# CCA Industries, Inc.

**Financial Statements (Unaudited)**

**As of and For the Three Months Ended February 28, 2025 and February 29, 2024**

**CCA INDUSTRIES, INC.**
**FINANCIAL STATEMENTS**

INDEX

**CCA INDUSTRIES, INC.**
**BALANCE SHEETS**

| | February 28, 2025 | November 30, 2024 |
|---|---|---|
| | (Unaudited) | |
| **ASSETS** | | |
| **Current Assets:** | | |
| Cash | $ 80,652 | $ 30,104 |
| Accounts receivable, net of allowances for credit losses of $2,010 and $2,649, respectively | 441,625 | 567,715 |
| Inventories | 1,607,968 | 1,682,209 |
| Prepaid expenses and sundry receivables | 286,314 | 423,141 |
| Prepaid and refundable income taxes | 4,376 | 5,193 |
| **Total Current Assets** | **2,420,935** | **2,708,362** |
| Property and equipment, net of accumulated depreciation | 5,038 | 5,766 |
| Intangible assets, net of accumulated amortization | 1,204,348 | 1,204,348 |
| Deferred financing fees, net of accumulated amortization | 18,073 | 23,002 |
| Deferred income taxes | 1,690,088 | 1,685,215 |
| **Total Assets** | **$ 5,338,482** | **$ 5,626,693** |
| | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current Liabilities:** | | |
| Accounts payable and accrued liabilities | $ 1,195,606 | $ 1,440,806 |
| Line of credit | 623,778 | 721,885 |
| **Total Current Liabilities** | **1,819,384** | **2,162,691** |
| **Total Liabilities** | **1,819,384** | **2,162,691** |
| Commitments and Contingencies - See Note 11 | | |

**CCA INDUSTRIES, INC.**
**BALANCE SHEETS**

| | February 28, 2025 | November 30, 2024 |
|---|---|---|
| | (Unaudited) | |
| **Shareholders' Equity:** | | |
| Preferred stock, $1.00 par, authorized 20,000,000 shares, Senior Redeemable Series B, 175,000 and 170,000 shares designated, 175,000 and 170,000 shares issued and outstanding, respectively | 175,000 | 170,000 |
| 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, $0.01 par, authorized 5,000,000 shares, issued and outstanding 967,702 and 967,702 shares, respectively | 9,677 | 9,677 |
| Additional paid-in capital | 7,892,918 | 7,856,553 |
| Retained (deficit) earnings | (4,624,437) | (4,638,168) |
| **Total Shareholders' Equity** | **3,519,098** | **3,464,002** |
| **Total Liabilities and Shareholders' Equity** | **$ 5,338,482** | **$ 5,626,693** |

See Notes to Financial Statements.

**CCA INDUSTRIES, INC.**
**STATEMENTS OF OPERATIONS (UNAUDITED)**

| | Three months ended February 28, 2025 | Three months ended February 29, 2024 |
|---|---|---|
| **Revenues:** | | |
| Sales of health and beauty aid products - net | **$ 1,665,946** | **$ 2,134,581** |
| less: cost of sales | 516,679 | 691,747 |
| **Gross Profit:** | **$ 1,149,267** | **$ 1,442,834** |
| | | |
| **Costs and Expenses:** | | |
| Selling, general and administrative expenses | 1,037,301 | 1,574,396 |
| Advertising, cooperative and promotional expenses | 63,975 | 139,187 |
| Research and development | 8,510 | 19,230 |
| **Total Costs and Expenses** | **1,109,786** | **1,732,813** |
| | | |
| Interest expense | 29,804 | 28,951 |
| **Income (Loss) before (benefit from) income taxes** | **9,677** | **(318,930)** |
| (Benefit from) income taxes | (4,054) | (73,520) |
| | | |
| **Net Income (Loss)** | **$ 13,731** | **$ (245,410)** |
| | | |
| **Income (Loss) per Share:** | | |
| Basic | $ 0.00 | $ (0.03) |
| Diluted | $ 0.00 | $ (0.03) |
| | | |
| **Weighted Average Common Shares Outstanding:** | | |
| Basic | 7,561,684 | 7,561,684 |
| Diluted | 7,561,684 | 7,561,684 |

See Notes to Financial Statements.

