agreement, Mr. Bonsett is entitled to receive an annual salary of \$150,000. Further, he is entitled to receive a performance bonus equal to 2% of the Company's annual EBITDA, up to a maximum annual cash compensation of \$1 million (including his base salary), and annual stock options, exercisable at the fair market value of the Company's common stock on the date of grant, in an amount equal to 2% of its annual EBITDA up to \$42.5 million and 4% of its annual EBITDA in excess of \$42.5 million. Additionally, Mr. Bonsett is entitled to a one-time signing bonus of 250,000 (post Reverse-Split) shares of restricted common stock of the Company, valued at \$327,500, which will become fully vested one year from the effective date of the agreement. The shares were valued based on the closing market price on the grant date. The 250,000 shares were issued on January 19, 2016. During the nine months ended February 29, 2016, the Company recognized share based compensation of \$327,500.

On April 17, 2015, CLS Labs Colorado, Inc. ("CLS Labs Colorado"), a wholly owned subsidiary of CLS Labs, loaned \$500,000 (the "Note") to Picture Rock Holdings, LLC, a Colorado limited liability company ("PRH"), to be used by PRH in connection with the financing of the building out, equipping, and development of a grow facility by PRH that will be operated by a licensed third-party marijuana grower. Pursuant to the Note, as amended by the parties effective June 30, 2015 and October 31, 2015, PRH will repay the principal due under the Note in twenty (20) equal quarterly installments of Twenty Five Thousand Dollars (\$25,000) commencing in the fourth quarter of 2016 (the "Payment Date") and continuing until paid in full. Interest will accrue on the unpaid principal balance of the Note at the rate of twelve percent (12%) per annum and will be paid quarterly in arrears commencing on the Payment Date and continuing until paid in full. All remaining outstanding principal and any accumulated unpaid interest due under the Note will be due and payable on the fifth anniversary of the Payment Date. In the event of default as defined in the agreements related to the Note, all amounts under the Note shall become at once due and payable. During the year ended May 31, 2015, the Company recorded an impairment related to the note receivable in the amount of \$500,000. This receivable is recorded on the balance sheet as of February 29, 2016 and May 31, 2015 in the amount of \$0 and \$0, net of allowance in the amount of \$500,000.

On April 17, 2015, prior to Alan Bonsett's appointment as Chief Operating Officer, the Company, through CLS Labs Colorado, entered into an arrangement with PRH (the "Colorado Arrangement") to, among other things, (i) license its proprietary technology, methods and processes to PRH in Colorado in exchange for a fee; (ii) sub-lease warehouse and office space in Denver, Colorado to PRH where PRH can grow, extract and process cannabis and other plant products in exchange for lease payments totaling an aggregate of \$1,067,067 over a seventy-two (72) month term; (iii) build a processing facility and lease such facility, including equipment, to PRH in exchange for a monthly fee; and (iv) loan \$500,000 to PRH to be used by PRH in connection with its financing of the building out, equipping, and development of a marijuana grow facility. Mr. Bonsett, as an owner of PRH, will indirectly receive the benefits of the Colorado Arrangement. Because construction of the Grow Facility was only completed in December 2015, the business to be operated by PRH pursuant to the Colorado Arrangement has not yet produced revenues.

Related Party Notes Payable

The Company has convertible notes payable and notes payable outstanding to Jeffrey Binder, an officer and director, and to Frank Koretsky, a director; see note 9.

Note 12 – Commitment and Contingencies

The Company, through CLS Labs Colorado, leases 42,392 square feet of warehouse and office space (the "Leased Space") in a building located on 1.92 acres in Denver Colorado. CLS Labs Colorado subleases the Leased Space to Picture Rock Holdings, LLC as part of an arrangement whereby Picture Rock Holdings, LLC and its affiliate will conduct certain intended activities, including growing, extraction, conversion, assembly and packaging of cannabis and other plant materials, as permitted by and in compliance with state, city and local laws, rules, ordinances and regulations. Total expense for the lease was \$163,024 and \$0 for the nine months ended February 29, 2016 and February 28, 2015.

Employment Agreements

CLS Labs and Jeffrey Binder entered into a five-year employment agreement effective October 1, 2014. Under the agreement, Mr. Binder serves as CLS Labs' Chairman, President and Chief Executive Officer and is entitled to receive an annual salary of \$150,000. Under the agreement, Mr. Binder is also entitled to receive a performance bonus equal to 2% of CLS Labs' annual EBITDA, up to a maximum annual cash compensation of \$1 million (including his base salary), and annual stock options, exercisable at the fair market value of CLS Labs' common stock on the date of grant, in an amount equal to 2% of its annual EBITDA up to \$42.5 million and 4% of its annual EBITDA in excess of \$42.5 million. Mr. Binder has deferred all salary since the commencement of the agreement.

Effective August 1, 2015, the Company and Alan Bonsett entered into a five-year employment agreement. Pursuant to the agreement, Mr. Bonsett commenced serving as the Company's Chief Operating Officer on August 15, 2015. Under the agreement, Mr. Bonsett is entitled to receive an annual salary of \$150,000. Further, he is entitled to receive a performance bonus equal to 2% of the Company's annual EBITDA, up to a maximum annual cash compensation of \$1 million (including his base salary), and annual stock options, exercisable at the fair market value of the Company's common stock on the date of grant, in an amount equal to 2% of its annual EBITDA up to \$42.5 million and 4% of its annual EBITDA in excess of \$42.5 million. Additionally, Mr. Bonsett is entitled to a one-time signing bonus of 250,000 (post Reverse-Split) shares of restricted common stock of the Company, which will become fully vested one year from the effective date of the agreement. Mr. Bonsett, as an owner of PRH, will indirectly receive the benefits of the Colorado Arrangement, as discussed in Note 11. Because construction of the grow facility was only completed in December 2016, the business to be operated by PRH pursuant to the Colorado Arrangement has not yet produced revenues.

Note 13 – Subsequent Events

On March 18, 2016, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with Old Main Capital, LLC ("Old Main"), whereby Old Main agreed to purchase an aggregate of up to \$500,000 in subscription amount corresponding to an aggregate of up to \$555,555 in 10% Original Issue Discount Convertible Promissory Notes (the "10% Notes") due, subject to the terms therein, in installments as set forth below. The purchase will occur, at the Company's option, in up to five tranches, with the first tranche of \$200,000 being purchased on March 18, 2016; the second tranche of \$50,000 being purchased on the first Friday, which is a trading day after the date (the "Filing Date") that a registration statement (the "Registration Statement") registering shares of common stock of the Company issuable upon conversion or repayment of the 10% Notes, is filed with the SEC; the third tranche of \$50,000 being purchased on the first Friday, which is a trading day at least three (3) trading days after the Company receives initial comments from the SEC on the Registration Statement, or the date that the Company is notified by the SEC that the Registration Statement will not be reviewed; the fourth tranche of \$100,000 being purchased on the first Friday, which is a trading day at least three trading days after of the date that the Registration Statement is declared effective by the SEC (the "SEC Effective Date"); and the fifth Tranche of \$100,000 being purchased on the first Friday, which is a trading day after the thirty (30) day anniversary of the SEC Effective Date.

At the earlier of September 18, 2016 or two (2) trading days after the SEC Effective Date, the Company must begin to redeem 1/24th of the face amount of the Notes and any accrued but unpaid interest on a bi-weekly basis. Such amortization payment may be made, at the option of the Company, in cash or, subject to certain conditions, in common stock of the Company pursuant to a conversion rate equal to the lower of (a) \$0.80 (the “Fixed Conversion Price”) or (b) 75% of the lowest daily volume weighted average price of the common stock of (the “VWAP”) in the 20 consecutive trading days immediately prior to the applicable conversion date. At any time after the issue date of the Notes, the holder may convert the 10% Notes into shares of common stock of the Company at the holder’s option. The conversion price will be the Fixed Conversion Price. Subject to certain exclusions, if the Company sells or issues its common stock or certain common stock equivalents at an effective price per share that is lower than the Fixed Conversion Price, the conversion price will be reduced to equal to such lower price. On March 18, 2016, the Company issued Old Main a 10% Original Issuance Discount Convertible Promissory Note in the principal amount of \$222,222 with the original issue date of March 18, 2016 in exchange for \$200,000 pursuant to the Purchase Agreement, representing the first tranche under the Purchase Agreement.

On March 18, 2016, the Company also issued Old Main an 8% Convertible Promissory Note (the “8% Note”) in the principal amount of \$200,000 for Old Main’s commitment to enter into an equity line transaction with the Company and prepare all of the related transaction documents. The 8% Note bears interest at the rate of 8% per annum. At the earlier of the six month anniversary of the Closing Date or two (2) trading days after the SEC Effective Date, the Company must begin to redeem 1/6th of the face amount of the 8% Note and any accrued but unpaid interest on a monthly basis. Such amortization payment may be made, at the option of the Company, in cash or, subject to certain conditions, in common stock of the Company pursuant to a conversion rate equal to the lower of (a) \$1.07 (the “8% Note Fixed Conversion Price”) or (b) 75% of the lowest VWAP in the twenty (20) consecutive trading days ending on the trading day that is immediately prior to the applicable conversion date. Subject to certain exclusions, if the Company sells or issues its common stock or certain common stock equivalents at an effective price per share that is lower than the 8% Note Fixed Conversion Price, the conversion price will be reduced to equal to such lower price.

In connection with the Purchase Agreement, the Company and Old Main entered into a Registration Rights Agreement dated March 18, 2016 (the “Registration Rights Agreement”), whereby the Company agreed to register the resale of the shares of the Company’s common stock underlying the 10% Notes, among other securities, pursuant to the terms thereof. In the event that the Company fails to meet certain timing requirements set forth in the Registration Rights Agreement, among other penalties, for each month that such delay continues, the outstanding principal amount of the 10% Notes will be increased in an amount equal to the product of 2% multiplied by the aggregate subscription amount paid pursuant to the Purchase Agreement.

As discussed in Note 9, on April 11, 2016, convertible promissory notes in favor of Mr. Koretsky and Mr. Binder were finalized. These notes are unsecured and bear interest at the rate of 6% per annum on interest accrued through February 29, 2016 and 10% per annum thereafter. No payments are required until April 1, 2017, at which time all accrued interest becomes due and payable. Principal will be paid in eight equal quarterly installments, together with accrued interest, beginning on July 1, 2017. At the note holder’s election, at any time prior to payment or prepayment of the loans in full, all principal and accrued interest under the loans may be converted, in whole or in part, into the Company’s securities. Upon such an election, the holder will receive one “Unit” for each \$1.07 converted, with each Unit consisting of one (1) share of common stock and a five-year warrant to purchase (1) share of common stock at a price of \$1.07 per share.

We evaluated subsequent events after the balance sheet date through the date the financial statements were issued. We did not identify any additional material events or transactions occurring during this subsequent event reporting period that required further recognition or disclosure in these financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors

CLS Holdings USA, Inc.

We have audited the accompanying consolidated balance sheets of CLS Holdings USA, Inc. as of May 31, 2015 and 2014, and the related consolidated statements of operations, changes in shareholders' equity (deficit), and cash flows for the year ended May 31, 2015 and the period from inception (May 1, 2014) to May 31, 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CLS Holdings USA, Inc. as of May 31, 2015 and 2014, and the results of its operations, changes in shareholders' deficit and cash flows for the periods described above in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ M&K CPAS, PLLC
www.mkacpas.com
Houston, Texas
August 28, 2015

CLS HOLDINGS USA, INC.
CONSOLIDATED BALANCE SHEETS

	<u>May 31</u> <u>2015</u>	<u>May 31</u> <u>2014</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 208,821	\$ -
Prepaid expenses	31,800	-
Note receivable, current, net of allowance of \$100,000	-	-
Total current assets	240,621	-
Security deposit	50,000	-
Note receivable, noncurrent, net of allowance of \$400,000	-	-
Intangible assets, net	2,158	-
Total assets	<u>\$ 292,779</u>	<u>\$ -</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 145,024	\$ -
Accrued compensation, related party	106,250	-
Due to related party	18,455	-
Accrued interest	2,630	-
Accrued interest, related party	3,337	-
Notes payable, related party	600,000	-
Total current liabilities	875,696	-
Noncurrent liabilities		
Convertible notes payable, net of debt discount	5,556	-
Total Liabilities	881,252	-
Commitments and contingencies		
	-	-
Stockholder's equity		
Common stock, \$0.0001 par value; 250,000,000 shares authorized; 20,000,003 and zero shares issued and outstanding at May 31, 2015 and 2014	2,000	-
Additional paid-in capital	887,614	-
Stock payable	37,500	-
Accumulated deficit	(1,515,587)	-
Total stockholder's equity	(588,473)	-
Total liabilities and stockholders' equity	<u>\$ 292,779</u>	<u>\$ -</u>

See notes to the consolidated financial statements.

CLS HOLDINGS USA, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Year Ended May 31, 2015	For the Period May 1, 2014 (Inception) Through May 31, 2014
Revenue	\$ -	\$ -
Cost of goods sold	-	-
Gross margin	-	-
Selling, general and administrative expenses	998,994	-
Professional fees	504,354	-
Total operating expenses	1,503,348	-
Operating loss	(1,503,348)	-
Other (income) expense:		
Interest expense	12,239	-
Total other expense	12,239	-
Income (Loss) before income taxes	(1,515,587)	-
Income tax expense	-	-
Net income (loss)	<u>\$ (1,515,587)</u>	<u>\$ -</u>
Net income (loss) per share - basic	<u>\$ (0.24)</u>	<u>\$ -</u>
Net income (loss) per share - diluted	<u>\$ (0.24)</u>	<u>\$ -</u>
Weighted average shares outstanding - basic	<u>6,356,167</u>	<u>-</u>
Weighted average shares outstanding - diluted	<u>6,356,167</u>	<u>-</u>

See notes to the consolidated financial statements.

CLS HOLDINGS USA, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)

	<u>Common Stock Amount</u>	<u>Value</u>	<u>Additional Paid In Capital</u>	<u>Stock Payable</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance, May 1, 2014 (inception)	-	-	-	-	-	-
Net loss	-	-	-	-	-	-
Balance at May 31, 2014	-	-	-	-	-	-
Issuance of founders shares	15,000,000	1,500	998,500	-	-	1,000,000
Effect of reverse merger	5,000,003	500	(311,602)	-	-	(311,102)
Imputed interest	-	-	716	-	-	716
Value of vested portion of shares to be issued to a service provider	-	-	-	37,500	-	37,500
Discount due to beneficial conversion feature and warrants	-	-	200,000	-	-	200,000
Net loss	-	-	-	-	(1,515,587)	(1,515,587)
Balance, May 31, 2015	<u>20,000,003</u>	<u>2,000</u>	<u>887,614</u>	<u>37,500</u>	<u>(1,515,587)</u>	<u>(588,473)</u>

See notes to the consolidated financial statements.

CLS HOLDINGS USA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended May 31 2015	For the Period May 1, 2014 (Inception) Through May 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (1,515,587)	\$ -
Adjustments to reconcile net loss to net cash used in operating activities:		
Imputed interest	716	-
Impairment of note receivable	500,000	-
Stock-based compensation	37,500	-
Amortization of debt discount	5,556	-
Changes in assets and liabilities:		
Deposits	(50,000)	-
Prepaid expenses	(38,955)	-
Accounts payable and accrued expenses	136,327	-
Accrued compensation, related party	106,250	-
Due to related parties	18,455	-
Accrued interest, related party	3,337	-
Accrued interest	2,630	-
Net cash used in operating activities	(793,771)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment of cash for note receivable	(500,000)	-
Payments to acquire intangible assets	(2,158)	-
Payments for investment in shell company	(295,250)	-
Net cash used in investing activities	(797,408)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sale of common stock	1,000,000	-
Proceeds from related party note	600,000	-
Proceeds from issuance of convertible note	200,000	-
Net cash provided by financing activities	1,800,000	-
Net increase in cash and cash equivalents	208,821	-
Cash and cash equivalents at beginning of period	-	-
Cash and cash equivalents at end of period	\$ 208,821	\$ -
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Discount due to beneficial conversion feature and warrants	\$ 200,000	\$ -
Stock issued to founder for intellectual property	\$ 500	\$ -
Effect of reverse merger	\$ 16,352	\$ -

See notes to the consolidated financial statements.

CLS HOLDINGS USA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BUSINESS ORGANIZATION AND NATURE OF OPERATIONS

CLS Holdings USA, Inc. (the “Company”) was originally incorporated as Adelt Design, Inc. (“Adelt”) on March 31, 2011 to manufacture and market carpet binding art. Production and marketing of carpet binding art never commenced operations.

