

CCA INDUSTRIES, INC.

500 OFFICE CENTER DRIVE, SUITE 400, FORT WASHINGTON, PA 19034

201-935-3232

WWW.CCAINVESTOR.COM

INVESTORRELATIONS@CCAINDUSTRIES.COM

Quarterly Report

For the period ending May 31, 2024 (the "Reporting Period")

Outstanding Shares

The number of shares outstanding of our Common Stock was:

6,593,982 as of May 31, 2024 *(Current Reporting Period Date or More Recent Date)*

6,593,982 as of November 30, 2023 *(Most Recent Completed Fiscal Year End)*

Shell Status

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Change in Control

Indicate by check mark whether a Change in Control⁴ of the company has occurred during this reporting period:

Yes: ☐ No: ☒

⁴ "Change in Control" shall mean any events resulting in:

- (i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
- (iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

1) Name and address(es) of the issuer and its predecessors (if any)

In answering this item, provide the current name of the issuer and names used by predecessor entities, along with the dates of the name changes.

CCA INDUSTRIES, INC.

Current State and Date of Incorporation or Registration: DELAWARE, MARCH 25, 1983

Standing in this jurisdiction: (e.g. active, default, inactive): ACTIVE

Prior Incorporation Information for the issuer and any predecessors during the past five years:

NO CHANGE

Describe any trading suspension or halt orders issued by the SEC or FINRA concerning the issuer or its predecessors since inception:

NONE

List any stock split, dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

NONE

Address of the issuer's principal executive office:

500 OFFICE CENTER DRIVE, SUITE 400, FORT WASHINGTON, PA 19034

Address of the issuer's principal place of business:

☒ *Check if principal executive office and principal place of business are the same address:*

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: ☒ Yes: ☐ If Yes, provide additional details below:

2) Security Information

Transfer Agent

Name: BROADRIDGE CORPORATE ISSUER SOLUTIONS, LLC

Phone: 877-830-4936

Email: _____

Address: 1155 LONG ISLAND AVENUE, ENGLEWOOD, NJ 11717

Publicly Quoted or Traded Securities:

The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.

Trading symbol:	<u>CAWW</u>	
Exact title and class of securities outstanding:	<u>COMMON STOCK</u>	
CUSIP:	<u>124867102</u>	
Par or stated value:	<u>\$0.01</u>	
Total shares authorized:	<u>15,000,000</u>	as of date: <u>May 31, 2024</u>
Total shares outstanding:	<u>6,593,982</u>	as of date: <u>May 31, 2024</u>
Total number of shareholders of record:	<u>74</u>	as of date: <u>May 31, 2024</u>

Please provide the above-referenced information for all other publicly quoted or traded securities of the issuer.

Other classes of authorized or outstanding equity securities that do not have a trading symbol:

The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g., preferred shares that do not have a trading symbol). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.

Exact title and class of the security:	<u>CLASS A COMMON STOCK</u>	
Par or stated value:	<u>\$0.01</u>	
Total shares authorized:	<u>5,000,000</u>	as of date: <u>May 31, 2024</u>
Total shares outstanding:	<u>967,702</u>	as of date: <u>May 31, 2024</u>
Total number of shareholders of record:	<u>1</u>	as of date: <u>May 31, 2024</u>

Please provide the above-referenced information for all other classes of authorized or outstanding equity securities.

Exact title and class of the security:	<u>PREFERRED STOCK, SENIOR REDEEMABLE SERIES B</u>	
Par or stated value:	<u>\$1.00</u>	
Total shares authorized:	<u>20,000,000</u>	as of date: <u>May 31, 2024</u>
Total shares outstanding:	<u>170,000</u>	as of date: <u>May 31, 2024</u>
Total number of shareholders of record:	<u>1</u>	as of date: <u>May 31, 2024</u>

Security Description:

The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:

1. For common equity, describe any dividend, voting and preemption rights.

COMMON SHARES ELECTED ONE MEMBER TO THE BOARD OF DIRECTORS. THE CLASS A SHAREHOLDERS ELECT TWO MEMBERS TO THE BOARD OF DIRECTORS. OTHERWISE, COMMON AND CLASS A HAVE THE SAME RIGHTS AS TO DIVIDEND AND ANY DISTRIBUTIONS.

2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.

THERE IS NO MINIMUM DIVIDEND. THE PREFERRED STOCK RECEIVES THE SAME DIVIDEND, IF ANY, AS THE COMMON STOCK. THE PREFERRED STOCK HAS TO BE REDEEMED AT THE VALUE OF \$3.50 PER SHARE, AND HAS PREFERENCE IN DISTRIBUTIONS PRIOR TO DISTRIBUTION TO ANY OTHER CLASS OF STOCK.

3. Describe any other material rights of common or preferred stockholders.

NONE

4. Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.

NONE

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities in the past two completed fiscal years and any subsequent interim period.

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares for the two most recently completed fiscal years and any subsequent period.

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: ☐ Yes: X (If yes, you must complete the table below)

Shares Outstanding <u>Opening Balance:</u> Date <u>11/30/2021</u> Common: 6,593,982 Preferred: <u>155,000 (NON-TRADING)</u> <u>CLASS A COMMON 967,702 (NON-TRADING)</u>			*Right-click the rows below and select "Insert" to add rows as needed.						
Date of Transaction	Transaction type (e.g., new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the	Individual/ Entity Shares were issued to. ***You must disclose the control person(s) for any entities listed.	Reason for share issuance (e.g. for cash or debt conversion) - OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.

					time of issua nce? (Yes/ No)				
<u>03/09</u> <u>/2022</u> <u>-</u>	<u>NEW</u>	<u>5,000</u> <u>—</u>	<u>PREFERR</u> <u>ED STOCK</u> <u>SERIES B</u>	<u>\$3.50</u>	<u>NO</u>	<u>LARRY WYSS</u>	<u>STOCK</u> <u>ISSUANCE</u>	<u>RESTRIC</u> <u>TED</u>	<u>UNREGI</u> <u>STERED</u>
<u>03/09/2</u> <u>023</u>	<u>NEW</u>	<u>5,000</u>	<u>PREFERR</u> <u>ED STOCK</u> <u>SERIES B</u>	<u>\$3.50</u>	<u>NO</u>	<u>LARRY WYSS</u>	<u>STOCK</u> <u>ISSUANCE</u>	<u>RESTRIC</u> <u>TED</u>	<u>UNREGI</u> <u>STERED</u>
<u>02/01/2</u> <u>024</u>	<u>NEW</u>	<u>5,000</u>	<u>PREFERR</u> <u>ED STOCK</u> <u>SERIES B</u>	<u>\$3.50</u>	<u>NO</u>	<u>LARRY WYSS</u>	<u>STOCK</u> <u>ISSUANCE</u>	<u>RESTRIC</u> <u>TED</u>	<u>UNREGI</u> <u>STERED</u>
<u>03/12/2</u> <u>024</u>	<u>STOCK</u> <u>OPTION</u> <u>GRANT</u> <u>ED</u>	<u>15,000</u>	<u>COMMON</u> <u>STOCK</u>	<u>\$0.66</u>	<u>NO</u>	<u>FRANK CORBISERIE</u>	<u>INCENTIVE</u> <u>STOCK</u> <u>OPTION</u>	<u>RESTRIC</u> <u>TED</u>	<u>UNREGI</u> <u>STERED</u>
<u>03/12/2</u> <u>024</u>	<u>STOCK</u> <u>OPTION</u> <u>GRANT</u> <u>ED</u>	<u>200,000</u>	<u>COMMON</u> <u>STOCK</u>	<u>\$0.66</u>	<u>NO</u>	<u>CHRISTOPHER</u> <u>DOMINELLO</u>	<u>INCENTIVE</u> <u>STOCK</u> <u>OPTION</u>	<u>RESTRIC</u> <u>TED</u>	<u>UNREGI</u> <u>STERED</u>
<u>03/12/2</u> <u>024</u>	<u>STOCK</u> <u>OPTION</u> <u>GRANT</u> <u>ED</u>	<u>100,000</u>	<u>COMMON</u> <u>STOCK</u>	<u>\$0.66</u>	<u>NO</u>	<u>STEPHEN HEIT</u>	<u>INCENTIVE</u> <u>STOCK</u> <u>OPTION</u>	<u>RESTRIC</u> <u>TED</u>	<u>UNREGI</u> <u>STERED</u>
<u>03/12/2</u> <u>024</u>	<u>STOCK</u> <u>OPTION</u> <u>GRANT</u> <u>ED</u>	<u>20,000</u>	<u>COMMON</u> <u>STOCK</u>	<u>\$0.66</u>	<u>NO</u>	<u>LUCY FIGUEIREDO</u>	<u>INCENTIVE</u> <u>STOCK</u> <u>OPTION</u>	<u>RESTRIC</u> <u>TED</u>	<u>UNREGI</u> <u>STERED</u>
<u>03/12/2</u> <u>024</u>	<u>STOCK</u> <u>OPTION</u> <u>GRANT</u> <u>ED</u>	<u>15,000</u>	<u>COMMON</u> <u>STOCK</u>	<u>\$0.66</u>	<u>NO</u>	<u>COLLEEN FOX</u>	<u>INCENTIVE</u> <u>STOCK</u> <u>OPTION</u>	<u>RESTRIC</u> <u>TED</u>	<u>UNREGI</u> <u>STERED</u>
<u>03/12/2</u> <u>024</u>	<u>STOCK</u> <u>OPTION</u> <u>GRANT</u> <u>ED</u>	<u>5,000</u>	<u>COMMON</u> <u>STOCK</u>	<u>\$0.66</u>	<u>NO</u>	<u>DENISE MUNNO</u>	<u>INCENTIVE</u> <u>STOCK</u> <u>OPTION</u>	<u>RESTRIC</u> <u>TED</u>	<u>UNREGI</u> <u>STERED</u>
<u>03/12/2</u> <u>024</u>	<u>STOCK</u> <u>OPTION</u> <u>GRANT</u> <u>ED</u>	<u>150,000</u>	<u>COMMON</u> <u>STOCK</u>	<u>\$0.66</u>	<u>NO</u>	<u>BRENT FUNSTON</u>	<u>NON-</u> <u>QUALIFIED</u> <u>STOCK</u> <u>OPTION</u>	<u>RESTRIC</u> <u>TED</u>	<u>UNREGI</u> <u>STERED</u>