On November 12, 2014, CLS Labs, Inc. (“CLS Labs”) acquired 10,000,000 shares, or 55.6%, of the outstanding shares of common stock of Adelt from its founder, Larry Adelt. On that date, Jeffrey Binder, the Chairman, President and Chief Executive Officer of CLS Labs, was appointed Chairman, President and Chief Executive Officer of the Company, and Michael Abrams, the Chief Operating Officer of CLS Labs, was appointed the Chief Operating Officer of Adelt. On November 20, 2014, Adelt adopted amended and restated articles of incorporation, thereby changing its name to CLS Holdings USA, Inc. Effective December 10, 2014, the Company effected a reverse stock split of its issued and outstanding common stock at a ratio of 1-for-0.625 (the “Reverse Split”), wherein 0.625 shares of the Company’s common stock were issued in exchange for each share of common stock issued and outstanding. As a result, 6,250,000 shares of the Company’s common stock were issued to CLS Labs in exchange for the 10,000,000 shares that it owned by virtue of the above-referenced purchase from Larry Adelt.

The Merger

CLS Labs was originally incorporated in the state of Nevada on May 1, 2014 under the name RJF Labs, Inc. RJF Labs, Inc. changed its name to CLS Labs, Inc. on October 24, 2014.

On April 29, 2015, the Company, CLS Labs and CLS Merger Inc., a Nevada corporation and wholly owned subsidiary of CLS Holdings, entered into an Agreement and Plan of Merger (the “Merger Agreement”) and completed a merger, whereby CLS Merger Inc. merged with and into CLS Labs, with CLS Labs remaining as the surviving entity (the “Merger”). Upon the consummation of the Merger, the shares of the common stock of CLS Holdings owned by CLS Labs were extinguished and the stockholders of the Company were issued an aggregate of 15,000,000 (post Reverse Split) shares of common stock in CLS Holdings in exchange for their shares of common stock in CLS Labs. As a result of the Merger, the Company acquired the business of CLS Labs and abandoned our previous business.

For financial reporting purposes, the Merger represents a capital transaction of CLS Labs or a “reverse merger” rather than a business combination, because the sellers of CLS Labs controlled the Company immediately following the completion of the Merger. As such, CLS Labs is deemed to be the accounting acquirer in the transaction and, consequently, the transaction is being treated as a recapitalization of CLS Labs. Accordingly, the assets and liabilities and the historical operations that will be reflected in the Company’s ongoing financial statements will be those of CLS Labs and will be recorded at the historical cost basis of CLS Labs. The Company’s assets, liabilities and results of operations will be consolidated with the assets, liabilities and results of operations of CLS Labs after consummation of the Merger. The Company’s historical capital accounts will be retroactively adjusted to reflect the equivalent number of shares issued by the Company in the Merger while CLS Labs’ historical retained earnings will be carried forward. The historical financial statements of the Company before the Merger will be replaced with the historical financial statements of CLS Labs before the Merger in all future filings with the Securities and Exchange Commission, or “SEC”. The Merger is intended to be treated as a tax-free exchange under Section 368(b) of the Internal Revenue Code of 1986, as amended.

Operations

The Company has a proprietary method of extracting cannabinoids from cannabis plants and converting the resulting cannabinoid extracts into concentrates such as oils, waxes, edibles and shatter. These concentrates may be ingested in a number of ways, including through vaporization via electronic cigarettes (“e-cigarettes”), and used for a variety of pharmaceutical and other purposes. Internal testing of this extraction method and conversion process has revealed that it produces a cleaner, higher quality product and a significantly higher yield than the cannabinoid extraction processes currently existing in the marketplace. The Company has not commercialized its proprietary process or otherwise earned any revenues. The Company plans to generate revenues through licensing, fee-for-service and joint venture arrangements related to its proprietary method of extracting cannabinoids from cannabis plants and converting the resulting cannabinoid extracts into saleable concentrates.

NOTE 2 - GOING CONCERN

As shown in the accompanying financial statements, the Company has incurred net losses from operations resulting in an accumulated deficit of \$1,515,587 as of May 31, 2015. Further losses are anticipated in the development of its business raising substantial doubt about the Company's ability to continue as a going concern. The ability to continue as a going concern is dependent upon the Company generating profitable operations in the future and/or obtaining the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management intends to finance operating costs over the next twelve months with loans and/or the sale of common stock. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might result from this uncertainty.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States and are expressed in US dollars. The Company has adopted a fiscal year end of May 31st.

Principals of Consolidation

The accompanying consolidated financial statements include the accounts of CLS Holdings USA, Inc., and its wholly owned operating subsidiaries, CLS Labs, Inc. and CLS Labs Colorado, Inc. All material intercompany transactions have been eliminated upon consolidation of these entities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents. The Company had cash and cash equivalents of \$208,821 and \$0 as of May 31, 2015 and 2014.

Concentrations of Credit Risk

The Company maintains its cash in bank deposit accounts, the balances of which at times may exceed federally insured limits. The Company continually monitors its banking relationships and consequently has not experienced any losses in such accounts.

Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred. The Company incurred no advertising and marketing costs for the year ended May 31, 2015 and for the period from inception (May 1, 2014) to May 31, 2014.

Research and Development

Research and development expenses are charged to operations as incurred. The Company incurred research and development costs of \$32,769 and \$0 for the years ended May 31, 2015 and 2014, respectively.

Fair Value of Financial Instruments

Pursuant to ASC No. 825, Financial Instruments, the Company is required to estimate the fair value of all financial instruments included on its balance sheets. The carrying amount of the Company's cash and cash equivalents, note receivable, notes payable, accounts payable and accrued expenses, none of which is held for trading, approximates their estimated fair values due to the short-term maturities of those financial instruments.

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A three-tier fair value hierarchy is used to prioritize the inputs in measuring fair value as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Significant unobservable inputs that cannot be corroborated by market data.

Revenue Recognition

The Company applies the revenue recognition provisions pursuant to ASC No. 605, Revenue Recognition, which provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. The guidance outlines the basic criteria that must be met to recognize the revenue and provides guidance for disclosure related to revenue recognition policies.

Basic and Diluted Per Share

Basic net earnings per share is based on the weighted average number of shares outstanding during the period, while fully-diluted net earnings per share is based on the weighted average number of shares of common stock and potentially dilutive securities assumed to be outstanding during the period using the treasury stock method. Potentially dilutive securities consist of options and warrants to purchase common stock, and convertible debt. Basic and diluted net loss per share is computed based on the weighted average number of shares of common stock outstanding during the period.

The Company uses the treasury stock method to calculate the impact of outstanding stock options and warrants. Stock options and warrants for which the exercise price exceeds the average market price over the period have an anti-dilutive effect on earnings per common share and, accordingly, are excluded from the calculation.

A net loss causes all outstanding stock options and warrants to be antidilutive. As a result, the basic and dilutive losses per common share are the same for the year ended May 31, 2015 and for the period from May 1, 2014 (inception) through May 31, 2014.

Income Taxes

The Company accounts for income taxes under the asset and liability method in accordance with ASC 740. The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The components of the deferred tax assets and liabilities are classified as current and non-current based on their characteristics. A valuation allowance is provided for certain deferred tax assets if it is more likely than not that the Company will not realize tax assets through future operations.

Commitments and Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

Recent Accounting Pronouncements

The FASB has issued ASU No. 2014-09, Revenue from Contracts with Customers. This ASU supersedes the revenue recognition requirements in Accounting Standards Codification 605 - Revenue Recognition and most industry-specific guidance throughout the Codification. The standard requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This ASU is effective on January 1, 2017 and should be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the ASU recognized at the date of initial application. The Company has not yet determined the effect of the adoption of this standard and it is expected to have an immaterial impact on the Company's consolidated financial statements.

On June 19, 2014, the Company adopted the amendment to (Topic 718) Stock Compensation: Accounting for Share-Based Payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The amendment for accounting for share based payments, when an award provides that a performance target that affects vesting could be achieved after an employee completes the requisite service period shall be accounted for as a performance condition. The performance target shall not be reflected in estimating the fair value of the award at the grant date, and compensation cost shall be recognized in the period in which it becomes probable that the performance target will be achieved and will represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost shall be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period shall reflect the number of awards that are expected to vest and shall be adjusted to reflect the awards that ultimately vest. The Company does not believe the accounting standards currently adopted will have a material effect on the accompanying condensed financial statements.

There are various other updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

NOTE 4 - MERGER WITH CLS LABS

On April 29, 2015, the Company, CLS Labs and CLS Merger, Inc., a Nevada corporation and wholly owned subsidiary of the Company, entered into an Agreement and Plan of Merger (the "Merger Agreement") and completed a merger, whereby CLS Merger, Inc. merged with and into CLS Labs, with CLS Labs remaining as the surviving entity (the "Merger"). Upon the consummation of the Merger, the shares of the common stock of CLS Holdings owned by CLS Labs were extinguished and the stockholders of CLS Labs were issued an aggregate of 15,000,000 (post Reverse Split) shares of common stock in the Company in exchange for their shares of common stock in CLS Labs. As a result of the Merger, the Company acquired the business of CLS Labs and abandoned its previous business.

Pro Forma Results

The following tables set forth the unaudited pro forma results of the Company as if the acquisition of CLS Labs had taken place on the first day of the periods presented. These combined results are not necessarily indicative of the results that may have been achieved had the companies always been combined.

	Twelve months ended May 31, 2015
Total Revenue	-
Net loss attributable to CLS Holdings USA, Inc.	(2,200,788)
Basic net income (loss) per common share	(0.35)
Diluted net income (loss) per common share	(0.35)
Weighted average shares - basic	6,356,167
Weighted average shares - diluted	6,356,167

NOTE 5 - PREPAID EXPENSES

Prepaid expenses consist of the following as of May 31, 2015 and 2014:

	May 31, 2015	May 31, 2014
Prepaid legal fee	\$ 3,466	\$ -
Prepaid consulting fees	28,334	-
Total prepaid expenses	\$ 31,800	\$ -

NOTE 6 - NOTE RECEIVABLE

On April 17, 2015, CLS Labs Colorado, Inc., a wholly owned subsidiary of the Company, loaned \$500,000 (the "Note") to Picture Rock Holdings, LLC, a Colorado limited liability company ("PRH") to be used by PRH in connection with the financing of the building out, equipping, and development of a grow facility by PRH that will be operated by a licensed third-party marijuana grower. Pursuant to the Note, as amended by the parties effective June 30, 2015, PRH will repay the principal due under the Note in twenty (20) equal quarterly installments of Twenty Five Thousand Dollars (\$25,000) commencing three (3) months after a certificate of occupancy is issued with respect to the grow facility (the "CO Date") and continuing until paid in full. Interest will accrue on the unpaid principal balance of the Note at the rate of twelve percent (12%) per annum and will be paid quarterly in arrears commencing on the CO Date and continuing until paid in full. All outstanding principal and any accumulated unpaid interest due under the Note is due and payable on the five-year anniversary of the CO Date. In the event of default as defined in the agreements underlying the Note, all amounts under the Note shall become at once due and payable. During the year ended May 31, 2015, the Company recorded an impairment related to the note receivable in the amount of \$500,000. This receivable is recorded on the balance sheet as of May 31, 2015 in the amount of \$0, net of allowance in the amount of \$500,000.

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities of \$145,024 at May 31, 2015 consist of legal fees and other trade payables. The Company had no accounts payable or accrued liabilities at May 31, 2014.

NOTE 8 - RELATED PARTY TRANSACTIONS

As of May 31, 2015 the Company had related party payables in the amount of \$18,455 due to directors and officers of the Company for expenses paid on behalf of the Company. The Company recorded imputed interest of \$716 during the year end May 31, 2015 on \$17,930 of the \$18,455 due to a director and officer of the Company.

As of May 31, 2015, the Company had accrued compensation in the amount of \$106,250 due to Jeffrey Binder pursuant to his employment agreement, as amended. Mr. Binder has deferred all salary since the commencement of the agreement.

During the year ended May 31, 2015, three founding shareholders were each issued 5,000,000 (post Reverse Split) common shares for a total of 15,000,000 (post Reverse Split) founder shares. The transaction was valued at \$1,000,000. The Company received cash proceeds of \$1,000,000 from two shareholders and intellectual property from a third shareholder. Due to the related party nature, no value was assigned to the intellectual property exchanged for stock.

During the year ended May 31, 2015, the Company borrowed \$600,000 from Frank Koretsky, a director of the Company, to fund operations. This loan is unsecured, due not less than one year after the date of the loan, and bears interest at a rate of 6% per annum. As of May 31, 2015, the outstanding principal balance was \$600,000 and the Company had accrued interest in the amount of \$3,337. The balance of the loan terms have not yet been finalized.

On April 17, 2015, prior to Alan Bonsett's appointment as Chief Operating Officer, the Company, through CLS Colorado, entered into an arrangement with PRH (the "Colorado Arrangement") to, among other things, (i) license its proprietary technology, methods and processes to PRH in Colorado in exchange for a fee; (ii) sub-lease warehouse and office space in Denver, Colorado to PRH where PRH can grow, extract and process cannabis and other plant products in exchange for lease payments totaling an aggregate of \$1,067,067 over a seventy-two (72) month term; (iii) build a processing facility and lease such facility, including equipment, to PRH in exchange for a monthly fee; and (iv) loan \$500,000 to PRH to be used by PRH in connection with its financing of the building out, equipping, and development of a marijuana grow facility. Mr. Bonsett, as an owner of PRH, will indirectly receive the benefits of the Colorado Arrangement. Because construction of the Grow Facility is not yet complete, the business to be operated by PRH pursuant to the Colorado Arrangement has not yet produced revenues.

NOTE 9 - NOTES PAYABLE

Convertible Note

On April 29, 2015, the Company issued a convertible note to an unaffiliated individual (the "Holder") in the amount of \$200,000 (the "Convertible Note"). Interest accrues on the Convertible Note at a rate of 15% per annum. On the first anniversary of the Convertible Note, the Company shall pay all then accrued interest. Thereafter, the Company shall make eight (8) equal payments of principal together with accrued interest, quarterly in arrears, commencing on July 1, 2016 and continuing on the same day of each October, January, April and July thereafter until paid in full. All outstanding principal and any accumulated unpaid interest thereon shall be due and payable on the third anniversary of note.

The Holder has the right but not the obligation to make additional loans to the Company (the "Subsequent Loans"), in tranches of \$200,000 each, until the earlier of October 29, 2015 or until the Holder has made loans to Company that in the aggregate equal \$1,000,000. The Holder shall provide the Company with not less than five (5) business days' notice of its desire to make a Subsequent Loan and the Company shall accept such Subsequent Loan and execute a promissory note, in the form of, and at the interest rate set forth in, the Convertible Note evidencing such Subsequent Loan.

At the Holder's election, at any time prior to payment or prepayment of the Convertible Note in full, all principal and accrued interest under the Convertible Note may be converted in whole, but not in part, into shares of common stock of Company. For each dollar converted, the Holder shall receive two shares of common stock and a three-year warrant to purchase 1.33 shares (post Reverse Split) of common stock at \$0.75 per share (post Reverse Split).

As of May 31, 2015 the outstanding principal balance on the Convertible Note was \$200,000 and the Company had accrued interest in the amount of \$2,630 on this note.

Beneficial Conversion Feature of Convertible Note

The Company calculated the fair value of the beneficial conversion features embedded in the Convertible Note via the intrinsic value method. The Company also calculates the fair value of the detachable warrants offered with the Convertible Note via the Black-Scholes valuation method. The value of the conversion feature and the detachable warrants are considered discounts to the Convertible Note, to the extent the aggregate value of the warrants and conversion features did not exceed the face value thereof. These discounts were amortized to interest expense over the term of the Convertible Note.

The Company recorded a discount to the Convertible Note in the amount of \$200,000. The discount was comprised of \$100,000 related to the beneficial conversion feature embedded in the Convertible Note and \$100,000 for the detachable warrants. During the year ended May 31, 2015 the Company amortized \$5,556 of this discount to interest expense. As of May 31, 2015, the Company had unamortized discount on the Convertible Note in the amount of \$194,444.

Koretsky Note

During the year ended May 31, 2015, the Company borrowed \$600,000 from Frank Koretsky, a director of the Company, to fund operations. This loan is unsecured, due not less than one year after the date of the loan, and bears interest at a rate of 6% per annum. As of May 31, 2015 the outstanding principal balance was \$600,000 and the Company had accrued interest in the amount of \$3,337. The balance of the loan terms have not yet been finalized.

NOTE 10 - STOCKHOLDERS' EQUITY

The Company's authorized capital stock consists of 250,000,000 shares of common stock, par value \$0.0001 per share and 20,000,000 shares of preferred stock, par value \$0.001 per share. The Company had 20,000,003 and zero shares (post Reverse Split) of common stock issued and outstanding as of May 31, 2015 and 2014, respectively.

Effective December 10, 2014, the Company effected a reverse stock split of its common stock then issued and outstanding at a ratio of 1-for-0.625. A total of 18,000,000 shares of common stock were outstanding immediately prior to the reverse split, and a total of 11,250,000 shares of common stock were outstanding after the reverse stock split.

During the year ended May 31, 2015, three founding shareholders were each issued 5,000,000 (post Reverse Split) shares of common stock for a total of 15,000,000 (post Reverse Split) founder shares. The transaction was valued at \$1,000,000. The Company received cash proceeds \$1,000,000 from two shareholders and intellectual property from a third shareholder. Due to the related party nature, no value was assigned to the intellectual property exchanged for stock.

On April 29, 2015, a net amount of 5,000,003 shares (post Reverse-Split) of Common Stock were issued pursuant to the Merger Agreement (Note 1) in accordance with the financial accounting treatment for a Reverse Merger. These shares of Common Stock represent the shares issued to the Company's shareholders other than the former shareholders of CLS Labs, Inc. prior to the Merger.

The Company recorded a discount on its Convertible Note (Note 9) in the amount of \$200,000. The discount was comprised of \$100,000 related to the beneficial conversion feature embedded in the Convertible Note and \$100,000 for the detachable warrants.

The Company recorded imputed interest of \$716 during the year end May 31, 2015 on \$17,930 due to a director and officer of the Company.

Restricted Stock Agreements

In October 2014, the Company agreed to issue 120,000 (post Reverse Split) shares of restricted common stock to a consultant. These shares vest at a rate of 10,000 (post Reverse Split) shares per month. The stock was valued at \$90,000. The agreement was suspended at the end of January 2015 until completion of the Merger and began again in May 2015. During the year ended May 31, 2015, 50,000 (post Reverse Split) shares vested and the Company recognized \$37,500 in expenses for the vested shares. As of May 31, 2015 the Company has \$37,500 included in stock to be issued on the accompanying balance sheet. Subsequent to May 31, 2015, the Company and consultant agreed to terminate the agreement.

NOTE 11 - INCOME TAXES

The Company accounts for income taxes under FASB ASC 740-10, which provides for an asset and liability approach of accounting for income taxes. Under this approach, deferred tax assets and liabilities are recognized based on anticipated future tax consequences, using currently enacted tax laws, attributed to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts calculated for income tax purposes.

As of May 31, 2015, the Company had incurred a net operating loss and, accordingly, no provision for income taxes has been recorded. In addition, no benefit for income taxes has been recorded due to the uncertainty of the realization of any tax assets.

The tax effects of the temporary differences that give rise to the Company's estimated deferred tax assets and liabilities are as follows:

	May 31, 2015	May 31, 2014
Federal and State Statutory Rate	35%	35%
Net operating loss carry forwards	500,417	-
Valuation allowance for deferred tax assets	(500,417)	-
Net deferred tax assets	-	-

As of May 31, 2015 and 2014, the Company had net operating loss carry forwards of approximately \$500,417 and \$0 available to offset future taxable income. The net operating loss carry forwards, if not utilized, will begin to expire in 2035.

Based on the available objective evidence, including the Company's history of losses, management believes it is more likely than not that the net deferred tax assets will not be fully realizable. Accordingly, the Company has provided for a full valuation allowance against its net deferred tax assets at May 31, 2015. The Company had no uncertain tax positions as of May 31, 2015.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Lease Agreement

On April 17, 2015, the Company entered into an arrangement (the “Colorado Arrangement”), through its wholly owned subsidiary, CLS Labs Colorado, Inc., a Florida corporation (“CLS Labs Colorado”), via a number of agreements with certain Colorado entities, including the following:

- i. a Licensing Agreement with Picture Rock Holdings, LLC, a Colorado limited liability company (“PRH”), whereby, in exchange for a license fee payable over the ten (10) year term of the agreement, CLS Labs Colorado granted to PRH an exclusive license for the State of Colorado of certain proprietary inventions and formulas relating to the extraction from, separation and processing (the “Process”) of marijuana to produce certain marijuana-infused products, including edibles, e-liquids, waxes and shatter (the “Products”), and to practice and use the Process in conjunction with the manufacture, production, sale, and distribution of the Products. Pursuant to the Licensing Agreement, if during its term applicable state and local laws change to permit, in whole or in part, the ownership or issuance of a marijuana-infused products license in Colorado (a “MIP License”), directly or indirectly, by or to a person or entity who is not a Colorado resident, CLS Labs Colorado has the option to demand the transfer of up to a fifty six percent (56%) ownership interest in the MIP Licenses owned by PRH to CLS Labs Colorado or its designees in exchange for a proportionate reduction in license fees.
- ii. an Industrial Lease Agreement (the “Lease”) with Casmir-Quince, LLC, a Colorado limited liability company, whereby CLS Labs Colorado leased 14,392 square feet of warehouse and office space (the “Leased Real Property”) in a building in Denver, Colorado where certain intended activities, including growing, extraction, conversion, assembly and packaging of cannabis and other plant materials, are permitted by and in compliance with state, city and local laws, rules, ordinances and regulations. The Lease has an initial term of seventy-two (72) months and provides CLS Labs Colorado with two options to extend the term of the lease by up to an aggregate of ten (10) additional years.
- iii. a Sublease Agreement with PRH (the “Sublease”), thereby subletting the entire Leased Real Property to PRH. The term of the Sublease is the same as the Lease and PRH is required to pay CLS Labs Colorado monthly rent equal to the total rent due under the Lease for the corresponding month.
- iv. an Equipment Lease Agreement (the “Equipment Lease”) with PRH, whereby, in exchange for a lease payment, CLS Labs Colorado agreed to commence building a fully equipped lab at the Leased Real Property, including purchasing all equipment necessary to extract, convert and provide quality control of all cannabis products of PRH. The Equipment Lease terminates upon the earlier of ten (10) years from its effective date or such earlier date upon which the Lease is terminated. PRH has the option to renew the Equipment Lease for a period of five (5) years, or such lesser period as remains under the Lease at the time of the renewal. If during the term of the Equipment Lease applicable state and local laws change to permit, in whole or in part, the ownership or issuance of an MIP License, directly or indirectly, by or to a person or entity who is not a Colorado resident, CLS Labs Colorado has the option to demand the transfer of up to a fifty six percent (56%) ownership interest in the MIP Licenses owned by PRH to CLS Labs Colorado or its designees in exchange for a proportionate reduction in lease payments.
- v. a promissory note (the “Note”) pursuant to which CLS Labs Colorado loaned Five Hundred Thousand Dollars (\$500,000) to PRH to be used by PRH in connection with the financing of the building out, equipping, and development of the Grow Facility by PRH that will be operated by a licensed third-party marijuana grower. PRH will repay the principal due under the Note in twenty (20) equal quarterly installments of Twenty Five Thousand Dollars (\$25,000) commencing on July 1, 2015 and continuing until paid in full. Interest will accrue on the unpaid principal balance of the Note at the rate of twelve percent (12%) per annum and will be paid quarterly in arrears commencing on July 1, 2015 and continuing until paid in full. All outstanding principal and any accumulated unpaid interest due under the Note is due and payable on April 1, 2020.

Effective June 30, 2015, CLS Labs Colorado and PRH agreed to defer all payments due from PRH to CLS Labs Colorado pursuant to the Note and Licensing Agreement until three months after the development of the Grow Facility is complete and a certificate of occupancy has been issued.

Consulting Agreements

In September 2014, the Company entered into a three month consulting agreement at a monthly rate of \$25,000 which commenced upon completion of the Merger. During the year ended May 31, 2015 the Company paid \$25,000 under this agreement.

In October 2014, the Company entered into a one year consulting agreement. During the year ended May 31, 2015 the Company paid a retainer of \$80,000 and an additional \$35,000 for meeting certain milestones. The Company is amortizing the retainer over the term of the consulting agreement. During the year ended May 31, 2015 the Company recognized \$91,667 in expense related to this agreement.

In October 2014, the Company entered into a one year consulting agreement for investor relations. The Company pays a monthly fee of \$6,000 at the beginning of each month and awarded 120,000 (post Reverse Split) shares of restricted common stock that vests at a rate of 10,000 (post Reverse Split) shares per month. The agreement was suspended at the end of January 2015 until completion of the Merger and began again in May 2015. During the year ended May 31, 2015, the Company paid \$37,500 under this agreement and 50,000 (post Reverse Split) shares vested. As of May 31, 2015 the Company has \$37,500 included in stock to be issued on the accompanying balance sheet. Subsequent to May 31, 2015 the Company and consultant agreed to terminate the agreement.

NOTE 13 - EMPLOYMENT AGREEMENTS

CLS Labs and Jeffrey Binder entered into a five-year employment agreement effective October 1, 2014. Under the agreement, Mr. Binder serves as CLS Labs' Chairman, President and Chief Executive Officer and is entitled to receive an annual salary of \$150,000. Under the agreement, Mr. Binder is also entitled to receive a performance bonus equal to 2% of CLS Labs' annual EBITDA, up to a maximum annual cash compensation of \$1 million (including his base salary), and annual stock options, exercisable at the fair market value of CLS Labs' common stock on the date of grant, in an amount equal to 2% of its annual EBITDA up to \$42.5 million and 4% of its annual EBITDA in excess of \$42.5 million.

On April 28, 2015, Mr. Binder, CLS Labs and the Company entered into an addendum to Mr. Binder's employment agreement whereby Mr. Binder agreed to, in addition to his obligations to CLS Labs, serve the Company and its subsidiaries in such roles as the Company may request. In exchange, the Company agreed to assume the obligations of CLS Labs to Mr. Binder with respect to annual salary and annual stock options, as referenced above. As of May 31, 2015, Mr. Binder had deferred all compensation payable pursuant to the agreement.

CLS Labs and Michael Abrams entered into a five-year employment agreement effective October 1, 2014. Under the agreement, Mr. Abrams served as CLS Labs' Chief Operating Officer and earned an annual salary of \$150,000. Under the agreement, Mr. Abrams was also entitled to receive a performance bonus equal to 2% of CLS Labs' annual EBITDA, up to a maximum annual cash compensation of \$1 million (including his base salary), and annual stock options, exercisable at the fair market value of CLS Labs' common stock on the date of grant, in an amount equal to 2% of its annual EBITDA up to \$42.5 million and 4% of its annual EBITDA in excess of \$42.5 million. Additionally, Mr. Abrams was entitled to a one-time signing bonus of 250,000 shares of common stock of CLS Labs.

On April 28, 2015, Mr. Abrams, CLS Labs and the Company entered into an addendum to Mr. Abrams's employment agreement whereby Mr. Abrams agreed to, in addition to his obligations to CLS Labs, serve the Company and its subsidiaries in such roles as the Company may request. In exchange, the Company agreed to assume the obligations of CLS Labs with respect to Mr. Abrams' annual salary and annual stock options, as referenced above, and agreed to issue Mr. Abrams 250,000 (post Reverse Split) shares of the Company's common stock in lieu of CLS Labs' signing bonus, in exchange for Mr. Abrams serving as its Chief Operating Officer.

NOTE 14 - SUBSEQUENT EVENTS

The Company and Michael Abrams mutually agreed to terminate the employment agreement dated October 1, 2014 between RJF Labs, Inc. (now known as CLS Labs, Inc.) and Mr. Abrams, as amended, effective September 1, 2015. The Company and Mr. Abrams agreed that Mr. Abrams would resign as Chief Operating Officer effective as of August 15, 2015 and serve as consultant to the Company after his employment terminated on September 1, 2015. The parties further agreed that neither party would have any further obligations under the Employment Agreement as of such date.

Effective August 1, 2015, the Company and Alan Bonsett entered into a five-year employment agreement. Pursuant to the agreement, Mr. Bonsett commenced serving as the Company's Chief Operating Officer on August 15, 2015. Under the agreement, Mr. Bonsett is entitled to receive an annual salary of \$150,000. Further, he is entitled to receive a performance bonus equal to 2% of the Company's annual EBITDA, up to a maximum annual cash compensation of \$1 million (including his base salary), and annual stock options, exercisable at the fair market value of the Company's common stock on the date of grant, in an amount equal to 2% of its annual EBITDA up to \$42.5 million and 4% of its annual EBITDA in excess of \$42.5 million. Additionally, Mr. Bonsett is entitled to a one-time signing bonus of 250,000 (post Reverse Split) shares of restricted common stock of the Company, which will become fully vested one year from the effective date of the agreement. Mr. Bonsett, as an owner of PRH, will indirectly receive the benefits of the Colorado Arrangement, as discussed in Note 8. Because construction of the Grow Facility is not yet complete, the business to be operated by PRH pursuant to the Colorado Arrangement has not yet produced revenues.

We evaluated subsequent events after the balance sheet date through the date the financial statements were issued. We did not identify any additional material events or transactions occurring during this subsequent event reporting period that required further recognition or disclosure in these financial statements.

PART II - INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the costs and expenses payable by us in connection with the issuance and distribution of the securities being registered hereunder. No expenses will be borne by the Selling Stockholder. All of the amounts shown are estimates, except for the SEC registration fee.

SEC registration fee	\$ 513.57
Accounting fees and expenses*	\$ 4,000
Legal fees and expenses*	\$ 50,000.00
Printing expenses*	\$ 10,000.00
Miscellaneous fees and expenses*	\$ 10,000.00
Total*	\$ 74,513.57

* Estimated

Item 14. Indemnification of Officers and Directors

Nevada Law

Section 78.7502 of the Nevada Revised Statutes permits a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, except an action by or in the right of the corporation, by reason of the fact that he is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership joint venture, trust, or other enterprise, against expenses, including attorneys' fees, judgments, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with the action, suit or proceeding if he:

(a) is not liable pursuant to Nevada Revised Statute 78.138, or

(b) acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

In addition, Section 78.7502 of the Nevada Revised Statutes permits a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise against expenses, including amounts paid in settlement and attorneys' fees actually and reasonably incurred by him in connection with the defense or settlement of the action or suit if he:

(a) is not liable pursuant to Nevada Revised Statute 78.138; or

(b) acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation.

To the extent that a director, officer, employee, or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit, or proceeding referred to above, or in defense of any claim, issue, or matter, the corporation is required to indemnify him against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with the defense.

Section 78.751 of the Nevada Revised Statutes provides that such indemnification may also include payment by the Company of expenses incurred in defending a civil or criminal action or proceeding in advance of the final disposition of such action or proceeding upon receipt of an undertaking by the person indemnified to repay such payment if he shall be ultimately found not to be entitled to indemnification under Section 78.751 of the Nevada Revised Statutes. Indemnification may be provided even though the person to be indemnified is no longer a director, officer, employee, or agent of the Company or such other entities.

Section 78.752 of the Nevada Revised Statutes allows a corporation to purchase and maintain insurance or make other financial arrangements on behalf of any person who is or was a director, officer, employee, or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise for any liability asserted against him and liability and expenses incurred by him in his capacity as a director, officer, employee, or agent, or arising out of his status as such, whether or not the corporation has the authority to indemnify him against such liability and expenses.

Other financial arrangements made by the corporation pursuant to Section 78.752 of the Nevada Revised Statutes may include the following:

- (a) the creation of a trust fund;
 - (b) the establishment of a program of self-insurance;
 - (c) the securing of its obligations of indemnification by granting a security interest or other lien on any assets of the corporation;
- and
- (d) the establishment of a letter of credit, guaranty or surety.

No financial arrangement made pursuant to Section 78.752 may provide protection for a person adjudged by a court of competent jurisdiction, after exhaustion of all appeals, to be liable for intentional misconduct, fraud or a knowing violation of law, except with respect to the advancement of expenses of indemnification ordered by a court.

Any discretionary indemnification pursuant to Section 78.7502 of the Nevada Revised Statutes, unless ordered by a court or advanced pursuant to an undertaking to repay the amount if it is determined by a court that the indemnified party is not entitled to be indemnified by the corporation, may be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee, or agent is proper in the circumstances. The determination must be made:

- (a) by the stockholders;
- (b) by the board of directors by a majority vote of a quorum consisting of directors who were not parties to the action, suit, or proceeding;
- (c) if a majority vote of a quorum consisting of directors who were not parties to the action, suit, or proceeding so orders, by independent legal counsel in a written opinion, or
- (d) if a quorum consisting of directors who were not parties to the action, suit, or proceeding cannot be obtained, by independent legal counsel in a written opinion.

Subsection 7 of Section 78.138 of the Nevada Revised Statutes provides that, subject to certain very limited statutory exceptions, a director or officer is not individually liable to the corporation or its stockholders or creditors for any damages as a result of any act or failure to act in his or her capacity as a director or officer, unless it is proven that the act or failure to act constituted a breach of his or her fiduciary duties as a director or officer and such breach of those duties involved intentional misconduct, fraud or a knowing violation of law. The statutory standard of liability established by Section 78.138 controls even if there is a provision in the corporation's articles of incorporation unless a provision in the corporation's articles of incorporation provides for greater individual liability.