<u>03/12/2024</u>	<u>STOCK OPTION GRANTED</u>	<u>75,000</u>	<u>COMMON STOCK</u>	<u>\$0.66</u>	<u>NO</u>	<u>BRIAN HAVESON</u>	<u>NON-QUALIFIED STOCK OPTION</u>	<u>RESTRICTED</u>	<u>UNREGISTERED</u>
<u>03/12/2024</u>	<u>STOCK OPTION GRANTED</u>	<u>75,000</u>	<u>COMMON STOCK</u>	<u>\$0.66</u>	<u>NO</u>	<u>S. DAVID FINEMAN</u>	<u>NON-QUALIFIED STOCK OPTION</u>	<u>RESTRICTED</u>	<u>UNREGISTERED</u>
Shares Outstanding on Date of This Report: <u>Ending</u> <u>Balance:</u> Date <u>05/31/2024</u> Common: 6,593,982 Preferred: <u>170,000 (NON-TRADING)</u> CLASS A COMMON: 967,702 (NON-TRADING)									

Example: A company with a fiscal year end of December 31st 2023, in addressing this item for its Annual Report, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2022 through December 31, 2023 pursuant to the tabular format above.

*****Control persons for any entities in the table above must be disclosed in the table or in a footnote here.**

Use the space below to provide any additional details, including footnotes to the table above:

B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities:

No: ☒ Yes: ☐ (If yes, you must complete the table below)

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder. *** You must disclose the control person(s) for any entities listed.	Reason for Issuance (e.g. Loan, Services, etc.)
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____

_____	_____	_____	_____	_____	_____	_____	_____
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*****Control persons for any entities in the table above must be disclosed in the table or in a footnote here.**

Use the space below to provide any additional details, including footnotes to the table above:

4) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. Ensure that these descriptions are updated on the Company's Profile on www.OTCMarkets.com.

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

SALES AND MARKETING OF HEALTH AND BEAUTY AIDS/PRODUCTS

B. List any subsidiaries, parent company, or affiliated companies.

NONE

C. Describe the issuers' principal products or services.

SKIN CARE, ORAL CARE, BRAIN HEALTH SUPPLEMENTS, BEAUTY PRODUCTS SOLD TO MASS MARKETS, CHAIN DRUG, FOOD AND ON-LINE THROUGH AMAZON.COM AND WALMART.COM

5) Issuer's Facilities

The goal of this section is to provide investors with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer. Describe the location of office space, data centers, principal plants, and other property of the issuer and describe the condition of the properties. Specify if the assets, properties, or facilities are owned or leased and the terms of their leases. If the issuer does not have complete ownership or control of the property, describe the limitations on the ownership.

RENT SHARED OFFICE SPACE AT 500 OFFICE CENTER DRIVE, SUITE 400, FORT WASHINGTON, PA 19034. ALL EMPLOYEES WORK FROM THEIR HOME AT THIS TIME.

6) All Officers, Directors, and Control Persons of the Company

Using the table below, please provide information, as of the period end date of this report, regarding all officers and directors of the company, or any person that performs a similar function, regardless of the number of shares they own.

In addition, list all individuals or entities controlling 5% or more of any class of the issuer's securities.

If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual

representing the corporation or entity. Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

The goal of this section is to provide investors with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial owners.

Names of All Officers, Directors, and Control Persons	Affiliation with Company (e.g. Officer Title /Director/Owner of 5% or more)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Names of control person(s) if a corporate entity
<u>CAPITAL PRESERVATION SOLUTIONS, LLC</u>	<u>DIRECTOR/5% OR MORE OWNER</u>	<u>PENN VALLEY, PA</u>	<u>967,702</u>	CLASS A COMMON STOCK	<u>100</u>	<u>BRENT FUNSTON AS MANAGING MEMBER</u>
<u>ESTATE OF LANCE FUNSTON</u>	<u>DIRECTOR/5% OR MORE OWNER</u>	<u>PENN VALLEY, PA</u>	<u>49,958</u>	<u>COMMON STOCK</u>	<u>.8%</u>	<u>BRENT FUNSTON AS EXECUTOR</u>
<u>CHRISTOPHER DOMINELLO</u>	<u>CHIEF EXECUTIVE OFFICER</u>	<u>HUNTINGDON VALLEY, PA</u>	<u>0</u>	_____	<u>0</u>	_____
<u>STEPHEN HEIT</u>	<u>CHIEF FINANCIAL OFFICER</u>	<u>LEWES, DE</u>	<u>31,805</u>	<u>COMMON STOCK</u>	<u>.5%</u>	_____
<u>BRIAN HAVESON</u> _____	<u>DIRECTOR</u>	<u>WILMINGTON, DE</u>	<u>0</u>	_____	<u>0</u>	_____
<u>BRENT FUNSTON</u>	<u>CHAIRMAN OF THE BOARD</u>	<u>PENN VALEY, PA</u>	<u>0</u>		<u>0</u>	
<u>S. DAVID FINEMAN</u>	<u>DIRECTOR</u>	<u>PHILADELPHIA, PA</u>	<u>0</u>		<u>0</u>	
<u>CAPITAL PRESERVATION SOLUTIONS, LLC</u>	<u>DIRECTOR/5% OR MORE OWNER</u>	<u>PENN VALLEY, PA</u>	<u>450,000</u>	<u>COMMON STOCK</u>	<u>6.9%</u>	<u>BRENT FUNSTON AS MANAGING MEMBER</u>

Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, log in to www.OTCIQ.com to update your company profile.