Charter Provisions and Other Arrangements

Pursuant to the provisions of Nevada Revised Statutes, we have adopted indemnification provisions in our Amended and Restated Articles of Incorporation with respect to our officers and directors which state that, among other things, each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was an officer or director shall be indemnified and held harmless by the Company to the fullest extent authorized by Nevada law against all expense, liability, damage, claim and loss (including attorneys' fees, judgments, fines, ERISA excise taxes and penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith, and such indemnification shall continue as to an indemnitee who has ceased to be such a director, officer, employee or agent and shall inure to the benefit of the indemnitee's heirs, executors and administrators.

Effective December 18, 2015, the Company entered into an indemnification agreement with each of its directors and executive officers, namely, Jeffrey Binder, its Chairman, President, Chief Executive Officer and a director; Frank Koretsky, a director; and Alan Bonsett, its Chief Operating Officer (each, an "Indemnitee"). Pursuant to the indemnification agreements, the Company is obligated to indemnify the Indemnitees to the fullest extent permitted by applicable law and to advance all reasonable expenses incurred by or on behalf of the Indemnitees in connection with any proceeding covered by the indemnification agreement, subject to certain restrictions and repayment provisions.

Item 15. Recent Sales of Unregistered Securities

During the past three years, the following securities were sold or otherwise issued by the Company and were not registered under the Securities Act:

On April 29, 2015, the Company entered into a loan agreement and convertible promissory note with an unaffiliated third party in exchange for \$200,000 in cash, which debt is convertible into common stock of the Company.

On April 30, 2015, in connection with the Merger, the Company issued 5,000,000 shares of common stock to each of Jeffrey Binder, Frank Koretsky and Raymond Keller in exchange for their respective interests in CLS Labs.

On August 28, 2015, the Company issued 60,000 shares of common stock to Stratcon Partners, LLC in exchange for consulting services pursuant to a consulting agreement.

On January 12, 2016, the Company issued convertible promissory notes to each of Jeffrey Binder and Frank Koretsky in the amounts of \$50,000 and \$895,000, respectively, in exchange for cash. The Company issued additional convertible promissory notes in the amounts of \$42,500 and \$380,000, respectively, to each of Mr. Binder and Mr. Koretsky on April 11, 2016 in exchange for cash.

On January 21, 2016, the Company issued 250,000 shares of restricted common stock to Alan Bonsett as a signing bonus, pursuant to the terms of his employment agreement.

On March 18, 2016, the Company issued a 10% Original Issue Convertible Promissory Note in the principal amount of \$222,222 to Old Main Capital, LLC in exchange for cash, and an 8% Convertible Promissory Note in the principal amount of \$200,000 as a commitment fee for an equity line.

On April 22, 2016, the Company issued a 10% Original Issue Convertible Promissory Note in the principal amount of \$55,555 to Old Main Capital, LLC in exchange for cash.

On May 27, 2016, the Company issued a 10% Original Issue Convertible Promissory Note in the principal amount of \$55,555 to Old Main Capital, LLC in exchange for cash.

On November 13, 2015 and April 15, 2016, the Company issued 10,000 and 30,000 shares of common stock, respectively, to Wall Street Buy Sell Hold, Inc. in exchange for consulting services pursuant to a consulting agreement.

All of the issuances of securities set forth above were deemed exempt from registration under the Securities Act in reliance on Section 4(a)(2) and/or Regulation D.

Item 16. Exhibit Index

The following exhibits are included as part of this Registration Statement by reference:

Exhibit	Description
2.1	Agreement and Plan of Merger dated April 28, 2015 by and among CLS Holdings USA, Inc., CLS Merger, Inc., and CLS Labs, Inc. (incorporated by reference from Exhibit 2.1 in the Company's Current Report on Form 8-K filed with the SEC on April 30, 2015).
3.1	Articles of Incorporation of Adelt Design, Inc. (incorporated by reference from Exhibit 3.1 in the Company's Registration Statement filed with the SEC on June 3, 2011).
3.2	Amended and Restated Articles of Incorporation of CLS Holdings USA, Inc. (incorporated by reference from Exhibit 1.1 in the Company's Current Report on Form 8-K filed with the SEC on November 26, 2014).
3.3	Bylaws of Adelt Design, Inc. (incorporated by reference from Exhibit 3.3 in the Company's Registration Statement filed with the SEC on June 3, 2011).
3.4	Amended and Restated Bylaws of CLS Holdings USA, Inc. (incorporated by reference from Exhibit 1.2 in the Company's Current Report on Form 8-K filed with the SEC on November 26, 2014).

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- 4.1 Form of Stock Certificate (incorporated by reference from Exhibit 4.1 in the Company's Current Report on Form 8-K filed with the SEC on April 30, 2015).
- 5.1 Legal opinion of _____ .***
- 10.1 Employment Agreement dated October 1, 2014 between CLS Labs, Inc. and Jeffrey Binder (incorporated by reference from Exhibit 10.1 in the Company's Current Report on Form 8-K filed with the SEC on April 30, 2015) (1).
- 10.2 Addendum to Employment Agreement dated April 28, 2015 between CLS Labs, Inc., CLS Holdings USA, Inc. and Jeffrey Binder (incorporated by reference from Exhibit 10.2 in the Company's Current Report on Form 8-K filed with the SEC on April 30, 2015) (1).
- 10.3 Employment Agreement dated October 1, 2014 between CLS Labs, Inc. and Michael Abrams (incorporated by reference from Exhibit 10.3 in the Company's Current Report on Form 8-K filed with the SEC on April 30, 2015) (1).
- 10.4 Addendum to Employment Agreement dated April 28, 2015 between CLS Labs, Inc., CLS Holdings USA, Inc. and Michael Abrams (incorporated by reference from Exhibit 10.4 in the Company's Current Report on Form 8-K filed with the SEC on April 30, 2015) (1).
- 10.5 Lease dated April 17, 2015 between Casimir-Quince, LLC, and CLS Labs Colorado, Inc. (incorporated by reference from Exhibit 10.5 in the Company's Current Report on Form 8-K filed with the SEC on April 30, 2015).
- 10.6 Sublease Agreement dated April 17, 2015 between CLS Labs Colorado, Inc. and Picture Rock Holdings, LLC (incorporated by reference from Exhibit 10.6 in the Company's Current Report on Form 8-K filed with the SEC on April 30, 2015).
- 10.7 Licensing Agreement dated April 17, 2015 between CLS Labs Colorado, Inc. and Picture Rock Holdings, LLC (incorporated by reference from Exhibit 10.7 in the Company's Current Report on Form 8-K filed with the SEC on April 30, 2015).**
- 10.8 Equipment Lease dated April 17, 2015, between CLS Labs Colorado, Inc. and Picture Rock Holdings, LLC (incorporated by reference from Exhibit 10.8 in the Company's Current Report on Form 8-K filed with the SEC on April 30, 2015).**
- 10.9 Restricted Stock Grant Agreement dated April 28, 2015 between CLS Holdings USA, Inc. and Michael Abrams (incorporated by reference from Exhibit 10.9 in the Company's Current Report on Form 8-K filed with the SEC on April 30, 2015) (1).
- 10.10 Subscription for Property Agreement dated July 16, 2014, between CLS Labs, Inc. and Raymond Keller (incorporated by reference from Exhibit 2.1 in the Company's Current Report on Form 8-K filed with the SEC on April 30, 2015).
- 10.11 Promissory Note dated April 17, 2015, between CLS Labs Colorado, Inc. and Picture Rock Holdings, LLC (incorporated by reference from Exhibit 10.11 in the Company's Current Report on Form 8-K filed with the SEC on April 30, 2015).
- 10.12 Confidentially, Non-Compete and Proprietary Rights Agreement dated July 16, 2104 between CLS Labs, Inc. and Raymond Keller (incorporated by reference from Exhibit 2.1 in the Company's Current Report on Form 8-K filed with the SEC on April 30, 2015).
- 10.13 Employment Agreement dated August 18, 2015 between CLS Holdings USA, Inc. and Alan Bonsett (incorporated by reference from Exhibit 10.1 on the Company's Current Report on Form 8-K filed with the SEC on August 20, 2015) (1).
- 10.14 Loan Agreement dated April 29, 2015 (incorporated by reference from Exhibit 10.1 in the Company's Current Report on Form 8-K filed with the SEC on May 5, 2015).

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- 10.15 Form of Indemnification Agreement (incorporated by reference from Exhibit 10.1 in the Company's Current Report on Form 8-K filed with the SEC on December 22, 2105).
- 10.16 Convertible Promissory Note dated January 12, 2016 in favor of Frank Koretsky (incorporated by reference from Exhibit 10.1 in the Company's Current Report on Form 8-K filed with the SEC on January 19, 2016).
- 10.17 Convertible Promissory Note dated January 12, 2016, in favor of Jeffrey Binder (incorporated by reference from Exhibit 10.2 in the Company's Current Report on Form 8-K filed with the SEC on January 19, 2016) (1).
- 10.18 10% Original Issue Discount Convertible Promissory Note dated March 18, 2016, in favor of Old Main Capital, LLC (incorporated by reference from Exhibit 4.1 in the Company's Current Report on Form 8-K filed with the SEC on March 24, 2016).
- 10.19 8% Convertible Promissory Note dated March 18, 2016 in favor of Old Main Capital, LLC (incorporated by reference from Exhibit 4.2 in the Company's Current Report on Form 8-K filed with the SEC on March 24, 2016).
- 10.20 [Securities Purchase Agreement dated March 18, 2016 between the Company and Old Main Capital, LLC.](#) *
- 10.21 Registration Rights Agreement dated March 18, 2016 between the Company and Old Main Capital, LLC (incorporated by reference from Exhibit 10.2 in the Company's Current Report on Form 8-K filed with the SEC on March 24, 2016).
- 10.22 Convertible Promissory Note dated April 11, 2016, in favor of Frank Koretsky (incorporated by reference from Exhibit 10.1 in the Company's Current Report on Form 8-K filed with the SEC on April 14, 2016).
- 10.23 Convertible Promissory Note dated April 11, 2016, in favor of Jeffrey Binder (incorporated by reference from Exhibit 10.2 in the Company's Current Report on Form 8-K filed with the SEC on April 14, 2016).
- 10.24 Equity Purchase Agreement dated April 18, 2016 between the Company and Old Main Capital, LLC (incorporated by reference from Exhibit 10.1 in the Company's Current Report on Form 8-K filed with the SEC on April 20, 2016).
- 21.1 Subsidiaries of CLS Holdings USA, Inc. (incorporated by reference from Exhibit 21.1 in the Company's Registration Statement on Form S-1 filed with the SEC on April 21, 2016).
- 23.1 [Consent of M&K CPAs, PLLC, an independent registered public accounting firm.](#) *
- 23.2 Consent of _____ (included in Exhibit 5.1).***
- 24.1 Power of Attorney of Directors of the Registrant (set forth on signature page to this filing).
- (1) Management Contract or Compensation Plan

* Filed herewith

** Portions of this document are omitted pursuant to a confidential treatment order granted pursuant to Rule 24(b)-2 under the Exchange Act. Confidential portions of this document have been filed separately with the Securities and Exchange Commission.

*** To be filed by amendment.

Item 17. Undertakings

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) To reflect in the prospectus any facts or events arising after the effective date of this registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at the time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for purposes of determining liability under the Securities Act to any purchaser:

(i) If the registrant is relying on Rule 430B:

(A) Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(B) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) (§ 230.424(b)(2), (b)(5), or (b)(7) of this chapter) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) (§ 230.415(a)(1)(i), (vii), or (x) of this chapter) for the purpose of providing the information required by section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(c) The undersigned registrant hereby undertakes that:

(1) For the purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b) or under the securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities as that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Amendment No. 1 to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Miami, State of Florida, on June 2, 2016.

CLS HOLDINGS USA, INC.

By: /s/ Jeffrey I. Binder
Jeffrey I. Binder
Chairman, President and Chief Executive Officer
(principal executive officer and principal financial officer)

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 has been signed by the following persons in the capacities and on the date indicated .

Signatures	Title	Date
<u>/s/ Jeffrey I. Binder</u> Jeffrey I. Binder	Chairman, President, Chief Executive Officer and Director (principal executive officer and principal financial officer)	June 2, 2016
<u>*</u> Frank Koretsky	Director	June 2, 2016

* By: Jeffrey I. Binder, as attorney-in-fact pursuant to the applicable power of attorney set forth in the Registration Statement

SECURITIES PURCHASE AGREEMENT

This Securities Purchase Agreement (this "Agreement") is dated as of March 18, 2016, between CLS Holdings USA Inc., a Nevada corporation (the "Company"), and each purchaser identified on the signature pages hereto (each, including its successors and assigns, a "Purchaser" and collectively, the "Purchasers").

WHEREAS, subject to the terms and conditions set forth in this Agreement and pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"), and Rule 506 promulgated thereunder, the Company desires to issue and sell to each Purchaser, and each Purchaser, severally and not jointly, desires to purchase from the Company, securities of the Company as more fully described in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants contained in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company and each Purchaser agree as follows:

**ARTICLE I.
DEFINITIONS**

1.1 Definitions. In addition to the terms defined elsewhere in this Agreement: (a) capitalized terms that are not otherwise defined herein have the meanings given to such terms in the Notes (as defined herein), and (b) the following terms have the meanings set forth in this Section 1.1:

"Acquiring Person" shall have the meaning ascribed to such term in Section 4.6.

"Action" shall have the meaning ascribed to such term in Section 3.1(j).

"Affiliate" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 405 under the Securities Act.

"Board of Directors" means the board of directors of the Company.

"Business Day" means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of New York or Arizona are authorized or required by law or other governmental action to close.

"Closing(s)" means the one or more closings of the purchase and sale of the Securities pursuant to Section 2.2.

“Closing Date” means the Trading Day on which all of the Transaction Documents have been executed and delivered by the applicable parties thereto in connection with a Closing, and all conditions precedent to (i) the Purchasers’ obligations to pay the Subscription Amount as to such Closing and (ii) the Company’s obligations to deliver the Securities as to such Closing, in each case, have been satisfied or waived.

“Closing Statement” means the Closing Statement in the form on Annex A attached hereto.

“Commission” means the United States Securities and Exchange Commission.

“Common Stock” means the common stock of the Company, par value \$0.0001 per share, and any other class of securities into which such securities may hereafter be reclassified or changed.

“Common Stock Equivalents” means any securities of the Company or the Subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

“Disclosure Schedules” shall have the meaning ascribed to such term in Section 3.1.

“Effective Date” means the earliest of (a) the SEC Effective Date, (b) the date that all of the Registrable Securities have been sold pursuant to Rule 144 or may be sold pursuant to Rule 144 without the requirement for the Company to be in compliance with the current public information required under Rule 144 and without volume or manner-of-sale restrictions, or (c) following the one year anniversary of the Closing Date, provided that a holder of Registrable Securities is not an Affiliate of the Company, the date that all of the Registrable Securities may be sold pursuant to an exemption from registration under Section 4(a)(1) of the Securities Act without volume or manner-of-sale restrictions and Company counsel has delivered to such holders a standing written unqualified opinion that resales may then be made by such holders of the Registrable Securities pursuant to such exemption which opinion shall be in form and substance reasonably acceptable to such holders.

“Evaluation Date” shall have the meaning ascribed to such term in Section 3.1(q).

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Exempt Issuance” means the issuance of (a) shares of Common Stock or options to employees, officers, directors, advisors or independent contractors of the Company pursuant to any agreement or any stock or option plan or equity incentive plan duly adopted for such purpose, (b) shares of Common Stock, warrants or options to employees,

officers, directors, advisors or independent contractors of the Company for products, services or other compensatory purposes, (c) securities upon the exercise or exchange of or conversion of any Securities issued hereunder and/or other securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on the date of this Agreement, provided that such securities have not been amended since the date of this Agreement to increase the number of such securities or to decrease the exercise price, exchange price or conversion price of such securities, (d) securities issuable pursuant to any contractual antidilution obligations of the Company in effect as of the date of this Agreement, provided that such obligations have not been materially amended since the date of this Agreement, (e) shares of Common Stock issued for consideration other than cash pursuant to a merger, consolidation, acquisition, or similar business combination approved by the Board of Directors and (f) securities issued pursuant to acquisitions or strategic transactions approved by the Board of Directors, except for a transaction in which the Company is issuing securities primarily for the purpose of raising capital or to an entity whose primary business is investing in securities.

“Filing Date” means the date the Registration Statement is filed with the Commission.

“First Closing” shall have the meaning ascribed to such term in Section 2.1.

“FCPA” means the Foreign Corrupt Practices Act of 1977, as amended.

“GAAP” shall have the meaning ascribed to such term in Section 3.1(h).

“Indebtedness” shall have the meaning ascribed to such term in Section 3.1(jj).

“Intellectual Property Rights” shall have the meaning ascribed to such term in Section 3.1(o).

“Legend Removal Date” shall have the meaning ascribed to such term in Section 4.1(c).

“Liens” means a lien, charge, pledge, security interest, encumbrance, right of first refusal, preemptive right or other restriction.

“Material Adverse Effect” shall have the meaning assigned to such term in Section 3.1(b).

“Material Permits” shall have the meaning ascribed to such term in Section 3.1(m).

“Maximum Rate” shall have the meaning ascribed to such term in Section 5.17.

“Note” means the 10% Original Issue Discount Convertible Promissory Note due, subject to the terms therein, eighteen (18) months from the date of issuance, issued by the Company to the Purchaser hereunder, in the form of Exhibit A attached hereto.

“Person” means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

“Principal Amount” means, as to each Purchaser, the amounts set forth below such Purchaser’s signature block on the signature pages hereto next to the heading “Principal Amount” in United States Dollars.

“Proceeding” means an action, claim, suit, investigation or proceeding (including, without limitation, an informal investigation or partial proceeding, such as a deposition), whether commenced or threatened.

“Public Information Failure” shall have the meaning ascribed to such term in Section 4.3(b).

“Public Information Failure Payments” shall have the meaning ascribed to such term in Section 4.3(b).

“Purchaser Party” shall have the meaning ascribed to such term in Section 4.9.

“Registrable Securities” shall have the meaning ascribed to such term in the Registration Rights Agreement.

“Registration Rights Agreement” means the Registration Rights Agreement, dated the date hereof, among the Company and the Purchasers, in the form of Exhibit B attached hereto.

“Registration Statement” means the registration statement that the Company is required to file pursuant to this Agreement to register the Underlying Shares. The Registration Statement shall register all Underlying Shares in connection with each Tranche.

“Required Approvals” shall have the meaning ascribed to such term in Section 3.1(e).

“Required Minimum” means, as of any date, the maximum aggregate number of shares of Common Stock potentially issuable in the future pursuant to the Transaction Documents, including any Underlying Shares issuable upon conversion in full of all Notes (including Underlying Shares issuable as payment of interest on the Notes), ignoring any conversion or exercise limits set forth therein, and assuming that the conversion price is at all times on and after the date of determination 100% of the then conversion price on the Trading Day immediately prior to the date of determination.

“Robinson Brog” means Robinson Brog Leinwand Greene Genovese & Gluck P.C., with offices located at 875 Third Avenue, 9th Floor, New York, NY 10022.

“Rule 144” means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

“SEC Effective Date” means the date the Registration Statement is declared effective by the Commission or otherwise goes effective without Commission action.

“SEC Reports” shall have the meaning ascribed to such term in Section 3.1(h).

“Securities” means the Notes and the Underlying Shares.

“Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“Short Sales” means all “short sales” as defined in Rule 200 of Regulation SHO under the Exchange Act.

“Subscription Amount” means, as to each Purchaser, the aggregate amount to be paid for Notes purchased hereunder as specified below such Purchaser’s name on the signature page of this Agreement and next to the heading “Subscription Amount,” in United States dollars and in immediately available funds.

“Subsidiary” means any subsidiary of the Company as set forth on Schedule 3.1(a) and shall, where applicable, also include any direct or indirect subsidiary of the Company formed or acquired after the date hereof.

“Trading Day” means a day on which the principal Trading Market is open for trading.

“Trading Market” means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE MKT; the Nasdaq Capital Market; the Nasdaq Global Market; the Nasdaq Global Select Market; the New York Stock Exchange; OTC Markets or the OTC Bulletin Board (or any successors to any of the foregoing).

“Tranche(s)” shall have the meaning ascribed to such term in Section 2.1.

“Transaction Documents” means this Agreement, the Notes, the Registration Rights Agreement, all exhibits and schedules thereto and hereto and any other documents or agreements executed in connection with the transactions contemplated hereunder.

“Transfer Agent” means VStock Transfer, LLC the current transfer agent of the Company, with a mailing address of 18 Lafayette Place, Woodmere, NY 11598 and a phone number of (212) 828-8436, and any successor transfer agent of the Company.

“Transfer Agent Instruction Letter” means the letter from the Company to the Transfer Agent which instructs the Transfer Agent to issue Underlying Shares pursuant to the Transaction Documents, in the form of Exhibit C attached hereto.

“Underlying Shares” means the shares of Common Stock issued and issuable upon conversion or redemption of the Notes and issued and issuable in lieu of the cash payment of interest on the Notes in accordance with the terms of the Notes.

ARTICLE II. PURCHASE AND SALE

2.1 Purchase. The Purchasers will purchase an aggregate of up to \$500,000 in Subscription Amount corresponding to an aggregate of up to \$555,555 in Principal Amount of Notes. The purchase will occur in up to five (5) tranches (each a “Tranche,” and collectively the “Tranches”), with the first Tranche of \$200,000 being closed upon The Closing Date. The second Tranche will be for \$50,000 and will occur on the first Friday which is a Trading Day after the Filing Date. The third Tranche will be for \$50,000 and will occur on the first Friday which is a Trading Day at least three (3) Trading Days after the date that the Company receives initial comments from the Commission on the Registration Statement or the date that the Company is notified by the Commission that the Registration Statement will not be reviewed. The fourth Tranche will be for \$100,000 and will occur on the first Friday which is a Trading Day at least three (3) Trading Days after the SEC Effective Date. The fifth Tranche will be \$100,000 and will occur on the first Friday which is a Trading Day after the thirty (30) day anniversary of the SEC Effective Date. If the Company has complied with the closing conditions set forth in Section 2.4(b), except as set forth in the following sentence, the Purchasers shall be required to fund the second through fifth Tranches. The Purchasers shall not be required to fund any of the second through fifth Tranches if clauses (a), (c) and (d) of the Equity Conditions (as defined in the Notes) are not met on each of the applicable Closing Dates, in which case, the Closing Date shall be delayed until such Equity Conditions are satisfied.

2.2 Closing. On the Closing Date, upon the terms and subject to the conditions set forth herein, substantially concurrent with the execution and delivery of this Agreement by the parties hereto with respect to the First Closing, the Company agrees to sell, and each Purchaser, severally and not jointly, agrees to purchase, such Purchaser’s Closing Subscription Amount as set forth on the signature page hereto executed by such Purchaser (an aggregate of up to \$500,000 in Subscription Amount corresponding to an aggregate of up to \$555,555 in Principal Amount of Notes). At each Closing, each Purchaser shall deliver to the Company, via wire transfer or a certified check, immediately available funds equal to such Purchaser’s Subscription Amount as set forth on the signature page hereto executed by such Purchaser, and the Company shall deliver to each Purchaser its respective Note, as determined pursuant to Section 2.3(a), and the Company and each Purchaser shall deliver the other items set forth in Section 2.3 deliverable at the First Closing. Upon satisfaction of the covenants and conditions set forth in Sections 2.3 and 2.4 for each Closing, each Closing shall occur at the offices of Robinson Brog or such other location as the parties shall mutually agree.

2.3 Deliveries.

(a) On or prior to each Closing Date (except as noted), the Company shall deliver or cause to be delivered to each Purchaser the following:

- (i) as to the First Closing, this Agreement duly executed by the Company;
- (ii) the Transfer Agent Instruction Letter duly executed by the Company and the Transfer Agent;
- (iii) a Note with a principal amount equal to such Purchaser's Principal Amount as to the applicable Closing, registered in the name of such Purchaser; and
- (iv) as to the First Closing, the Registration Rights Agreement, duly executed by the Company.

(b) On or prior to the applicable Closing Date, each Purchaser shall deliver or cause to be delivered to the Company, as applicable, the following:

- (i) as to the First Closing, this Agreement duly executed by such Purchaser;
- (ii) such Purchaser's Subscription Amount as to the applicable Closing by wire transfer to the account specified in writing by the Company; and
- (iii) as to the First Closing, the Registration Rights Agreement duly executed by the Purchaser.

2.4 Closing Conditions.

(a) The obligations of the Company hereunder in connection with each Closing are subject to the following conditions being met:

- (i) the accuracy in all material respects on the applicable Closing Date of the representations and warranties of the Purchasers contained herein (unless as of a specific date therein in which case they shall be accurate as of such date);
- (ii) all obligations, covenants and agreements of each Purchaser required to be performed at or prior to the applicable Closing Date shall have been performed; and
- (iii) the delivery by each Purchaser of the items set forth in Section 2.3(b) of this Agreement.

(b) The respective obligations of the Purchasers hereunder in connection with each Closing are subject to the following conditions being met:

- (i) the accuracy in all material respects on the applicable Closing Date of the representations and warranties of the Company contained herein (unless as of a specific date therein);
- (ii) all obligations, covenants and agreements of the Company required to be performed at or prior to the applicable Closing Date shall have been performed;
- (iii) the delivery by the Company of the items set forth in Section 2.3(a) of this Agreement;
- (iv) there is no existing Event of Default (as defined in the Notes) and no existing event which, with the passage of time or the giving of notice, would constitute an Event of Default;
- (v) there shall have been no Material Adverse Effect with respect to the Company since the date hereof; and
- (vi) from the date hereof to the applicable Closing Date, trading in the Common Stock shall not have been suspended by the Commission or the Company's principal Trading Market and, at any time prior to the applicable Closing Date, trading in securities generally as reported by Bloomberg L.P. shall not have been suspended or limited, or minimum prices shall not have been established on securities whose trades are reported by such service, or on any Trading Market, nor shall a banking moratorium have been declared either by the United States or New York State authorities nor shall there have occurred any material outbreak or escalation of hostilities or other national or international calamity of such magnitude in its effect on, or any material adverse change in, any financial market which, in each case, in the reasonable judgment of such Purchaser makes it impracticable or inadvisable to purchase the Securities at the applicable Closing.

**ARTICLE III.
REPRESENTATIONS AND WARRANTIES**

3.1 Representations and Warranties of the Company. Except as set forth in the disclosure schedules provided by the Company to the Purchasers (the "Disclosure Schedules"), which Disclosure Schedules shall be deemed a part hereof and shall qualify any representation or otherwise made herein to the extent of the disclosure contained in the corresponding section of the Disclosure Schedules, the Company hereby makes the following representations and warranties to each Purchaser as of the date hereof:

- (a) Subsidiaries. All Subsidiaries of the Company are set forth on Schedule 3.1(a). The Company owns, directly or indirectly, all of the capital stock or other equity interests of each Subsidiary free and clear of any Liens, and all of the issued and outstanding shares of capital stock of each Subsidiary are validly issued and are fully paid, non-assessable and
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free of preemptive and similar rights to subscribe for or purchase securities. If the Company has no subsidiaries, all other references to the Subsidiaries or any of them in the Transaction Documents shall be disregarded.

(b) Organization and Qualification. The Company and each of the Subsidiaries is an entity duly incorporated or otherwise organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted. Neither the Company nor any Subsidiary is in violation nor default of any of the provisions of its respective certificate or articles of incorporation, bylaws or other organizational or charter documents. Each of the Company and the Subsidiaries is duly qualified to conduct business and is in good standing as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, could not reasonably be expected to result in: (i) a material adverse effect on the legality, validity or enforceability of any Transaction Document; (ii) a material adverse effect on the results of operations, assets, business, prospects or condition (financial or otherwise) of the Company and the Subsidiaries, taken as a whole; or (iii) a material adverse effect on the Company's ability to perform in any material respect on a timely basis its obligations under any Transaction Document (any of (i), (ii) or (iii), a "Material Adverse Effect") and no Proceeding has been instituted in any such jurisdiction revoking, limiting or curtailing or seeking to revoke, limit or curtail such power and authority or qualification.

(c) Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement and each of the other Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and each of the other Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Company and no further action is required by the Company, the Board of Directors or the Company's stockholders in connection herewith or therewith other than in connection with the Required Approvals. This Agreement and each other Transaction Document to which the Company is a party have been (or upon delivery will have been) duly executed by the Company and, when executed by the other parties hereto or thereto and delivered in accordance with the terms hereof and thereof, will constitute the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally; (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies; and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(d) No Conflicts. The execution, delivery and performance by the Company of this Agreement and the other Transaction Documents to which it is a party, the issuance and sale of the Securities and the consummation by it of the transactions contemplated hereby and thereby do not and will not: (i) conflict with or violate any provision of the Company's or any Subsidiary's certificate or articles of incorporation, bylaws or other organizational or charter documents; (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in the creation of any Lien (except Liens in favor of the Purchasers) upon any of the properties or assets of the Company or any Subsidiary, or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing a Company or Subsidiary debt or otherwise) or other understanding to which the Company or any Subsidiary is a party or by which any property or asset of the Company or any Subsidiary is bound or affected; or (iii) subject to the Required Approvals, conflict with or result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Company or a Subsidiary is subject (including federal and state securities laws and regulations), or by which any property or asset of the Company or a Subsidiary is bound or affected; except in the case of each of clauses (ii) and (iii), such as could not reasonably be expected to result in a Material Adverse Effect.

(e) Filings, Consents and Approvals. The Company is not required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other Person in connection with the execution, delivery and performance by the Company of the Transaction Documents, other than: (i) the filing with the Commission of the Registration Statement, (ii) the filings required pursuant to Section 4.14 of this Agreement, (iii) the notice and/or application(s) to each applicable Trading Market for the issuance and sale of the Securities and the listing of the Underlying Shares for trading thereon in the time and manner required thereby and (iv) the filing of Form D with the Commission and such filings as are required to be made under applicable state securities laws (collectively, the "Required Approvals").

(f) Issuance of the Securities. The Securities are duly authorized and, when issued and paid for in accordance with the applicable Transaction Documents, will be duly and validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company other than restrictions on transfer provided for in the Transaction Documents. The Underlying Shares, when issued in accordance with the terms of the Transaction Documents, will be validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company other than restrictions on transfer provided for in the Transaction Documents. The Company has reserved from its duly authorized capital stock a number of shares of Common Stock for issuance of the Underlying Shares at least equal to 300% of the Required Minimum on the date hereof.

(g) Capitalization. The capitalization of the Company is as set forth on Schedule 3.1(g), which Schedule 3.1(g) shall also include the number of shares of Common Stock owned beneficially, and of record, by Affiliates of the Company as of the date hereof. Except as set forth on Schedule 3.1(g), the Company has not issued any capital stock since its most recently filed periodic report under the Exchange Act, other than pursuant to the exercise of stock options under the Company's stock option plans, the issuance of shares of Common Stock to employees pursuant to the Company's employee stock purchase plans and pursuant to the conversion and/or exercise of Common Stock Equivalents outstanding as of the date of the most recently filed periodic report under the Exchange Act. No Person has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by the Transaction Documents. Except as a result of the purchase and sale of the Securities and securities issued to employees and other service providers of the Company pursuant to the Company's stock option plans and other than as set forth on Schedule 3.1(g), there are no outstanding options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exercisable or exchangeable for, or giving any Person any right to subscribe for or acquire any shares of Common Stock, or contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to issue additional shares of Common Stock or Common Stock Equivalents. The issuance and sale of the Securities will not obligate the Company to issue shares of Common Stock or other securities to any Person (other than the Purchasers) and will not result in a right of any holder of Company securities to adjust the exercise, conversion, exchange or reset price under any of such securities. No further approval or authorization of any stockholder, the Board of Directors or others is required for the issuance and sale of the Securities. There are no stockholders agreements, voting agreements or other similar agreements with respect to the Company's capital stock to which the Company is a party or, to the knowledge of the Company, between or among any of the Company's stockholders.

(h) SEC Reports; Financial Statements. The Company has filed all reports, schedules, forms, statements and other documents required to be filed by the Company under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the one (1) year preceding the date hereof (or such shorter period as the Company was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the "SEC Reports") on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act, as applicable, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of

filing. Such financial statements have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved (“GAAP”), except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Company and its consolidated Subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

(i) Material Changes: Undisclosed Events, Liabilities or Developments. Since the date of the latest unaudited financial statements included within the SEC Reports, except as specifically disclosed in a subsequent SEC Report filed prior to the date hereof: (i) there has been no event, occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect; (ii) the Company has not incurred any liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in the Company’s financial statements pursuant to GAAP or disclosed in filings made with the Commission; (iii) the Company has not altered its method of accounting; (iv) the Company has not declared or made any dividend or distribution of cash or other property to its stockholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock; and (v) the Company has not issued any equity securities to any officer, director or Affiliate, except pursuant to existing Company stock option plans and other than as set forth on Schedule 3.1(i). The Company does not have pending before the Commission any request for confidential treatment of information. Except for the issuance of the Securities contemplated by this Agreement, no event, liability, fact, circumstance, occurrence or development has occurred or exists or is reasonably expected to occur or exist with respect to the Company or its Subsidiaries or their respective businesses, properties, operations, assets or financial condition, that would be required to be disclosed by the Company under applicable securities laws at the time this representation is made or deemed made that has not been publicly disclosed at least one (1) Trading Day prior to the date that this representation is made.