7) Legal/Disciplinary History

A. Identify and provide a brief explanation as to whether any of the persons or entities listed above in Section 6 have, in the past 10 years:

1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);

NONE AS OF MAY 31, 2024

2. Been the subject of the entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, financial- or investment-related, insurance or banking activities;

NONE AS OF MAY 31, 2024

3. Been the subject of a finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, a state securities regulator of a violation of federal or state securities or commodities law, or a foreign regulatory body or court, which finding or judgment has not been reversed, suspended, or vacated;

NONE AS OF MAY 31, 2024

4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a "yes" answer to part 3 above; or

NONE AS OF MAY 31, 2024

5. Been the subject of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

NONE AS OF MAY 31, 2024

6. Been the subject of a U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail.

NONE AS OF MAY 31, 2024

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party to or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

In March 2023, the Company agreed to enter into voluntary mediation with the landlord of its former facility in East Rutherford, New Jersey. The lease for the facility expired in May 2022. The Company had previously sub-let the facility which expired concurrently with the expiration of the lease. The landlord had refused to return the Company's security deposit in the amount of \$354,550 claiming that the Company owed money to the landlord in amounts exceeding the deposit. The Company denied the claims of the landlord and sought return of the entire security deposit. The Company was holding a security deposit of \$147,853 from the sub-tenant and had not returned the security deposit due to the claims from the landlord. The mediation was non-binding and did not result in a settlement. The Company was served on

June 8, 2023, that the landlord commenced an action in the Superior Court of New Jersey, Law Division, Bergen County. The Company responded with counterclaims. The Company entered into a settlement with both the landlord and sub-tenant, effective March 31, 2024, that required the landlord to pay the Company \$175,000 and the Company to pay the sub-tenant \$73,982. Both transactions occurred simultaneously and provided full releases for any and all claims to the Company, the landlord and the sub-tenant. The Company received the funds and the matter was closed on March 31, 2024.

8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, update your company profile.

Securities Counsel (must include Counsel preparing Attorney Letters).

Name: ALAN LIEBLICH, ESQ.
Address 1: BLANK ROME LLP
Address 2: ONE LOGAN SQUARE, 130 NORTH 18TH ST., PHILADELPHIA, PA 19103
Phone: 215-569-5693
Email: _____

Accountant or Auditor

Name: BRADLEY HAUSMAN, CPA
Firm: COHNREZNICK LLP
Address 1: 1305 WALT WHITMAN ROAD, SUITE 210
Address 2: MELVILLE, NY 11747
Phone: 516-417-5060
Email: _____

Investor Relations

Name: _____
Firm: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

All other means of Investor Communication:

X (Twitter): _____
Discord: _____
LinkedIn: _____
Facebook: _____
[Other]: _____

Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared, or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

Name: _____
Firm: _____

Nature of Services: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

9) Disclosure & Financial Information

A. This Disclosure Statement was prepared by (name of individual):

Name: STEPHEN HEIT
Title: CHIEF FINANCIAL OFFICER
Relationship to Issuer: CHIEF FINANCIAL OFFICER

B. The following financial statements were prepared in accordance with:

☐ IFRS
☒ U.S. GAAP

C. The following financial statements were prepared by (name of individual):

Name: STEPHEN HEIT
Title: CHIEF FINANCIAL OFFICER
Relationship to Issuer: CHIEF FINANCIAL OFFICER

Describe the qualifications of the person or persons who prepared the financial statements:⁵ B.S. DEGREE IN BUSINESS ADMINISTRATION, MBA WITH A CONCENTRATION IN ACCOUNTING, ADDITIONAL GRADUATE WORK PROFESSIONAL ACCOUNTING, DOCTORAL STUDENT FOR DOCTOR OF BUSINESS ADMINISTRATION

Provide the following qualifying financial statements:

- Audit letter, if audited;
- Balance Sheet;
- Statement of Income;
- Statement of Cash Flows;
- Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- Financial Notes

FINANCIAL STATEMENTS AS OF AND FOR THE THREE AND SIX MONTHS ENDED MAY 31, 2024 AND MAY 31, 2023, FILED WITH THE OTC ON JULY 15, 2024, ARE INCORPORATED BY REFERENCE.

Financial Statement Requirements:

- Financial statements must be published together with this disclosure statement as one document.
- Financial statements must be "machine readable". Do not publish images/scans of financial statements.

10) Issuer Certification

⁵ The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, CHRISTOPHER DOMINELLO certify that:

1. I have reviewed this Disclosure Statement for CCA INDUSTRIES, INC.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

JULY 15, 2024 [Date]

/s/ CHRISTOPHER DOMINELLO [CEO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

Principal Financial Officer:

I, STEPHEN HEIT certify that:

1. I have reviewed this Disclosure Statement for CCA INDUSTRIES, INC.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

JULY 15, 2024 [Date]

/s/ STEPHEN HEIT [CFO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")



CCA Industries, Inc.

Financial Statements (Unaudited)

As of and For the Three and Six Months Ended May 31, 2024 and 2023

CCA INDUSTRIES, INC.
FINANCIAL STATEMENTS

INDEX

	<u>Page Number</u>
Financial Statements:	
Balance Sheets as of May 31, 2024 (unaudited) and November 30, 2023	3 - 4
Statements of Operations (unaudited) for the three and six months ended May 31, 2024 and 2023	5
Statements of Shareholders' Equity (unaudited) for the six months ended May 31, 2024	6
Statements of Cash Flow (unaudited) for the six months ended May 31, 2024 and 2023	7
Notes to Financial Statements	8 - 25

CCA INDUSTRIES, INC.
BALANCE SHEETS

	May 31, 2024 <u>(Unaudited)</u>	November 30, 2023 <u></u>
ASSETS		
Current Assets:		
Cash	\$ 105,100	\$ 765,189
Accounts receivable, net of allowances of \$2,694 and \$3,780, respectively	563,524	845,218
Inventories	2,094,710	1,655,739
Prepaid expenses and sundry receivables	689,300	210,645
Prepaid and refundable income taxes	11,179	12,015
Total Current Assets	3,463,813	3,488,806
Property and equipment, net of accumulated depreciation	8,827	8,666
Intangible assets, net of accumulated amortization	1,226,848	1,209,348
Asset held for sale	200,000	200,000
Deferred financing fees, net of accumulated amortization	32,857	42,714
Deferred income taxes	6,058,831	5,979,568
Other	-	248,871
Total Assets	\$ 10,991,176	\$ 11,177,973
LIABILITIES AND CAPITAL		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 1,489,706	\$ 1,482,084
Line of credit	235,832	61,030
Total Current Liabilities	1,725,538	1,543,114
Long-term - other	-	147,853
Total Liabilities	1,725,538	1,690,967

CCA INDUSTRIES, INC.
BALANCE SHEETS

	May 31, 2024 <u>(Unaudited)</u>	November 30, 2023
Shareholders' Equity:		
Preferred stock, \$1.00 par, authorized 20,000,000 shares, Senior Redeemable Series B, 170,000 and 165,000 shares designated, 170,000 and 165,000 shares issued and outstanding, respectively	170,000	165,000
Common stock, \$0.01 par, authorized 15,000,000 shares, issued and outstanding 6,593,982 and 6,593,982 shares, respectively	65,940	65,940
Class A common stock, \$0.01 par, authorized 5,000,000 shares, issued and outstanding 967,702 and 967,702 shares, respectively	9,677	9,677
Additional paid-in capital	7,808,282	7,764,819
Retained earnings	1,211,739	1,481,570
Total Shareholders' Equity	9,265,638	9,487,006
Total Liabilities and Shareholders' Equity	\$ 10,991,176	\$ 11,177,973

See Notes to Financial Statements.

CCA INDUSTRIES, INC.
STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended May 31,		Six Months Ended May 31,	
	2024	2023	2024	2023
Revenues:				
Sales of health and beauty aid products - net	\$ 2,210,566	\$ 2,993,954	\$ 4,345,147	\$ 5,461,680
Costs and Expenses:				
Cost of sales	692,453	943,480	1,384,200	1,773,720
Selling, general and administrative expenses	1,403,429	1,849,170	2,977,825	3,611,563
Advertising, cooperative and promotional expenses	110,201	313,386	249,388	487,556
Research and development	4,182	7,190	23,412	7,909
Interest expense	28,630	46,654	57,581	95,608
Total Costs and Expenses	2,238,895	3,159,880	4,692,406	5,976,356
(Loss) before provision for income taxes	(28,329)	(165,926)	(347,259)	(514,676)
(Benefit from) income taxes	(3,908)	(32,857)	(77,428)	(98,549)
Net (Loss)	\$ (24,421)	\$ (133,069)	\$ (269,831)	\$ (416,127)
(Loss) per Share:				
Basic	\$ (0.00)	\$ (0.02)	\$ (0.04)	\$ (0.06)
Diluted	\$ (0.00)	\$ (0.02)	\$ (0.04)	\$ (0.06)
Weighted Average Common Shares Outstanding:				
Basic	7,561,684	7,561,684	7,561,684	7,561,684
Diluted	7,580,949	7,561,684	7,561,684	7,561,684

See Notes to Financial Statements.

CCA INDUSTRIES, INC.
STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED MAY 31, 2024

	<u>PREFERRED STOCK</u>		<u>COMMON STOCK</u>		ADDITIONAL	RETAINED	TOTAL
	<u>SHARES</u>	<u>AMOUNT</u>	<u>SHARES</u>	<u>AMOUNT</u>	PAID-IN CAPITAL	EARNINGS	SHAREHOLDERS' EQUITY
Balance - November 30, 2023	165,000	165,000	7,561,684	75,617	7,764,819	1,481,570	9,487,006
Net loss for the three months ended February 29, 2024						(245,410)	(245,410)
Stock-based compensation			-	-	3,354		3,354
Issuance of preferred stock	5,000	5,000			12,500		17,500
Balance - February 29, 2024	170,000	\$ 170,000	7,561,684	\$ 75,617	\$ 7,780,673	\$ 1,236,160	\$ 9,262,450
Net loss for the three months ended May 31, 2024						(24,421)	(24,421)
Stock-based compensation					27,609		27,609
Balance - May 31, 2024	170,000	170,000	7,561,684	75,617	7,808,282	1,211,739	9,265,638

See Notes to Financial Statements.

CCA INDUSTRIES, INC.
STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six months ended	
	May 31,	May 31,
	2024	2023
Cash Flows from Operating Activities:		
Net (Loss)	\$ (269,831)	\$ (416,127)
Adjustments to reconcile net (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization	3,011	2,601
Provision for bad debt	(1,086)	(219)
Deferred financing fees amortization	9,857	10,445
Stock-based compensation	30,963	51,456
Deferred income taxes	(79,264)	(101,361)
Change in Operating Assets & Liabilities:		
Decrease in accounts receivable	282,781	179,486
(Increase) decrease in inventory	(438,971)	559,660
(Increase) in prepaid expenses and other receivables	(478,655)	(103,091)
Decrease (increase) in prepaid income and refundable income tax	836	(464)
Increase in accounts payable and accrued liabilities	7,622	8,268
Net Cash (Used In) Provided by Operating Activities:	(932,737)	190,654
Cash Flows from Investing Activities:		
Acquisition of property, plant and equipment	(3,172)	(2,019)
Refund of security deposits	101,018	-
Net Cash Provided by (Used In) Investing Activities	97,846	(2,019)
Cash Flows from Financing Activities:		
Proceeds from current line of credit, net	174,802	(35,973)
Payments of notes payable	-	(42,158)
Retirement of prior notes payable	-	(172,824)
Payment of deferred financing fees	-	(59,142)
Net Cash Provided By (Used in) Financing Activities	174,802	(310,097)
Net (Decrease) in Cash	(660,089)	(121,462)
Cash at Beginning of Year	765,189	179,658
Cash at End of Period	\$105,100	\$ 58,196

Supplemental Disclosures of Cash Flow Information:

Cash paid during the year for:		
Interest	\$ 57,581	\$ 95,608
Income Taxes	\$ 1,000	\$ 2,912
Non-cash investing activities during the year:		
Issuance of preferred stock for purchase of intangible asset	\$ 17,500	\$ 17,500

See Notes to Financial Statements.

CCA INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

CCA Industries, Inc. ("CCA" or the "Company") was incorporated in the State of Delaware on March 25, 1983. CCA conducts business as Core Care America.

CCA manufactures and distributes health and beauty aid products.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates and Assumptions:

The financial statements include the use of estimates which management believes are reasonable. The process of preparing financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accounting estimates and assumptions are those that management considers to be most critical to the financial statements because they inherently involve significant judgment and uncertainties. All of these estimates and assumptions reflect management's best judgment about current economic and market conditions and their effects on the information available as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

An accounting estimate is deemed to be critical if it is reasonably possible that a subsequent correction could have a material effect on future operating results or financial condition. The following are estimates that management has deemed to be critical:

1 - Allowance for Credit Losses - The Company recognizes an allowance for credit losses for financial assets carried at amortized cost to present the net amount expected to be collected as of the balance sheet date. Such allowance is based on the credit losses expected to arise over the life of the asset (contractual term) which includes consideration of prepayments and based on the Company's expectations as of the balance sheet date. Assets are written off when the Company determines that such financial assets are deemed uncollectible or based on regulatory requirements, whichever is earlier. Write-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, not to exceed the aggregate of the amount previously written off, are included in determining the necessary reserve at the balance sheet date. The Company has tracked historical loss information for its trade receivables and compiled historical credit loss percentages for different aging categories (current, 1-30 days past due, 31-60 days past due, 61-90 days past due, and more than 90 days past due). Based on the historical information, the Company has reserved 0.35% for invoices currently due and 1-30 days past due, 0.50% for invoices 31-60 past due, 1.00% for invoices 61-90 days past due and 20.00% for invoices more than 90 days past due.

2 - Inventory Obsolescence Reserve – Management reviews the inventory records monthly. Management deems to be obsolete finished good items that are no longer being sold and have no possibility of sale within the ensuing twelve months. Components and raw materials are deemed to be obsolete if management has no planned usage of those items within the ensuing twelve months. In addition, management conducts periodic testing of inventory to make sure that the value reflects the lower of cost or net realizable value. If the value is below market, a provision is

CCA INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates and Assumptions: (Continued)

made within the inventory obsolescence reserve. This reserve is adjusted monthly, with changes recorded as part of cost of sales in the results of operations.

3 – Intangible assets are trademarks and patents that the Company acquires. The Company follows the guidance of Accounting Standards Codification (“ASC”) 360-10 and ASC 350 to determine when impairment indicators exist for its intangible assets. When impairment indicators exist, the Company at least annually makes a qualitative and quantitative estimate of the fair value of its intangible assets as compared to its carrying value. This determination requires significant judgment. In making this judgment, management evaluates external and internal factors, such as significant positive or adverse changes in the market environment in which the Company operates as well as projected cash flows pertaining to specific intangible assets. In making a judgment as to whether impairment indicators exist as at May 31, 2024, management concluded there were none.

4 - The deferred taxes are an estimate of the future tax consequences attributable to the temporary differences between the carrying amounts of assets and liabilities as recorded on the Company’s financial statements and the carrying amounts as reflected on the Company’s income tax return. In addition, the portion of charitable contributions that cannot be deducted in the current period and are carried forward to future periods is also reflected in the deferred tax assets. A substantial portion of the deferred tax asset is due to the loss incurred in fiscal 2015 and prior years, the benefit of which will be carried forward into future tax years. Deferred tax assets and liabilities are valued using the tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion, or all, of the deferred tax asset will not be realized. Management has estimated that it will utilize the entire deferred tax asset in future years based on its belief that the Company will continue to be profitable and generate taxable income. However, profits can be impacted in the future if the Company’s sales decrease.

Revenue Related Reserves:

Consideration promised in the Company's contracts with customers is variable due to anticipated reductions such as sales returns, discounts and miscellaneous claims from customers. The Company estimates the most likely amount it will be entitled to receive and records an anticipated reduction against revenues, with an offsetting increase to accrued liabilities, at the time revenues are recognized.

1 - Returns reserve – The estimated return rate was 1.55% and 2.83% of gross sales as of May 31, 2024 and 2023, respectively. Management estimates that any returns of product received from customers are not placed back into inventory and are subsequently destroyed. Any changes in this accrued liability are recorded as a debit or credit to sales of health and beauty aid products - net, in the statement of operations. The Company may increase the reserve for returns in excess of the current estimated return rate for specific return circumstances.