(j) Litigation. Except as set forth on Schedule 3.1(j), there is no action, suit, inquiry, notice of violation, proceeding or investigation pending or, to the knowledge of the Company, threatened against or affecting the Company, any Subsidiary or any of their respective properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) (collectively, an “Action”) which (i) adversely affects or challenges the legality, validity or enforceability of any of the Transaction Documents or the Securities or (ii) could, if there were an unfavorable decision, have or reasonably be expected to result in a Material Adverse Effect, and neither the Company nor any Subsidiary, nor any director or officer thereof, is or has been the subject of any Action involving a claim of violation of or liability under federal or state securities laws or a claim of breach of fiduciary duty. There has not been, and to the knowledge of the Company, there is not pending or contemplated, any

investigation by the Commission involving the Company or any current or former director or officer of the Company. The Commission has not issued any stop order or other order suspending the effectiveness of any registration statement filed by the Company or any Subsidiary under the Exchange Act or the Securities Act.

(k) Labor Relations. No labor dispute exists or, to the knowledge of the Company, is imminent with respect to any of the employees of the Company, which could reasonably be expected to result in a Material Adverse Effect. None of the Company's or its Subsidiaries' employees is a member of a union that relates to such employee's relationship with the Company or such Subsidiary, and neither the Company nor any of its Subsidiaries is a party to a collective bargaining agreement, and the Company and its Subsidiaries believe that their relationships with their employees are good. To the knowledge of the Company, no executive officer of the Company or any Subsidiary, is, or is now expected to be, in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement or non-competition agreement, or any other contract or agreement or any restrictive covenant in favor of any third party, and the continued employment of each such executive officer does not subject the Company or any of its Subsidiaries to any liability with respect to any of the foregoing matters. The Company and its Subsidiaries are in compliance with all U.S. federal, state, local and foreign laws and regulations relating to employment and employment practices, terms and conditions of employment and wages and hours, except where the failure to be in compliance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(l) Compliance. Neither the Company nor any Subsidiary: (i) is in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Company or any Subsidiary under), nor has the Company or any Subsidiary received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) is in violation of any judgment, decree or order of any court, arbitrator or other governmental authority or (iii) is or has been in violation of any statute, rule, ordinance or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws relating to taxes, environmental protection, occupational health and safety, product quality and safety and employment and labor matters, except in each case as has not had or could reasonably be expected to result in a Material Adverse Effect.

(m) Regulatory Permits. The Company and the Subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct their respective businesses as described in the SEC Reports, except where the failure to possess such permits could not reasonably be expected to result in a Material Adverse Effect ("Material Permits"), and neither the Company nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of any Material Permit.

(n) Title to Assets. The Company and the Subsidiaries have good and marketable title in fee simple to all real property owned by them and good and marketable title in all personal property owned by them that is material to the business of the Company and the Subsidiaries, in each case free and clear of all Liens, except for (i) Liens as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and the Subsidiaries and (ii) Liens for the payment of federal, state or other taxes, for which appropriate reserves have been made therefor in accordance with GAAP and, the payment of which is neither delinquent nor subject to penalties. Any real property and facilities held under lease by the Company and the Subsidiaries are held by them under valid, subsisting and enforceable leases with which the Company and the Subsidiaries are in compliance.

(o) Intellectual Property. Except as set forth in Schedule 3.1(o), the Company and the Subsidiaries have, or have rights to use, all patents, trademarks, service marks, trade names, trade secrets, inventions, copyrights, licenses and other intellectual property rights and similar rights as described in the SEC Reports as necessary or required for use in connection with their respective businesses as presently conducted and which the failure to so have could have a Material Adverse Effect (collectively, the "Intellectual Property Rights"). None of, and neither the Company nor any Subsidiary has received a notice (written or otherwise) that any of, the Intellectual Property Rights has expired, terminated or been abandoned, or is expected to expire or terminate or be abandoned, within two (2) years from the date of this Agreement. Neither the Company nor any Subsidiary has received, since the date of the latest unaudited financial statements included within the SEC Reports, a written notice of a claim or otherwise has any knowledge that the Intellectual Property Rights violate or infringe upon the rights of any Person, except as could not reasonably be expected to have a Material Adverse Effect. To the knowledge of the Company, all such Intellectual Property Rights are enforceable and there is no existing infringement by another Person of any of the Intellectual Property Rights. The Company and its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of all of their confidential intellectual properties, except where failure to do so could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(p) Transactions with Affiliates and Employees. Except as set forth in the SEC Reports, none of the officers or directors of the Company or any Subsidiary and, to the knowledge of the Company, none of the employees of the Company or any Subsidiary is presently a party to any transaction with the Company or any Subsidiary (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from providing for the borrowing of money from or lending of money to, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee, stockholder, member or partner, in each case in excess of \$120,000 other than for: (i) payment of salary or consulting fees for services rendered; (ii) reimbursement for

expenses incurred on behalf of the Company; and (iii) other employee benefits, including stock option or stock award agreements under any stock option plan of the Company.

(q) Sarbanes-Oxley; Internal Accounting Controls. The Company and the Subsidiaries are in compliance with any and all applicable requirements of the Sarbanes-Oxley Act of 2002 that are effective as of the date hereof, and any and all applicable rules and regulations promulgated by the Commission thereunder that are effective as of the date hereof and as of the applicable Closing Date. Except as set forth in the SEC Reports, the Company and the Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Except as set forth in the SEC Reports, the Company and the Subsidiaries have established disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and the Subsidiaries and designed such disclosure controls and procedures to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. The Company's certifying officers have evaluated the effectiveness of the disclosure controls and procedures of the Company and the Subsidiaries as of the end of the period covered by the most recently filed periodic report under the Exchange Act (such date, the "Evaluation Date"). The Company presented in its most recently filed periodic report under the Exchange Act the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the Evaluation Date. Since the Evaluation Date, there have been no changes in the internal control over financial reporting (as such term is defined in the Exchange Act) that have materially affected, or is reasonably likely to materially affect, the internal control over financial reporting of the Company and its Subsidiaries.

(r) Certain Fees. Other than as set forth on Schedule 3.1(r), no brokerage or finder's fees or commissions are or will be payable by the Company or any Subsidiaries to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by the Transaction Documents. The Purchasers shall have no obligation with respect to any fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this Section that may be due in connection with the transactions contemplated by the Transaction Documents.

(s) Private Placement. Assuming the accuracy of the Purchasers' representations and warranties set forth in Section 3.2, no registration under the Securities Act is required for the offer and sale of the Securities by the Company to the Purchasers as contemplated

hereby. The issuance and sale of the Securities hereunder does not contravene the rules and regulations of the Trading Market.

(t) Investment Company. The Company is not, and is not an Affiliate of, and immediately after receipt of payment for the Securities, will not be or be an Affiliate of, an “investment company” within the meaning of the Investment Company Act of 1940, as amended. The Company shall conduct its business in a manner so that it will not become an “investment company” subject to registration under the Investment Company Act of 1940, as amended.

(u) Registration Rights. Other than the Purchasers and as set forth on Schedule 3.1(u), no Person has any right to cause the Company to effect the registration under the Securities Act of any securities of the Company or any Subsidiaries.

(v) Listing and Maintenance Requirements. The Common Stock is registered pursuant to Section 12(b) or 12(g) of the Exchange Act, and the Company has taken no action designed to, or which to its knowledge is likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act nor has the Company received any notification that the Commission is contemplating terminating such registration. The Company has not, in the twelve (12) months preceding the date hereof, received notice from any Trading Market on which the Common Stock is or has been listed or quoted to the effect that the Company is not in compliance with the listing or maintenance requirements of such Trading Market. The Company is, and has no reason to believe that it will not in the foreseeable future continue to be, in compliance with all such listing and maintenance requirements.

(w) Application of Takeover Protections. The Company and the Board of Directors have taken all necessary action, if any, in order to render inapplicable any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or other similar anti-takeover provision under the Company’s certificate of incorporation (or similar charter documents) or the laws of its state of incorporation that is or could become applicable to the Purchasers as a result of the Purchasers and the Company fulfilling their obligations or exercising their rights under the Transaction Documents, including without limitation as a result of the Company’s issuance of the Securities and the Purchasers’ ownership of the Securities.

(x) Disclosure. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, the Company confirms that neither it nor any other Person acting on its behalf has provided any of the Purchasers or their agents or counsel with any information that it believes constitutes or might constitute material, non-public information. The Company understands and confirms that the Purchasers will rely on the foregoing representation in effecting transactions in securities of the Company. This Agreement, including the Disclosure Schedules to this Agreement, is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements

made therein, in light of the circumstances under which they were made, not misleading. The Company acknowledges and agrees that no Purchaser makes or has made any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in Section 3.2 hereof.

(y) No Integrated Offering. Assuming the accuracy of the Purchasers' representations and warranties set forth in Section 3.2, neither the Company, nor any of its Affiliates, nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause this offering of the Securities to be integrated with prior offerings by the Company for purposes of (i) the Securities Act which would require the registration of any such securities under the Securities Act, or (ii) any applicable shareholder approval provisions of any Trading Market on which any of the securities of the Company are listed or designated.

(z) No General Solicitation. Neither the Company nor any person acting on behalf of the Company has offered or sold any of the Securities by any form of general solicitation or general advertising. The Company has offered the Securities for sale only to the Purchasers and certain other "accredited investors" within the meaning of Rule 501 under the Securities Act.

(a a) Foreign Corrupt Practices. Neither the Company nor any Subsidiary, nor to the knowledge of the Company or any Subsidiary, any agent or other person acting on behalf of the Company or any Subsidiary, has: (i) directly or indirectly, used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity; (ii) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds; (iii) failed to disclose fully any contribution made by the Company or any Subsidiary (or made by any person acting on its behalf of which the Company is aware) which is in violation of law; or (iv) violated in any material respect any provision of FCPA.

(b b) Accountants. The Company's accounting firm is set forth on Schedule 3.1(bb) of the Disclosure Schedules. To the knowledge and belief of the Company, such accounting firm (i) is a registered public accounting firm as required by the Exchange Act and (ii) shall express its opinion with respect to the financial statements to be included in the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2016.

(cc) No Disagreements with Accountants and Lawyers. There are no disagreements of any kind presently existing, or reasonably anticipated by the Company to arise, between the Company and the accountants and lawyers formerly or presently employed by the Company and the Company is current with respect to any fees owed to its accountants and lawyers, except where the failure to be current would not reasonably be expected to affect the Company's ability to perform any of its obligations under any of the Transaction Documents.

(dd) Acknowledgment Regarding Purchasers' Purchase of Securities. The Company acknowledges and agrees that each of the Purchasers is acting solely in the capacity of an arm's length purchaser with respect to the Transaction Documents and the transactions contemplated thereby. The Company further acknowledges that no Purchaser is acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to the Transaction Documents and the transactions contemplated thereby and any advice given by any Purchaser or any of their respective representatives or agents in connection with the Transaction Documents and the transactions contemplated thereby is merely incidental to the Purchasers' purchase of the Securities. The Company further represents to each Purchaser that the Company's decision to enter into this Agreement and the other Transaction Documents has been based solely on the independent evaluation of the transactions contemplated hereby by the Company and its representatives.

(ee) Regulation M Compliance. The Company has not, and to its knowledge no one acting on its behalf has, (i) taken, directly or indirectly, any action designed to cause or to result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Securities, (ii) sold, bid for, purchased, or paid any compensation for soliciting purchases of, any of the Securities, or (iii) paid or agreed to pay to any Person any compensation for soliciting another to purchase any other securities of the Company, other than, in the case of clauses (ii) and (iii), compensation paid to the Company's placement agent in connection with the placement of the Securities.

(ff) Stock Option Plans. Each stock option granted by the Company under the Company's stock option plan was granted (i) in accordance with the terms of such stock option plan, and (ii) with an exercise price at least equal to the fair market value of the Common Stock on the date such stock option would be considered granted under GAAP and applicable law. No stock option granted under the Company's stock option plan has been backdated. The Company has not knowingly granted, and there is no and has been no Company policy or practice to knowingly grant, stock options prior to, or otherwise knowingly coordinate the grant of stock options with, the release or other public announcement of material information regarding the Company or its Subsidiaries or their financial results or prospects.

(gg) Office of Foreign Assets Control. Neither the Company nor any Subsidiary nor, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company or any Subsidiary is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC").

(hh) U.S. Real Property Holding Corporation. The Company is not and has never been a U.S. real property holding corporation within the meaning of Section 897 of the Internal Revenue Code of 1986, as amended, and the Company shall so certify upon Purchaser's request.

(ii) Bank Holding Company Act. Neither the Company nor any of its Subsidiaries or Affiliates is subject to the Bank Holding Company Act of 1956, as amended (the “BHCA”) and to regulation by the Board of Governors of the Federal Reserve System (the “Federal Reserve”). Neither the Company nor any of its Subsidiaries or Affiliates owns or controls, directly or indirectly, five percent (5%) or more of the outstanding shares of any class of voting securities or twenty-five percent (25%) or more of the total equity of a bank or any entity that is subject to the BHCA and to regulation by the Federal Reserve. Neither the Company nor any of its Subsidiaries or Affiliates exercises a controlling influence over the management or policies of a bank or any entity that is subject to the BHCA and to regulation by the Federal Reserve.

(jj) Indebtedness. Schedule 3.1(jj) sets forth as of the date hereof all outstanding secured and unsecured Indebtedness of the Company or any Subsidiary, or for which the Company or any Subsidiary has commitments. For the purposes of this Agreement, “Indebtedness” means (x) any liabilities for borrowed money or amounts owed in excess of \$50,000 (other than trade accounts payable incurred in the ordinary course of business), (y) all guaranties, endorsements and other contingent obligations in respect of indebtedness of others, whether or not the same are or should be reflected in the Company’s consolidated balance sheet (or the notes thereto), except guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business; and (z) the present value of any lease payments in excess of \$50,000 due under leases required to be capitalized in accordance with GAAP. Except as set forth on Schedule 3.1(jj), neither the Company nor any Subsidiary is in default with respect to any Indebtedness.

(kk) Tax Status. Except for matters that would not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect, the Company and its Subsidiaries each (i) has made or filed all United States federal, state and local income and all foreign income and franchise tax returns, reports and declarations required by any jurisdiction to which it is subject, (ii) has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations and (iii) has set aside on its books provision reasonably adequate for the payment of all material taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company or of any Subsidiary know of no basis for any such claim.

(ll) Seniority. Except as set forth on Schedule 3.1(ll), as of each Closing Date, no Indebtedness or other claim against the Company is senior to the Notes in right of payment, whether with respect to interest or upon liquidation or dissolution, or otherwise, other than indebtedness secured by purchase money security interests (which is senior only as to underlying assets covered thereby) and capital lease obligations (which is senior only as to the property covered thereby).

(mm) Money Laundering. The operations of the Company and its Subsidiaries are and have been conducted at all times in compliance with applicable financial record-keeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, applicable money laundering statutes and applicable rules and regulations thereunder (collectively, the “Money Laundering Laws”), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any Subsidiary with respect to the Money Laundering Laws is pending or, to the knowledge of the Company or any Subsidiary, threatened.

3.2 Representations and Warranties of the Purchasers. Each Purchaser, for itself and for no other Purchaser, hereby represents and warrants as of the date hereof and as of each Closing Date to the Company as follows (unless as of a specific date therein):

(a) Organization: Authority. Such Purchaser is either an individual or an entity duly incorporated or formed, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation with full right, corporate, partnership, limited liability company or similar power and authority to enter into and to consummate the transactions contemplated by the Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of the Transaction Documents and performance by such Purchaser of the transactions contemplated by the Transaction Documents have been duly authorized by all necessary corporate, partnership, limited liability company or similar action, as applicable, on the part of such Purchaser. Each Transaction Document to which it is a party has been duly executed by such Purchaser, and when delivered by such Purchaser in accordance with the terms hereof, will constitute the valid and legally binding obligation of such Purchaser, enforceable against it in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors’ rights generally; (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies; and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(b) Own Account. Such Purchaser understands that the Securities are “restricted securities” and have not been registered under the Securities Act or any applicable state securities law and is acquiring the Securities as principal for its own account and not with a view to or for distributing or reselling such Securities or any part thereof in violation of the Securities Act or any applicable state securities law, has no present intention of distributing any of such Securities in violation of the Securities Act or any applicable state securities law and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Securities in violation of the Securities Act or any applicable state securities law (this representation and warranty not limiting such Purchaser’s right to sell the Securities in compliance with applicable federal and state securities laws). Such Purchaser is acquiring the Securities hereunder in the ordinary course of its business.

(c) Purchaser Status. At the time such Purchaser was offered the Securities, it was, and as of the date hereof it is, and on each date on which it converts any Notes it will be an “accredited investor” as defined in Rule 501(a)(1), (a)(2), (a)(3), (a)(7) or (a)(8) under the Securities Act.