2 - Cooperative advertising reserve – The cooperative advertising reserve is an estimate of the amount of the liability for the cooperative advertising agreements with the Company’s customers. The reserve is recorded as an accrued expense. Management reviews the cooperative advertising agreements for the current fiscal year with its

CCA INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Related Reserves: (Continued)

customers on a monthly basis and adjusts this reserve based on actual cooperative advertising events. The Company maintains an open liability for cooperative advertising contracts for which a customer has not claimed a deduction for the three years prior to the current fiscal year. Management evaluates the open liability for the prior three years on a monthly basis to determine if the liability continues to exist. Changes to the reserve are charged as a current period expense.

Accounts Receivable:

The Company manufactures and sells its products to a broad range of customers, primarily retail stores and directly to consumers through third-party online marketplaces. Customers typically are provided with payment terms of 60 days. The Company has tracked historical loss information for its trade receivables and compiled historical credit loss percentages for different aging categories (current, 1–30 days past due, 31–60 days past due, 61–90 days past due, and more than 90 days past due).

Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for trade receivables held at May 31, 2024 because the composition of the trade receivables at that date is consistent with that used in developing the historical credit-loss percentages (i.e., the similar risk characteristics of its customers and its lending practices have not changed significantly over time). Accordingly, the allowance for expected credit losses related to accounts receivable at May 31, 2024 totaled \$2,694. Accounts Receivable as of December 1, 2023 was \$845,218, net of allowance of \$3,780.

Inventories:

Inventories are stated at the lower of cost (weighted average) or net realizable value. Product returns deemed saleable are recorded in inventory when they are received at the lower of their original cost or net realizable value, as appropriate. Obsolete inventory is written off and its value is removed from inventory at the time its obsolescence is determined.

Property and Equipment and Depreciation and Amortization:

Property and equipment are stated at cost. The Company charges to expense repairs and maintenance items, while major improvements and betterments are capitalized.

When the Company sells or otherwise disposes of property and equipment items, the cost and related accumulated depreciation are removed from the respective accounts and any gain or loss is included in earnings.

Depreciation and amortization are provided utilizing the straight-line method over the following estimated useful lives or lease terms of the assets, whichever is shorter:

Computer equipment	5 -7 Years
Furniture and fixtures	3-10 Years
Tools, dies and masters	3 Years

CCA INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible Assets:

Intangible assets, which consist of patents and trademarks, are stated at cost. Patents are amortized on the straight-line method over a period of 17 years. Patents are reviewed for impairment annually or more frequently when events or changes in business indicate that the carrying amount may not be recoverable. Trademarks are indefinite-lived intangible assets and are reviewed for impairment annually or more frequently if impairment conditions occur.

Long-Lived Assets:

Long-lived assets are assets in which the Company has an economic benefit for longer than 12 months from the date of the financial statements. Long-lived assets include property and equipment, intangible assets, deferred financing fees, deferred income taxes and other assets. The Company evaluates impairment losses on long-lived assets used in operations when events and circumstances indicate that the asset might be impaired. If the review indicates that the carrying value of an asset will not be recoverable, based on a comparison of the carrying value of the asset to the undiscounted future cash flows, the impairment will be measured by comparing the carrying value of the asset to its fair value. Fair value will be determined based on projected future cash flows or appraisals. Impairments are recorded in the statement of operations as part of selling, general and administrative expenses.

Deferred Revenue:

The Company records deposits received from customers for orders that have not been shipped to the customers as deferred revenue. Orders that will ship less than twelve months from the date of the financial statements are recorded as a current liability. As of May 31, 2024, the Company had a current liability from deferred revenues of \$0.

Revenue Recognition:

The Company recognizes sales in accordance with ASC Topic 606 "Revenue Recognition". Revenue is recognized at a point in time when control of the product transfers to the customer, typically upon shipment from the Company's third-party logistics facility or directly from a supplier. Net sales comprise gross revenues less expected returns, trade discounts, customer allowances and various sales incentives. Included in sales incentives are coupons that the Company issues that are redeemed by its customers. Redemptions are handled by a coupon national clearing house. The Company also has estimated that there is an approximate six-week lag in coupon redemptions, with the estimated cost recorded as an accrued liability. Although no legal right of return exists between the customer and the Company, returns, including the return of unsold products, are accepted if it is in the best interests of the Company's relationship with the customer. The Company, therefore, records a reserve for returns based on the historical returns as a percentage of sales in the three preceding months, adjusting for returns that can be put back into inventory and a specific reserve based on customer circumstances. Those returns which are anticipated to be taken as credits against the balances as of May 31, 2024, or are anticipated to be deducted from future invoices are included in accrued liabilities. Changes in the estimated coupon reserve and sales return reserve are recorded to sales of health and beauty aid products - net, in the statements of operations.

Cooperative advertising is accrued based on the budgeted amount of new contracts given to the customers in the current fiscal year, along with liabilities open from prior years. Cooperative advertising budgeted in the current fiscal year

CCA INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition: (Continued)

are identified as sales incentives and reduce revenues for the current period. The balances for all years open are reduced throughout the year by either the customer advertising and submitting the proof according to the contract or by customer post-audit adjustments that finalize any amount due. Any item open for over three years is closed unless management believes the customer may still take a deduction. The remaining open cooperative advertising balance is recorded as an accrued liability.

Shipping Costs:

The Company has elected to account for shipping and handling activities as fulfillment costs, which are included in selling, general, and administrative expenses as incurred. For the three months ended May 31, 2024 and 2023, fulfillment costs of \$139,926 and \$134,503, respectively, were included in selling, general, and administrative expenses. For the six months ended May 31, 2024 and 2023, fulfillment costs of \$255,917 and \$284,582, respectively, were included in selling, general, and administrative expenses.

Advertising Costs:

The Company's policy for financial reporting is to charge advertising costs to expenses as incurred. Advertising, cooperative and promotional expenses for the three months ended May 31, 2024 and 2023 were \$110,201 and \$313,386, respectively. Advertising, cooperative and promotional expenses for the six months ended May 31, 2024 and 2023 were \$249,388 and \$487,566, respectively.

Research and Development Costs:

The Company's policy for financial reporting is to charge research and development costs to expenses as incurred. Research and development costs for the three months ended May 31, 2024 and 2023 were \$4,182 and \$7,190, respectively. Research and development costs for the six months ended May 31, 2024 and 2023 were \$23,412 and \$7,909, respectively.

Income Taxes:

Income taxes are accounted for under ASC Topic 740 "Income Taxes", which utilizes the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to the temporary differences between the carrying amounts of assets and liabilities as recorded on the Company's financial statements and the carrying amounts as reflected on the Company's income tax return. In addition, the deferred tax assets also reflect the portion of charitable contributions that cannot be deducted in the current period and are carried forward to future periods. A substantial portion of the deferred tax assets is due to the losses incurred in fiscal 2015 and prior years, the benefit of which will be carried forward into future tax years. Deferred tax assets and liabilities are valued using the tax rates expected to apply in the years when those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax asset will not be realized. Management has estimated that it will utilize the entire deferred tax asset in future years based on projections of future profits and generating taxable income. However, profits can be affected if the Company's sales decrease.

The Company previously adopted the provisions of ASC Subtopic 740-10-25, "Uncertain Tax Positions." Management believes that there were no unrecognized tax benefits or tax positions that would result in uncertainty regarding the deductions taken as of May 31, 2024 and November 30, 2023. ASC Subtopic 740-10-25 prescribes

CCA INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes: (Continued)

a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities.

Tax Credits:

Tax credits, when present, are accounted for using the flow-through method as a reduction of income taxes in the years utilized.

(Loss) Per Common Share:

Basic earnings per share are calculated in accordance with ASC Topic 260, “Earnings Per Share”, which is computed by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share are computed on the basis of the average number of common shares plus the potentially dilutive effect of any common stock equivalents using the “treasury stock method.” Common stock equivalents consist of stock options. The Company’s Senior Redeemable Series B Preferred Stock participates in dividends declared and paid by the Company as well as earnings of the Company but does not participate in the event of a loss. Therefore, the Company is not required to report (loss) earnings per share under the two-class method.

Stock Options:

ASC Topic 718, “Stock Compensation,” requires stock grants to employees to be recognized in the statements of operations as noncash stock-based compensation based on their fair values. The Company issued stock options in March 2024. See Note 12 for further information. There were no stock options issued in fiscal 2023.

Risks and Uncertainties:

The United States has been experiencing a period of high inflation, which resulted in the United States Federal Reserve increasing interest rates. The higher interest rates impact the Company as borrowing costs under the line of credit increase. In addition, the high inflation has been reflected in higher manufacturing costs passed on to the Company by its contract manufacturers, increasing the cost of goods. The Federal Reserve has indicated that they plan on reducing the interest rates at some point in 2024.

In late February 2022, the Russian Federation commenced an invasion of the country of Ukraine. The United States Government and other Western European nations responded by imposing economic sanctions on Russia. The Company cannot predict nor reasonably estimate the impact of the Russian invasion of Ukraine and any heightened geopolitical instability or results that may follow, including cyber disruptions or attacks, higher fuel costs, higher manufacturing costs, and higher supply chain costs, or other effects. The Company does not have any customers in the Russian Federation.

Recent Accounting Pronouncements:

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

CCA INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - INVENTORIES

The components of inventory consist of the following:

	May 31, 2024	November 30, 2023
Raw Materials	\$ 328,896	\$ 237,683
Finished Goods	\$ 1,765,814	\$ 1,418,056
	<u>\$ 2,094,710</u>	<u>\$ 1,655,739</u>

NOTE 4 - PROPERTY AND EQUIPMENT

components of property and equipment consisted of the following:

	May 31, 2024	November 30, 2023
Furniture and equipment	\$ 104,966	\$ 103,470
Tools, dies and masters	21,415	19,740
	126,381	123,210
Less: Accumulated depreciation	117,554	114,544
Property and Equipment - Net	<u>\$ 8,827</u>	<u>\$ 8,666</u>

Depreciation expense for the three months ended May 31, 2024, and 2023, amounted to \$1,530 and \$1,302, respectively. Depreciation expense for the six months ended May 31, 2024, and 2023, amounted to \$3,011 and \$2,601, respectively.

NOTE 5 - INTANGIBLE ASSETS

Intangible assets consist of owned trademarks and patents for seven product lines.

	May 31, 2024	November 30, 2023
Patents and Trademarks	\$ 1,259,937	\$ 1,242,437
Less: Accumulated amortization	33,089	33,089
Intangible assets - net	<u>\$ 1,226,848</u>	<u>\$ 1,209,348</u>

Patents are amortized on a straight-line basis over their legal life of 17 years. Trademarks have an indefinite life and are reviewed annually for impairment or, more frequently, if impairment indicators occur. There was no amortization expense for the three and six months ended May 31, 2024 and 2023. Estimated amortization expenses for the years ending November 30, 2025, 2026, 2027, 2028, and 2029 are \$0 for each year.

CCA INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - INTANGIBLE ASSETS (CONTINUED)

In November 2023, the Company determined that the entire Solar Sense trademark was impaired less than the estimated amount of \$200,000 that the Company believes it can sell the trademark for. As of November 30, 2023, the Company reclassified the entire Solar Sense trademark as assets held for sale.

NOTE 6 – CONTRACT LIABILITIES AND ACCRUED EXPENSES

The following are liabilities of the Company, recorded as an accrued expense as a result of the sale of products to its customers:

	May 31, 2024	November 30, 2023
Co-operative advertising contract liabilities	\$ 98,674	\$ 139,574
Returns and allowances accrual	41,574	145,292

NOTE 7 - DEBT AGREEMENT

On February 15, 2023, the Company entered into a Loan and Security Agreement (“Loan Agreement”) with Austin Financial Services, Inc., which provides for a revolving line of credit up to \$2,500,000. The line of credit bears interest at the greater of 7.0% or the prime rate plus 2.0%. The Loan Agreement has a maturity date of February 14, 2026. It requires an annual facility fee of 1.0% of the total commitment for the agreement's first year and 0.9% for subsequent years, payable at the beginning of each year. In addition, there is a collateral management fee of .35% of the outstanding line of credit borrowed. Amounts available to be borrowed under the Loan Agreement equal the borrowing base, consisting of 80% of eligible accounts receivable and 50% of eligible inventory. There is a limit on the amount borrowed based on eligible inventory of \$1,225,000. The Loan Agreement contains customary representations, warranties, and covenants on the part of the Company. There are no financial covenants required of the Company by the Loan Agreement. The Loan Agreement is secured by a first priority perfected security interest in, and lien on, substantially all of the assets of the Company. On the closing date of February 15, 2023, the Company borrowed \$1,717,645 which was used to pay off the principal amounts due to M&T Bank under the Credit Agreement for the balance of the Term Note, and the Revolving Line Note, plus accrued interest, and \$25,000 for the facility due to Austin Financial Services, Inc. As of May 31, 2024, there were borrowings of \$235,832 under the Loan Agreement, which are due at maturity in February 2026 but are expected to be paid in 2024 and are noted as a current liability on the accompanying balance sheets.

CCA INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - DEBT AGREEMENT (CONTINUED)

On January 21, 2021, the Company entered into a Credit Agreement, General Security Agreement, Revolving Line Note and Term Note (collectively “Credit Agreements”) with M&T Bank. The Credit Agreements provided for a Term Note of \$500,000 and a Revolving Line of credit up to \$4,500,000 (“Revolving Line Note”). The proceeds of the loans were used to pay off the Company’s existing debit with PNC. The Term Note was payable in 35 consecutive monthly installments of \$14,651, consisting of both principal and interest commencing March 1, 2021, and a final payment equal to any remaining principal, accrued interest, costs and expenses. The Term Note bore interest at a fixed rate of 3.50% per annum. All outstanding amounts under the Revolving Line Note bear interest, at the election of the Company, at either the M&T Bank prime rate plus 2.0%, or the one-month LIBOR rate plus 2.75%, payable monthly in arrears. The commitment under the Revolving Line Note was for one year and was required to be renewed annually. M&T Bank agreed to extend the initial one-year period to April 25, 2022. The Revolving Line Note, Term Note and all other amounts due and owing under the Credit Agreements were secured by a first priority perfected security interest in, and lien on, substantially all of the assets of the Company. Amounts available for borrowing under the Revolving Line Note equaled the lesser of the Borrowing Base (as defined below), and \$4,500,000, in each case, as the same is reduced by the aggregate principal amount outstanding under the Revolving Line Note. “Borrowing Base” under the Credit Agreement means, generally, the amount equal to (i) 85% of the Company’s eligible accounts receivable, plus (ii) 50% of the value of eligible inventory, less (iii) certain reserves. The Credit Agreement contained customary representations, warranties and covenants on the part of the Company. On the Closing Date, the Company borrowed the entire \$500,000 Term Note and \$1,192,368 under the Revolving Line Note. These amounts were used, in part, to pay off the total amount due under the Company's 2018 Credit Agreement with PNC and to provide working capital to the Company. On February 15, 2023, the Company paid off the balance of the Term Note and Revolving Line Note.

CCA INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – REVENUE RECOGNITION

The Company's net sales comprise gross revenues less expected returns, trade discounts, customer allowances, coupon expenses, and various sales incentives. The following are the components of net sales that the Company recorded:

	Three months ended May 31,		Six months ended May 31,	
	2024	2023	2024	2023
Gross Sales	\$ 2,335,619	\$ 3,225,084	\$ 4,554,727	\$ 5,949,523
Less:				
Sales returns	34,473	150,529	(25,144)	237,840
Sales allowances	58,508	43,629	107,930	117,337
Coupon expense	1,590	2,955	15,525	9,783
Sales incentives, net	10,041	5,652	73,023	71,704
Other deductions	(471)	0	(1,314)	-
Cash discounts	20,912	28,365	39,560	51,179
Total	125,053	231,130	209,580	487,843
Net Sales	\$ 2,210,566	\$ 2,993,954	\$ 4,345,147	\$ 5,461,680

NOTE 9 - 401(K) PLAN

The Company has a 401(K) Profit Sharing Plan for its employees. The plan requires six months of service in order to be eligible to participate. Employees must be 21 years or older to participate. Employees may make salary reduction contributions up to 25% of compensation not to exceed the federal government limits. The Plan allows for the Company to make discretionary contributions to match employee contributions up to 3% of compensation. The Company's matching contributions vest immediately at 100% with the employee. The Company made the following matching contributions:

	Three months ended May 31,		Six months ended May 31,	
	2024	2023	2024	2023
Company contributions	\$ 3,659	\$ 5,583	\$ 7,156	\$ 10,471

CCA INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - INCOME TAXES

The Company previously adopted the provisions of ASC Subtopic 740-10-25, "Uncertain Tax Positions". Management believes that there were no unrecognized tax benefits, or tax positions that would result in uncertainty regarding the deductions taken, as of May 31, 2024 and November 30, 2023. ASC Subtopic 740-10-25 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities.