(d) Experience of Such Purchaser. Such Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Securities, and has so evaluated the merits and risks of such investment. Such Purchaser is able to bear the economic risk of an investment in the Securities and, at the present time, is able to afford a complete loss of such investment.

(e) General Solicitation. Such Purchaser is not purchasing the Securities as a result of any advertisement, article, notice or other communication regarding the Securities published in any newspaper, magazine or similar media or broadcast over television or radio or presented at any seminar or any other general solicitation or general advertisement.

(f) Certain Transactions and Confidentiality. Other than consummating the transactions contemplated hereunder, such Purchaser has not directly or indirectly, nor has any Person acting on behalf of or pursuant to any understanding with such Purchaser, executed any purchases or sales, including Short Sales, of the securities of the Company during the 20 Trading Days prior to the date hereof. Notwithstanding the foregoing, in the case of a Purchaser that is a multi-managed investment vehicle whereby separate portfolio managers manage separate portions of such Purchaser’s assets and the portfolio managers have no direct knowledge of the investment decisions made by the portfolio managers managing other portions of such Purchaser’s assets, the representation set forth above shall only apply with respect to the portion of assets managed by the portfolio manager that made the investment decision to purchase the Securities covered by this Agreement. Other than to other Persons party to this Agreement, such Purchaser has maintained the confidentiality of all disclosures made to it in connection with this transaction (including the existence and terms of this transaction). Notwithstanding the foregoing, for avoidance of doubt, nothing contained herein shall constitute a representation or warranty, or preclude any actions, with respect to the identification of the availability of, or securing of, available shares to borrow in order to effect Short Sales or similar transactions in the future.

The Company acknowledges and agrees that the representations contained in Section 3.2 shall not modify, amend or affect such Purchaser’s right to rely on the Company’s representations and warranties contained in this Agreement or any representations and warranties contained in any other Transaction Document or any other document or instrument executed and/or delivered in connection with this Agreement or the consummation of the transaction contemplated hereby.

ARTICLE IV.
OTHER AGREEMENTS OF THE PARTIES

4.1 Transfer Restrictions.

(a) The Securities may only be disposed of in compliance with state and federal securities laws. In connection with any transfer of Securities other than pursuant to an effective registration statement or Rule 144, to the Company or to an Affiliate of a Purchaser or in connection with a pledge as contemplated in Section 4.1(b), the Company may require the transferor thereof to provide to the Company an opinion of counsel selected by the transferor and reasonably acceptable to the Company, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred Securities under the Securities Act or applicable state securities laws. As a condition of transfer, any such transferee shall agree in writing to be bound by the terms of this Agreement and shall have the rights and obligations of a Purchaser under this Agreement.

(b) The Purchasers agree to the imprinting, so long as is required by this Section 4.1, of a legend on any of the Securities in the following form:

[NEITHER] THIS SECURITY [NOR THE SECURITIES INTO WHICH THIS SECURITY IS CONVERTIBLE] HAS [NOT] BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON EXEMPTIONS FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND APPLICABLE STATE SECURITIES LAWS, AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION THEREFROM, AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THIS SECURITY [AND THE SECURITIES ISSUABLE UPON CONVERSION OF THIS SECURITY] MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A REGISTERED BROKER-DEALER OR OTHER LOAN WITH A FINANCIAL INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT OR OTHER LOAN SECURED BY SUCH SECURITIES.

The Company acknowledges and agrees that a Purchaser may from time to time pledge pursuant to a bona fide margin agreement with a registered broker-dealer or grant a security interest in some or all of the Securities to a financial institution, in either case, that is an "accredited investor" as defined in Rule 501(a) under the Securities Act and who agrees to be bound by the provisions of this Agreement and, if required under the terms of such arrangement, such Purchaser may transfer pledged or secured Securities to the

pledgees or secured parties as long as they are also "accredited investors" and agree to be bound by this Agreement. Such a pledge or transfer would not be subject to approval of the Company and no legal opinion of legal counsel of the pledgee, secured party or pledgor shall be required in connection therewith; provided, however, that the transferee shall provide customary investment representations to the Company. Further, no notice shall be required of such pledge. At the appropriate Purchaser's expense, the Company, upon receipt of the investment representations, will execute and deliver such reasonable documentation as a pledgee or secured party of Securities may reasonably request in connection with a pledge or transfer of the Securities.

(c) Certificates evidencing the Underlying Shares shall not contain any legend (including the legend set forth in Section 4.1(b) hereof): (i) while a registration statement covering the resale of such security is effective under the Securities Act; (ii) following any sale of such Underlying Shares pursuant to Rule 144 (unless the transferee is an Affiliate); (iii) if such Underlying Shares are eligible for sale under Rule 144 without the requirement for the Company to be in compliance with the current public information requirement under Rule 144 as to such Underlying Shares and without volume or manner-of-sale restrictions; or (iv) if such legend is not required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Commission). The Company shall upon request of a Purchaser and at such Purchaser's expense cause its counsel to issue a legal opinion to the Transfer Agent promptly after any of the events described in (i)-(iv) in the preceding sentence if required by the Transfer Agent to effect the removal of the legend hereunder (with a copy to the applicable Purchaser and its broker). If all or any portion of a Note is converted at a time when there is an effective registration statement to cover the resale of the Underlying Shares, or if such Underlying Shares may be sold under Rule 144 and the Company is then in compliance with the current public information requirement under Rule 144, or if the Underlying Shares may be sold under Rule 144 without the requirement for the Company to be in compliance with the current public information requirement under Rule 144 as to such Underlying Shares and without volume or manner-of-sale restrictions, or if such legend is not otherwise required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Commission) then such Underlying Shares shall be issued free of all legends. The Company agrees that following the Effective Date or at such time as such legend is no longer required under this Section 4.1(c), it will, no later than three (3) Trading Days following the delivery by a Purchaser to the Company or the Transfer Agent of a certificate representing Underlying Shares issued with a restrictive legend (such third Trading Day, the "Legend Removal Date"), instruct the Transfer Agent to deliver or cause to be delivered to such Purchaser a certificate representing such shares that is free from all restrictive and other legends. The Company may not make any notation on its records or give instructions to the Transfer Agent that enlarge the restrictions on transfer set forth in this Section 4, except to notify its Transfer Agent if the Registration Statement is not long current or effective. Certificates for Underlying Shares subject to legend removal hereunder shall be transmitted by the Transfer Agent to the Purchaser by crediting the

account of the Purchaser's prime broker with the Depository Trust Company System as directed by such Purchaser.

(d) In addition to such Purchaser's other available remedies, the Company shall pay to a Purchaser, in cash, as partial liquidated damages and not as a penalty, \$1,000 per Trading Day for each Trading Day after the Legend Removal Date with respect to which the Company has not yet instructed its Transfer Agent to deliver such certificate without a legend to Holder. Nothing herein shall limit such Purchaser's right to pursue actual damages for the Company's failure to instruct its Transfer Agent to deliver certificates representing any Securities as required by the Transaction Documents, and such Purchaser shall have the right to pursue all remedies available to it at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief.

(e) Each Purchaser, severally and not jointly with the other Purchasers, agrees with the Company that such Purchaser will sell any Securities pursuant to either the registration requirements of the Securities Act, including any applicable prospectus delivery requirements, or an exemption therefrom, and that if Securities are sold pursuant to a Registration Statement, they will be sold in compliance with the plan of distribution set forth therein, and acknowledges that the removal of the restrictive legend from certificates representing Securities as set forth in this Section 4.1 is predicated upon the Company's reliance upon this understanding.

4.2 Acknowledgment of Dilution. The Company acknowledges that the issuance of the Securities may result in dilution of the outstanding shares of Common Stock, which dilution may be substantial under certain market conditions. The Company further acknowledges that its obligations under the Transaction Documents, including, without limitation, its obligation to issue the Underlying Shares pursuant to the Transaction Documents, are unconditional and absolute and not subject to any right of set off, counterclaim, delay or reduction, regardless of the effect of any such dilution or any claim the Company may have against any Purchaser and regardless of the dilutive effect that such issuance may have on the ownership of the other stockholders of the Company.

4.3 Furnishing of Information; Public Information.

(a) Until no Purchaser owns Securities or the first anniversary of the last Closing, whichever is later, the Company covenants to maintain the registration of the Common Stock under Section 12(b) or 12(g) of the Exchange Act and to timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company after the date hereof pursuant to the Exchange Act even if the Company is not then subject to the reporting requirements of the Exchange Act.

(b) At any time during the period commencing on the six (6)-month anniversary of the Closing Date and ending at such time that all of the Securities may be sold without the requirement for the Company to be in compliance with Rule 144(c)(1) and otherwise

without restriction or limitation pursuant to Rule 144, if the Company shall fail for any reason to satisfy the current public information requirement under Rule 144(c) (a “Public Information Failure”) then, in addition to such Purchaser’s other available remedies, the Company shall pay to a Purchaser, in cash, as partial liquidated damages and not as a penalty, by reason of any such delay in or reduction of its ability to sell the Securities, an amount in cash equal to two percent (2%) of the aggregate Subscription Amount of such Purchaser’s Securities on the day of a Public Information Failure and on every thirtieth (30th) day (pro-rated for periods totaling less than thirty (30) days) thereafter until the earlier of (a) the date such Public Information Failure is cured and (b) such time that such public information is no longer required for the Purchasers to transfer the Underlying Shares pursuant to Rule 144. The payments to which a Purchaser shall be entitled pursuant to this Section 4.3(b) are referred to herein as “Public Information Failure Payments.” Public Information Failure Payments shall be paid on the earlier of (i) the last day of the calendar month during which such Public Information Failure Payments are incurred and (ii) the third (3rd) Business Day after the event or failure giving rise to the Public Information Failure Payments is cured. In the event the Company fails to make Public Information Failure Payments in a timely manner, such Public Information Failure Payments shall bear interest at the rate of 1.5% per month (prorated for partial months) until paid in full. Nothing herein shall limit such Purchaser’s right to pursue actual damages for the Public Information Failure, and such Purchaser shall have the right to pursue all remedies available to it at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief.

4.4 Integration. The Company shall not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2 of the Securities Act) that would be integrated with the offer or sale of the Securities in a manner that would require the registration under the Securities Act of the sale of the Securities or that would be integrated with the offer or sale of the Securities for purposes of the rules and regulations of any Trading Market such that it would require shareholder approval prior to the closing of such other transaction unless shareholder approval is obtained before the closing of such subsequent transaction.

4.5 Conversion and Exercise Procedures. The form of Notice of Conversion included in the Notes sets forth the totality of the procedures required of the Purchasers in order to convert the Notes. Without limiting the preceding sentences, no ink-original Notice of Conversion shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Conversion form be required in order to convert the Note. No additional legal opinion, other information or instructions shall be required of the Purchasers to convert their Notes. The Company shall honor conversions of the Notes and shall deliver Underlying Shares in accordance with the terms, conditions and time periods set forth in the Transaction Documents.

4.6 Shareholder Rights Plan. No claim will be made or enforced by the Company or, with the consent of the Company, any other Person, that any Purchaser is an “Acquiring Person” under any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or similar anti-takeover plan or arrangement in effect or hereafter adopted by the Company, or that any Purchaser could be deemed to trigger the provisions of any such plan

or arrangement, by virtue of receiving Securities under the Transaction Documents or under any other agreement between the Company and the Purchasers.

4.7 Non-Public Information. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, the Company covenants and agrees that neither it, nor any other Person acting on its behalf, will provide any Purchaser or its agents or counsel with any information that the Company believes constitutes material non-public information, unless prior thereto such Purchaser shall have entered into a written agreement with the Company regarding the confidentiality and use of such information. The Company understands and confirms that each Purchaser shall be relying on the foregoing covenant in effecting transactions in securities of the Company.

4.8 Use of Proceeds. The Company shall use the net proceeds hereunder for working capital purposes and for the expenses of this offering and shall not use such proceeds: (a) for the satisfaction of any portion of the Company's debt (other than payment of trade payables in the ordinary course of the Company's business and prior practices), (b) for the redemption of any Common Stock or Common Stock Equivalents, (c) for the settlement of any outstanding litigation or (d) in violation of FCPA or OFAC regulations.

4.9 Indemnification of Purchasers. Subject to the provisions of this Section 4.9, the Company will indemnify and hold each Purchaser and its directors, officers, shareholders, members, partners, employees and agents (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title), each Person who controls such Purchaser (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, shareholders, agents, members, partners or employees (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title) of such controlling persons (each, a "Purchaser Party") harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys' fees and costs of investigation that any such Purchaser Party may suffer or incur as a result of or relating to (a) any breach of any of the representations, warranties, covenants or agreements made by the Company in this Agreement or in the other Transaction Documents or (b) any action instituted against the Purchaser Parties in any capacity, or any of them or their respective Affiliates, by any stockholder of the Company who is not an Affiliate of such Purchaser Party, with respect to any of the transactions contemplated by the Transaction Documents (unless such action is based upon a breach of such Purchaser Party's representations, warranties or covenants under the Transaction Documents or any agreements or understandings such Purchaser Party may have with any such stockholder or any violations by such Purchaser Party of state or federal securities laws or any conduct by such Purchaser Party which constitutes fraud, gross negligence, willful misconduct or malfeasance). If any action shall be brought against any Purchaser Party in respect of which indemnity may be sought pursuant to this Agreement, such Purchaser Party shall promptly notify the Company in writing, and the Company shall have the right to assume the defense thereof with counsel of its own choosing reasonably acceptable to the Purchaser Party. Any Purchaser Party shall have the right to employ separate counsel in any such action and participate in the

defense thereof, but the fees and expenses of such counsel shall be at the expense of such Purchaser Party except to the extent that (i) the employment thereof has been specifically authorized by the Company in writing, (ii) the Company has failed after a reasonable period of time to assume such defense and to employ counsel or (iii) in such action there is, in the reasonable opinion of counsel, a material conflict on any material issue between the position of the Company and the position of such Purchaser Party, in which case the Company shall be responsible for the reasonable fees and expenses of no more than one such separate counsel. The Company will not be liable to any Purchaser Party under this Agreement (y) for any settlement by a Purchaser Party effected without the Company's prior written consent, which shall not be unreasonably withheld or delayed; or (z) to the extent, but only to the extent that a loss, claim, damage or liability is attributable to any Purchaser Party's breach of any of the representations, warranties, covenants or agreements made by such Purchaser Party in this Agreement or in the other Transaction Documents. The indemnification required by this Section 4.9 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or are incurred. The indemnity agreements contained herein shall be in addition to any cause of action or similar right of any Purchaser Party against the Company or others and any liabilities the Company may be subject to pursuant to law.

4.10 Reservation and Listing of Securities.

(a) The Company shall maintain a reserve from its duly authorized shares of Common Stock for issuance pursuant to the Transaction Documents in such amount as may then be required to fulfill its obligations in full under the Transaction Documents.

(b) If, on any date, the number of authorized but unissued (and otherwise unreserved) shares of Common Stock is less than 300% of the Required Minimum on such date, then the Board of Directors shall use commercially reasonable efforts to amend the Company's certificate or articles of incorporation to increase the number of authorized but unissued shares of Common Stock to at least 300% of the Required Minimum at such time, as soon as possible and in any event not later than the 75th day after such date; provided that the Company will not be required at any time to authorize a number of shares of Common Stock greater than the maximum remaining number of shares of Common Stock that could possibly be issued after such time pursuant to the Transaction Documents.

(c) The Company shall, if applicable: (i) in the time and manner required by the principal Trading Market, prepare and file with such Trading Market an additional shares listing application covering a number of shares of Common Stock at least equal to the Required Minimum on the date of such application; (ii) take all steps necessary to cause such shares of Common Stock to be approved for listing or quotation on such Trading Market as soon as possible thereafter; (iii) provide to the Purchasers evidence of such listing or quotation; and (iv) maintain the listing or quotation of such Common Stock on any date at least equal to the Required Minimum on such date on such Trading Market or another Trading Market.

4.11 Equal Treatment of Purchasers. No consideration (including any modification of any Transaction Document) shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of this Agreement unless the same consideration is also offered to all of the parties to this Agreement. Further, the Company shall not make any payment of principal or interest on the Notes in amounts which are disproportionate to the respective principal amounts outstanding on the Notes at any applicable time. For clarification purposes, this provision constitutes a separate right granted to each Purchaser by the Company and negotiated separately by each Purchaser, and is intended for the Company to treat the Purchasers as a class and shall not in any way be construed as the Purchasers acting in concert or as a group with respect to the purchase, disposition or voting of Securities or otherwise.