The Company values its deferred tax assets and liabilities using the tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. The Company has valued its deferred tax assets and liabilities based on an estimated future tax rate of 23.53% for the six months ended May 31, 2024.

The deferred compensation amount in the table below is from the issuance of stock options (see Note 12 - Stock-Based Compensation) and will be realized in future years if the options are exercised.

At May 31, 2024 and November 30, 2023, respectively, the Company had temporary differences arising from the following:

Type	May 31, 2024		November 30, 2023	
	Amount	Deferred Tax	Amount	Deferred Tax
Depreciation	\$ (134,111)	\$ (31,555)	\$ (57,885)	\$ (13,620)
Reserve for bad debts	2,694	634	3,780	889
Reserve for obsolete inventory	296,204	69,693	295,826	69,604
Vacation accrual	28,952	6,810	31,429	7,395
Section 174 costs	54,229	12,759	30,817	7,251
Research and development credit carry forward	-	65,175	-	65,175
Deferred compensation	511,852	120,433	493,102	116,021
Charitable contributions	16,340	3,845	16,340	3,845
Section 263A costs	26,763	6,297	21,155	4,977
Net operating loss carry forward	24,698,376	5,804,740	24,329,854	5,718,031
Net deferred tax asset	<u>\$ 25,501,299</u>	<u>\$ 6,058,831</u>	<u>\$ 25,164,417</u>	<u>\$ 5,979,568</u>

Income tax expense is made up of the following components:

	Three months ended May 31,		Six months ended May 31,	
	2024	2023	2024	2023
Current tax - federal	\$ -	\$ -	\$ -	\$ -
Current tax - state & local	880	1,224	1,836	2,448
Deferred tax	(4,788)	(33,811)	(79,264)	(100,997)
Total income tax (benefit)	<u>\$ (3,908)</u>	<u>\$ (32,587)</u>	<u>\$ (77,428)</u>	<u>\$ (98,549)</u>

CCA INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - INCOME TAXES (CONTINUED)

Prepaid and refundable income taxes are made up of the following components:

Prepaid and refundable income taxes	Federal	State & Local	Total
May 31, 2024	\$ -	\$ 11,179	\$ 11,179
November 30, 2023	\$ -	\$ 12,015	\$ 12,015

A reconciliation of the (benefit from) income taxes computed at the statutory rate to the effective rate for the three months ended May 31, 2024 and 2023 is as follows:

	Three months ended May 31, 2024		Three months ended May 31, 2023	
	Amount	Percent of Pretax Income	Amount	Percent of Pretax Income
(Benefit from) income taxes at federal statutory rate	\$ (5,949)	21.00%	\$ (34,844)	21.00%
Changes in provision for income taxes resulting from:				
State income taxes, net of federal income tax benefit	(717)	2.53%	(4,828)	2.91%
Non-deductible expenses and other adjustments	2,758	-9.73%	7,085	-4.27%
(Benefit from) income taxes at effective rate	\$ (3,908)	13.80%	\$ (32,857)	19.64%

CCA INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - INCOME TAXES (CONTINUED)

A reconciliation of the (benefit from) income taxes computed at the statutory rate to the effective rate for the six months ended May 31, 2024 and 2023 is as follows:

	Six months ended		Six months ended	
	May 31, 2024		May 31, 2023	
	Amount	Percent of Pretax	Amount	Percent of Pretax
(Benefit from) income taxes at federal statutory rate	\$ (72,924)	21.00%	\$ (108,082)	21.00%
Changes in (benefit from) provision for income taxes resulting from:				
State income taxes, net of federal income tax benefit	(8,786)	2.53%	(14,977)	2.91%
Non-deductible expenses and other adjustments	4,282	-1.23%	24,510	-4.76%
(Benefit from) income taxes at effective rate	<u>\$ (77,428)</u>	<u>22.30%</u>	<u>\$ (98,549)</u>	<u>19.15%</u>

NOTE 11 – CAPITAL TRANSACTIONS

In February 2024 and February 2023, the Company approved the issuance of 5,000 shares of preferred stock senior redeemable series B to K.E.L.K. Corp., formerly known as Solar Sense Corporation ("Solar"), in accordance with the settlement agreement entered into in January 2020. The preferred stock has a stated minimum value of \$3.50 per share upon a liquidity event and has no voting rights. The preferred stock would be entitled to the same dividend paid to common stockholders. The settlement agreement provides that in the event that a liquidity event does not occur within two years after the date of the settlement agreement, Solar is entitled to be issued an additional 5,000 shares of preferred stock per year until a liquidity event occurs. The Company has the right to redeem the preferred stock at any time for the stated minimum value.

CCA INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - STOCK-BASED COMPENSATION

On August 13, 2015, the shareholders approved the 2015 CCA Industries, Inc. Incentive Plan (the "2015 Plan"). The 2015 Plan authorized the issuance of up to 700,000 shares of common stock (subject to customary adjustments set forth in the plan) pursuant to equity awards, which may take the form of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, performance shares and cash awards. On June 7, 2017, the shareholders approved the 2015 CCA Industries, Inc. Incentive Plan as Amended. The sole purpose of the amendment was to increase the shares available for issuance under the 2015 Plan from 700,000 to 1,400,000.

The Company adheres to the provisions of ASC Topic 718, "Stock Compensation," which requires an entity to recognize the grant-date fair value of stock options and other equity-based compensation issued to employees in the financial statements.

The Company recorded a charge against earnings in the amount of \$27,609 and \$25,728, respectively, for the three months ended May 31, 2024 and 2023, for all outstanding stock options granted. The Company recorded a charge against earnings in the amount of \$30,963 and \$51,456, respectively, for the six months ended May 31, 2024 and 2023, for all outstanding stock options granted.

On March 12, 2024, the Board of Directors granted incentive stock options for an aggregate of 355,000 shares to six employees of the Company at \$0.66 per share, which was the closing price of the Company's stock on that day. The options vest in equal 20% increments beginning one year after the grant date, and for each of the four subsequent anniversaries of such date. The options expire on March 11, 2034.

On March 12, 2024, the Board of Directors granted non-qualified stock options for an aggregate of 300,000 shares to the three directors of the Company at \$0.66 per share, which was the closing price of the Company's stock on that day. The options vest 12 months after the date of grant and expire on March 11, 2029.

There were no stock options granted in the first six months of fiscal 2023. The fair value of the stock option grants in fiscal year 2024 was estimated on the date of the grant using a Black-Scholes valuation model and the assumptions in the following table:

Assumptions:					
Option Grant Date	Risk-free Interest Rate	Dividend Yield	Stock Volatility	Option Term (years)	Average Forfeiture Rate
March 11, 2024	4.15%	0%	68.74%	10	61.50%
March 11, 2024	4.15%	0%	68.74%	5	61.50%

As of May 31, 2024, there were 952,500 stock options outstanding, of which there were 286,500 stock options that were exercisable. The total compensation cost of stock option awards that have not yet been recognized was \$160,798 as of May 31, 2024. The weighted average period over which the unrecognized compensation is expected to be recognized is 40 months.

CCA INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - STOCK-BASED COMPENSATION (CONTINUED)

A summary of stock option activity for the Company is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Term (years)	Aggregate Intrinsic Value
Outstanding at November 30, 2023	347,500	\$ 2.85	4.0	—
Granted	—	—		—
Exercised	—	—		—
Canceled or Forfeited	—	—		—
Outstanding at February 29, 2024	347,500	\$ 2.85	3.8	—
Granted	655,000	—		—
Exercised	—	—		—
Canceled or Forfeited	50,000	—		—
Outstanding at May 31, 2024	952,500	\$ 1.38	6.1	—

The following table summarizes information about currently outstanding and vested stock options at May 31, 2024:

Exercise Price	Number of Options Granted	Weighted Average Remaining Term (years)	Number of Option Shares Vested
\$0.66	355,000	9.78	-
\$0.66	300,000	4.78	-
\$2.00	55,000	5.01	44,000
\$2.85	75,000	4.05	75,000
\$3.30	62,500	3.05	62,500
\$3.35	70,000	2.06	70,000
\$3.48	35,000	0.60	35,000
Total	952,500		286,500

CCA INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 13 – CAPITAL TRANSACTIONS

In February 2024 and February 2023, the Company approved the issuance of 5,000 shares of preferred stock senior redeemable series B to K.E.L.K. Corp., formerly known as Solar Sense Corporation ("Solar"), in accordance with the settlement agreement entered into in January 2020. The preferred stock has a stated minimum value of \$3.50 per share upon a liquidity event and has no voting rights. The preferred stock would be entitled to the same dividend paid to common stockholders. The settlement agreement provides that in the event that a liquidity event does not occur within two years after the date of the settlement agreement, Solar is entitled to be issued an additional 5,000 shares of preferred stock per year until a liquidity event occurs. The Company has the right to redeem the preferred stock at any time for the stated minimum value.

NOTE 14 - (LOSS) PER SHARE

Basic (loss) per share is calculated using the average number of common shares outstanding. Diluted (loss) per share is computed on the basis of the average number of common shares outstanding plus the effect of outstanding stock options using the "treasury stock method".

	Three months ended May 31,		Six months ended May 31,	
	2024	2023	2024	2023
Net (loss)	\$ (24,421)	\$ (133,069)	\$ (269,831)	\$ (416,127)
Net income available to preferred shareholders	-	-	-	-
Net (loss) available to common shareholders	<u>\$ (24,421)</u>	<u>\$ (133,069)</u>	<u>\$ (269,831)</u>	<u>\$ (416,127)</u>
Weighted average preferred shares outstanding - Basic	<u>170,000</u>	<u>165,000</u>	<u>168,306</u>	<u>162,514</u>
Weighted average common shares outstanding - Basic	7,561,684	7,561,684	7,561,684	7,561,684
Net effect of dilutive stock options	19,265	-	-	-
Weighted average common shares and common shares equivalent - Diluted	<u>7,580,949</u>	<u>7,561,684</u>	<u>7,561,684</u>	<u>7,561,684</u>
(Loss) per share - common shareholders:				
Basic	\$ (0.00)	\$ (0.02)	\$ (0.04)	\$ (0.06)
Diluted	\$ (0.00)	\$ (0.02)	\$ (0.04)	\$ (0.06)

297,500 shares underlying stock options for the three months ended May 31, 2024, and 902,500 shares underlying stock options for the three months ended May 31, 2023, were excluded from the diluted (loss) per share because the effects of such shares were anti-dilutive. 952,500 shares underlying stock options for the six months ended May 31, 2024, and 902,500 shares underlying stock options for the three months ended May 31, 2023, were excluded from the diluted (loss) per share because the effects of such shares were anti-dilutive. 170,000 shares of preferred stock for the three months and six months ended May 31, 2024, and 165,000 shares of preferred stock for the three months and six months ended May 31, 2023, were excluded as preferred stock does not participate in losses.

CCA INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 15 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On January 4, 2022, the Company entered into a License Agreement with Para Bellum Partners, LLC (“Para Bellum”) for the exclusive right to manufacture, market and sell the Neutein brand of brain health supplements. Christopher Dominello, the Company’s Chief Executive Officer, has an ownership interest in Para Bellum. Under the License Agreement, the Company acquired the exclusive right and license to use the Neutein brand, formulas, packaging designs and trademarks (collectively, the “Neutein Brand”) in connection with the design, development, manufacture, advertising, marketing, promotion, offering, sale and distribution of Neutein products in the United States and Canada. In addition, the Company agreed to purchase all good and saleable inventory of Neutein products in Para Bellum’s possession or control as of January 4, 2022 at Para Bellum’s cost without markup. The License Agreement has a term of three years ending December 31, 2024. The License Agreement may be renewed, at the Company’s option, for one additional three-year term. The License Agreement requires the Company to pay Para Bellum a royalty of 10% on the gross sales less returns (“Net Sales”) of Neutein products manufactured and sold under the License Agreement. Royalties are payable quarterly, commencing the first fiscal quarter in which Neutein products are sold pursuant to the License Agreement. There is no minimum royalty for any period under the agreement. In addition, the Company has the option to purchase the Neutein Brand from Para Bellum during the term of the License Agreement for an amount equal to or greater than one and a half times the trailing twelve months Net Sales, but no less than \$2,000,000, subject to the negotiation of a definitive purchase agreement and sale agreement containing terms customary for transactions of such nature. The Company incurred royalties of \$14,380 and \$1,789, respectively, for the three months ended May 31, 2024 and 2023. The Company incurred royalties of \$16,026 and \$2,233, respectively, for the six months ended May 31, 2024 and 2023.

On March 23, 2017, the Company entered into a License Agreement (the “Agreement”) with Ultimark Products, Inc. (“Ultimark”) for the exclusive right to manufacture, market and sell the Porcelana brand of skin care products. The Company’s director and Chairman of the Board, Brent Funston, is also the Chairman of the Board of Ultimark. Porcelana is designed to reduce dark spots and brighten the skin. Under the Agreement, the Company acquired the exclusive right and license to use the Porcelana brand, formulas, packaging designs and trademarks (collectively, the “Porcelana Brand”) in connection with the design, development, manufacture, advertising, marketing, promotion, offering, sale and distribution of Porcelana products worldwide. The Company entered into a new License Agreement with Ultimark on July 17, 2020 for a term of ten years ending on June 30, 2030, which provided for a royalty rate of 10% on the gross sales of Porcelana. On May 25, 2022, The Company entered into a new License Agreement (“New Agreement”) with Ultimark that replaced the agreement entered into on July 17, 2020. The New Agreement provides for a royalty rate of 10% on the net sales of Porcelana and has a term of three years. Net sales was defined as gross sales, less returns, discounts and allowances. The Company incurred royalties of \$30,657 and 39,220, respectively, for the three months ended May 31, 2024 and 2023. The Company incurred royalties of \$40,070 and \$65,566, respectively, for the six months ended May 31, 2024 and 2023.

CCA INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 16 – LEGAL MATTERS

The Company previously disclosed that In March 2023, the Company agreed to enter into voluntary mediation with the landlord of its former facility in East Rutherford, New Jersey. The lease for the facility expired in May 2022. The Company had previously sub-let the facility which expired concurrently with the expiration of the lease. The landlord refused to return the Company's security deposit in the amount of \$354,550, claiming that the Company owed money to the landlord in amounts exceeding the deposit. The Company denied the landlord's claims and sought the return of the entire security deposit. The Company was holding a security deposit of \$147,853 from the sub-tenant and had not returned the security deposit due to the claims from the landlord. The mediation was non-binding and did not result in a settlement. The Company was served on June 8, 2023, that the landlord commenced an action in the Superior Court of New Jersey, Law Division, Bergen County. The Company responded with counterclaims. The Company reached a settlement with the landlord and sub-tenant, with the landlord paying the Company \$175,000 for full release of all claims and the Company paying the sub-tenant \$73,982 for full release of its claims against the Company. The settlement was effective March 31, 2024, and the Company received the net amount of \$101,018 after paying the sub-tenant on that date. The security deposit previously held by the landlord had been classified as non-current Other assets on the balance sheet. The security deposit from the sub-tenant previously held by the Company had been classified as Long-term – other liabilities on the balance sheet.

NOTE 17 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 15, 2024, the date of issuance of the financial statements for the three and six months ended May 31, 2024. There are no additional subsequent events to report.