4.12 Certain Transactions and Confidentiality. Each Purchaser, severally and not jointly with the other Purchasers, covenants that neither it, nor any Affiliate acting on its behalf or pursuant to any understanding with it, will execute any Short Sales of any of the Company's securities during the period commencing with the execution of this Agreement and ending on the date that the Notes are no longer outstanding (provided that this provision shall not prohibit any sales made where a corresponding Notice of Conversion is tendered to the Company and the shares received upon such conversion or exercise are used to close out such sale) (a "Prohibited Short Sale"). Each Purchaser, severally and not jointly with the other Purchasers, covenants that until such time as the transactions contemplated by this Agreement are publicly disclosed by the Company pursuant to the press release described in Section 4.14, such Purchaser will maintain the confidentiality of the existence and terms of this transaction and the information included in the Transaction Documents and the Disclosure Schedules. Notwithstanding the foregoing, and notwithstanding anything contained in this Agreement to the contrary, the Company expressly acknowledges and agrees that (i) except for a Prohibited Short Sale, no Purchaser makes any representation, warranty or covenant hereby that it will not engage in effecting transactions in any securities of the Company commencing on the third Trading Day after the time that the transactions contemplated by this Agreement are first publicly announced pursuant to the press release as described in Section 4.14, (ii) except for a Prohibited Short Sale, no Purchaser shall be restricted or prohibited from effecting any transactions in any securities of the Company in accordance with applicable securities laws from and after the third Trading Day after the time that the transactions contemplated by this Agreement are first publicly announced pursuant to the press release as described in Section 4.14, and (iii) no Purchaser shall have any duty of confidentiality to the Company or its Subsidiaries commencing on the third Trading Day after the issuance of the press release as described in Section 4.14.

4.13 Variable Rate Transactions. From the date hereof until such time as no Purchaser holds any of the Underlying Shares, the Company shall be prohibited from effecting or entering into an agreement to effect any issuance by the Company or any of its Subsidiaries of Common Stock or Common Stock Equivalents (or a combination of units thereof) involving a Variable Rate Transaction. "Variable Rate Transaction" means a transaction in which the Company (i) issues or sells any debt or equity securities that are convertible into, exchangeable or exercisable for, or include the right to receive, additional shares of Common Stock either (A) at a conversion price, exercise price or exchange rate or other price that is based upon, and/or varies with, the trading prices of or quotations for the shares of Common Stock at any time after the initial issuance of

such debt or equity securities or (B) with a conversion, exercise or exchange price that is subject to being reset at some future date after the initial issuance of such debt or equity security or upon the occurrence of specified or contingent events directly or indirectly related to the business of the Company or the market for the Common Stock or (ii) enters into an equity line of credit or similar agreement. Any Purchaser shall be entitled to obtain injunctive relief against the Company to preclude any such issuance, which remedy shall be in addition to any right to collect damages.

4.14 Securities Laws Disclosure: Publicity. The Company shall (a) by 9:30 a.m. (New York City time) on the Trading Day immediately following the date hereof, issue a press release disclosing the material terms of the transactions contemplated hereby, and (b) file a Current Report on Form 8-K, including the Transaction Documents as exhibits thereto, with the Commission within the time required by the Exchange Act. From and after the issuance of such press release, the Company represents to the Purchaser that it shall have publicly disclosed all material, non-public information delivered to any of the Purchasers by the Company or any of its Subsidiaries, or any of their respective officers, directors, employees or agents in connection with the transactions contemplated by the Transaction Documents. The Company and the Purchaser shall consult with each other in issuing any other press releases with respect to the transactions contemplated hereby, and neither the Company nor the Purchaser shall issue any such press release nor otherwise make any such public statement without the prior consent of the Company, with respect to any press release of the Purchaser, or without the prior consent of the Purchaser, with respect to any press release of the Company, which consent shall not unreasonably be withheld or delayed, except if such disclosure is required by law, in which case the disclosing party shall promptly provide the other party with prior notice of such public statement or communication. Notwithstanding the foregoing, the Company shall not publicly disclose the name of the Purchaser, or include the name of the Purchaser in any filing with any regulatory agency or Trading Market other than the Commission, without the prior written consent of the Purchaser, except: (a) as required by federal or state securities law in connection with any registration statement contemplated by this Agreement and (b) to the extent such disclosure is required by law or Trading Market regulations, in which case the Company shall provide the Purchaser with prior notice of such disclosure permitted under this clause (b).

4.15 Form D: Blue Sky Filings. The Company agrees to timely file a Form D with respect to the Securities as required under Regulation D and to provide a copy thereof, promptly upon request of the Purchaser. The Company shall take such action as the Company shall reasonably determine is necessary in order to obtain an exemption for, or to qualify the Securities for, sale to the Purchaser at the applicable Closing under applicable securities or "Blue Sky" laws of the states of the United States, and shall provide evidence of such actions promptly upon request of the Purchaser.

ARTICLE V. MISCELLANEOUS

5.1 Termination. This Agreement may be terminated by any Purchaser, as to such Purchaser's obligations hereunder only and without any effect whatsoever on the obligations between the

Company and the other Purchasers, by written notice to the other parties, if the First Closing has not been consummated on or before March 18, 2016; provided, however, that such termination will not affect the right of any party to sue for any breach by any other party (or parties).

5.2 Fees and Expenses. The Company has agreed to reimburse the Purchaser up to \$10,000 for its legal fees at the First Closing. Accordingly, the aggregate amount that the Purchaser is to pay for the Securities at the First Closing shall be reduced by \$10,000 in lieu thereof. The Company shall deliver to each Purchaser, prior to each Closing, a completed and executed copy of the Closing Statement, attached hereto as Annex A. Except as expressly set forth in the Transaction Documents to the contrary, each party shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement. The Company shall pay all Transfer Agent fees (including, without limitation, any fees required for same-day processing of any instruction letter delivered by the Company and any conversion or exercise notice delivered by a Purchaser), stamp taxes and other taxes and duties levied in connection with the delivery of any Securities to the Purchasers.

5.3 Entire Agreement. The Transaction Documents, together with the exhibits and schedules thereto, contain the entire understanding of the parties with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into such documents, exhibits and schedules.

5.4 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of: (i) the date of transmission, if such notice or communication is delivered via email at the email addresses set forth on the signature pages attached hereto at or prior to 12:00 p.m. (New York City time) on a Trading Day and confirmed by telephone at the number set forth on the signature pages attached hereto; (ii) the next Trading Day after the date of transmission, if such notice or communication is delivered via email at the email addresses set forth on the signature pages attached hereto on a day that is not a Trading Day or later than 12:00 p.m. (New York City time) on any Trading Day, and confirmed by telephone at the number set forth on the signature pages attached hereto; (iii) the second (2nd) Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service; or (iv) upon actual receipt by the party to whom such notice is required to be given. The addresses for such notices and communications shall be as set forth on the signature pages attached hereto; provided that the failure to deliver a notice to each email address set forth on the signature page hereto shall not render such notice invalid so long as such notice was delivered to at least one of the email addresses set forth on the signature page hereto. Any address for notices may be changed by notice given in accordance with this provision.

5.5 Amendments; Waivers. No provision of this Agreement may be waived, modified, supplemented or amended except in a written instrument signed, in the case of an amendment, by the Company and the Purchasers holding at least 67% in interest of the Securities then outstanding or, in the case of a waiver, by the party against whom enforcement of any such

waived provision is sought. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right.

5.6 Headings. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

5.7 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. The Company may not assign this Agreement or any rights or obligations hereunder without the prior written consent of each Purchaser (other than by merger). Any Purchaser may assign any or all of its rights under this Agreement to any Person to whom such Purchaser assigns or transfers any Securities, provided that such transferee agrees in writing to be bound, with respect to the transferred Securities, by the provisions of the Transaction Documents that apply to the "Purchasers," including Section 4.1.

5.8 No Third-Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other Person, except as otherwise set forth in Section 4.9.

5.9 Governing Law. All questions concerning the construction, validity, enforcement and interpretation of the Transaction Documents shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement and any other Transaction Documents (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, Borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. If either party shall commence an action, suit or proceeding to enforce any provisions of the Transaction Documents, then, in

addition to the obligations of the Company under Section 4.9, the prevailing party in such action, suit or proceeding shall be reimbursed by the other party for its reasonable attorneys' fees and other costs and expenses incurred with the investigation, preparation and prosecution of such action or proceeding.

5.10 Survival. The representations and warranties contained herein shall survive the Closings and the delivery of the Securities.

5.11 Execution. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to each other party, it being understood that the parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

5.12 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

5.13 Rescission and Withdrawal Right. Notwithstanding anything to the contrary contained in (and without limiting any similar provisions of) any of the other Transaction Documents, whenever any Purchaser exercises a right, election, demand or option under a Transaction Document and the Company does not timely perform its related obligations within the periods therein provided, then such Purchaser may rescind or withdraw, in its sole discretion from time to time upon written notice to the Company, any relevant notice, demand or election in whole or in part without prejudice to its future actions and rights; provided, however, that in the case of a rescission of a conversion of a Note, the applicable Purchaser shall be required to return any shares of Common Stock subject to any such rescinded conversion notice concurrently with the return to such Purchaser of the aggregate conversion price paid to the Company for such shares.

5.14 Replacement of Securities. If any certificate or instrument evidencing any Securities is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation thereof (in the case of mutilation), or in lieu of and substitution therefor, a new certificate or instrument, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction. The applicant for a new certificate or instrument under such circumstances shall also pay any reasonable third-party

costs (including customary indemnity) associated with the issuance of such replacement Securities.

5.15 Remedies. In addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, each of the Purchasers and the Company will be entitled to specific performance under the Transaction Documents. The parties agree that monetary damages may not be adequate compensation for any loss incurred by reason of any breach of obligations contained in the Transaction Documents and hereby agree to waive and not to assert in any action for specific performance of any such obligation the defense that a remedy at law would be adequate.

5.16 Payment Set Aside. To the extent that the Company makes a payment or payments to any Purchaser pursuant to any Transaction Document or a Purchaser enforces or exercises its rights thereunder, and such payment or payments or the proceeds of such enforcement or exercise or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by or are required to be refunded, repaid or otherwise restored to the Company, a trustee, receiver or any other Person under any law (including, without limitation, any bankruptcy law, state or federal law, common law or equitable cause of action), then to the extent of any such restoration the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

5.17 Usury. To the extent it may lawfully do so, the Company hereby agrees not to insist upon or plead or in any manner whatsoever claim, and will resist any and all efforts to be compelled to take the benefit or advantage of, usury laws wherever enacted, now or at any time hereafter in force, in connection with any claim, action or proceeding that may be brought by any Purchaser in order to enforce any right or remedy under any Transaction Document. Notwithstanding any provision to the contrary contained in any Transaction Document, it is expressly agreed and provided that the total liability of the Company under the Transaction Documents for payments in the nature of interest shall not exceed the maximum lawful rate authorized under applicable law (the "Maximum Rate"), and, without limiting the foregoing, in no event shall any rate of interest or default interest, or both of them, when aggregated with any other sums in the nature of interest that the Company may be obligated to pay under the Transaction Documents exceed such Maximum Rate. It is agreed that if the maximum contract rate of interest allowed by law and applicable to the Transaction Documents is increased or decreased by statute or any official governmental action subsequent to the date hereof, the new maximum contract rate of interest allowed by law will be the Maximum Rate applicable to the Transaction Documents from the effective date thereof forward, unless such application is precluded by applicable law. If under any circumstances whatsoever, interest in excess of the Maximum Rate is paid by the Company to any Purchaser with respect to indebtedness evidenced by the Transaction Documents, such excess shall be applied by such Purchaser to the unpaid principal balance of any such indebtedness or be refunded to the Company, the manner of handling such excess to be at such Purchaser's election.

5.18 Independent Nature of Purchasers' Obligations and Rights. The obligations of each Purchaser under any Transaction Document are several and not joint with the obligations of any other Purchaser, and no Purchaser shall be responsible in any way for the performance or non-performance of the obligations of any other Purchaser under any Transaction Document. Nothing contained herein or in any other Transaction Document, and no action taken by any Purchaser pursuant hereto or thereto, shall be deemed to constitute the Purchasers as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Purchasers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by the Transaction Documents. Each Purchaser shall be entitled to independently protect and enforce its rights, including, without limitation, the rights arising out of this Agreement or out of the other Transaction Documents, and it shall not be necessary for any other Purchaser to be joined as an additional party in any proceeding for such purpose. Each Purchaser has been represented by its own separate legal counsel in its review and negotiation of the Transaction Documents.

5.19 Liquidated Damages. The Company's obligations to pay any partial liquidated damages or other amounts owing under the Transaction Documents is a continuing obligation of the Company and shall not terminate until all unpaid partial liquidated damages and other amounts have been paid notwithstanding the fact that the instrument or security pursuant to which such partial liquidated damages or other amounts are due and payable shall have been canceled.

5.20 Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding Business Day.

5.21 Construction. The parties agree that each of them and/or their respective counsel have reviewed and had an opportunity to revise the Transaction Documents and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of the Transaction Documents or any amendments thereto. In addition, each and every reference to share prices and shares of Common Stock in any Transaction Document shall be subject to adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Common Stock that occur after the date of this Agreement.

5.22 **WAIVER OF JURY TRIAL. IN ANY ACTION, SUIT, OR PROCEEDING IN ANY JURISDICTION BROUGHT BY ANY PARTY AGAINST ANY OTHER PARTY, THE PARTIES EACH KNOWINGLY AND INTENTIONALLY, TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY AND EXPRESSLY WAIVE FOREVER TRIAL BY JURY.**

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

CLS Holdings USA Inc.

Address for Notice:

CLS Holdings USA, Inc.
11767 S. Dixie Highway, Suite 115
Miami, Florida 33156

By: _____
Name: Jeffrey I. Binder
Title: Chairman and CEO

conversionnotice@broadandcassel.com

Phone Number (for confirmation of receipt of emails):

(305) _____

With a copy to (which shall not constitute notice):

Broad and Cassel
1 N. Clematis Street, Suite 500
West Palm Beach, FL 33401
Attention: Kathleen L. Deutsch, P.A.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK
SIGNATURE PAGE FOR PURCHASER FOLLOWS]**

**[PURCHASER SIGNATURE PAGES TO CLS HOLDINGS USA INC.
SECURITIES PURCHASE AGREEMENT]**

IN WITNESS WHEREOF, the undersigned have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

Name of Purchaser: Old Main Capital, LLC

Signature of Authorized Signatory of Purchaser: _____

Name of Authorized Signatory: _____

Title of Authorized

Signatory: _____

Email Address of Authorized

Signatory: _____

Facsimile Number of Authorized Signatory: _____

State of Principal Place of Business:

Address for Notice to Purchaser:

Address for Delivery of Securities to Purchaser (if not same as address for notice):

First Closing Principal Amount:

First Closing Subscription Amount:

EIN Number: _____

CLOSING STATEMENT

Pursuant to the attached Securities Purchase Agreement, dated as of the date hereof, the purchasers shall purchase Notes from CLS Holdings USA Inc. (the "Company"). All funds will be wired into an account maintained by the Company. All funds will be disbursed in accordance with this Closing Statement.

Disbursement Date: March 18, 2016

I. PURCHASE PRICE

Gross Proceeds to be Received	\$	200,000
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II. DISBURSEMENTS

Company	\$	190,000
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Company's counsel (Robinson Brog)	\$	10,000
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Total Amount Disbursed:	\$	200,000
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WIRE INSTRUCTIONS:

See attached

Duly executed this ___ day of March, 2016:

CLS Holdings USA Inc.

By: _____
Name: Jeffrey I. Binder
Title: Chairman and CEO

DISCLOSURE SCHEDULES

The following are the Disclosure Schedules (the “Disclosure Schedules”) referred to in that certain Securities Purchase Agreement, dated as of March 18, 2016 (the “Agreement”), by and between CLS Holdings USA Inc., a Nevada corporation (the “Company”), and each purchaser identified on the signature pages thereto (each, including its successors and assigns, a “Purchaser” and collectively, the “Purchasers”).

Schedule 3.1(a) Subsidiaries

Schedule 3.1(g) Capitalization

Schedule 3.1(i) Material Changes; Undisclosed Events, Liabilities or Developments

Schedule 3.1(j) Litigation

Schedule 3.1(o) Litigation

Schedule 3.1(r) Certain Fees

Schedule 3.1(u) Registration Rights

Schedule 3.1(bb) Accountants

Schedule 3.1(jj) Indebtedness

Schedule 3.1(ll) Seniority

Form of 10% Original Issue Discount Convertible Promissory Note

Form of Registration Rights Agreement



Form of Transfer Agent Instruction Letter

EXHIBIT 23.1



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the inclusion in this Amendment No. 1 to Registration Statement on Form S-1 of our report dated August 28, 2015, of CLS Holdings USA, Inc. relating to the audit of the financial statements as of May 31, 2015 and 2014 and the reference to our firm under the caption "Experts" in the Registration Statement.

/s/ M&K CPAS, PLLC
www.mkacpas.com
Houston, Texas

June 2 , 2016