## CCA INDUSTRIES, INC.
## STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)
## FOR THE THREE MONTHS ENDED FEBRUARY 28, 2025

| | PREFERRED STOCK | | CLASS A COMMON STOCK | | COMMON STOCK | | ADDITIONAL PAID-IN CAPITAL | RETAINED (DEFICIT) EARNINGS | TOTAL SHAREHOLDERS' EQUITY |
|---|---|---|---|---|---|---|---|---|---|
| | SHARES | AMOUNT | SHARES | AMOUNT | SHARES | AMOUNT | | | |
| Balance - November 30, 2024 | 170,000 | $ 170,000 | 967,702 | $ 9,677 | 6,593,982 | $ 65,940 | $ 7,856,553 | $ (4,638,168) | $ 3,464,002 |
| Net income for the three months ended February 28, 2025 | | | | | | | | 13,731 | 13,731 |
| Stock-based compensation | | | | | | | 23,865 | | 23,865 |
| Issuance of preferred stock | 5,000 | | | | | | 12,500 | | 17,500 |
| Balance -February 28, 2025 | 175,000 | $ 170,000 | 967,702 | $ 9,677 | 6,593,982 | $ 65,940 | $ 7,892,918 | $ (4,624,437) | $ 3,519,098 |

See Notes to Financial Statements.

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

| | Three months ended | |
|---|---|---|
| | February 28, 2025 | February 29, 2024 |
| Cash Flows from Operating Activities: | | |
| Net Income (Loss) | $ 13,731 | $ (245,410) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 728 | 1,480 |
| Provision for credit losses | (639) | (1,752) |
| Deferred financing fees amortization | 4,928 | 4,928 |
| Stock-based compensation | 23,865 | 3,354 |
| Deferred income taxes | (4,872) | (74,476) |
| Change in Operating Assets & Liabilities: | | |
| Decrease in accounts receivable | 126,729 | 231,018 |
| Decrease (increase) in inventory | 74,241 | (7,769) |
| Decrease (increase) in prepaid expenses and other receivables | 136,827 | (457,781) |
| Decrease (increase) in prepaid income and refundable income tax | 817 | (44) |
| (Decrease) in accounts payable and accrued liabilities | (245,200) | (21,895) |
| Net Cash Provided by (Used in) Operating Activities: | 131,155 | (568,347) |
| Cash Flows from Investing Activities: | | |
| Acquisition of property, plant and equipment | - | (3,172) |
| Net Cash (Used in) Investing Activities | - | (3,172) |
| Cash Flows from Financing Activities: | | |
| Proceeds from current line of credit, net | (98,107) | 207,334 |
| Issuance of preferred stock in payment of litigation expense | 17,500 | - |
| Net Cash (Used in) Provided by Financing Activities | (80,607) | 207,334 |
| Net Increase (Decrease) in Cash | 50,548 | (364,185) |
| Cash at Beginning of Year | 30,104 | 765,189 |
| Cash at End of Period | $80,652 | $ 401,004 |
| | | |
| Supplemental Disclosures of Cash Flow Information: | | |
| Cash paid during the year for: | | |
| Interest | $ 29,804 | $ 28,951 |
| Income Taxes | $ - | $ 1,000 |
| Non-cash financing activities during the year: | | |
| Issuance of preferred stock in payment of litigation expense | $ 17,500 | $ 17,500 |

See 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 2.00% 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

## 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.

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. As of February 28, 2025, 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 2.09% and 1.89% of the prior three months of gross sales as of February 28, 2025 and February 29, 2024, 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. Please see Note 8 – Revenue Recognition for further information.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 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. Please see Note 8 – Revenue Recognition for further information.

Cash and Cash Equivalents:

For purposes of the statements of cash flows, the Company considers all highly liquid instruments with a maturity of three months or less at the purchase date and money market accounts to be cash equivalents. As of February 28, 2025 and November 30, 2024, the Company did not have any cash equivalents.

Accounts Receivable:

Accounts receivable are carried at the original amount less an estimate for credit losses. The Company maintains an allowance for credit losses which represents management's estimate of expected credit losses over the remaining expected life of the Company's financial assets measured at amortized cost and comprised of three main components: (i) historical collection performance, (ii) specific collection issues, (iii) current conditions, and reasonable and supportable forecasts about the future. If actual provision for credit losses differs from the reserves calculated based on historical trends and known customer issues and current conditions, an adjustment to the provision for credit losses is recorded in the period in which the difference occurs. Such adjustment could result in additional expenses or a reduction of expenses. The Company writes off accounts to the allowance when it has determined that collection is unlikely. Some of the factors considered in reaching this determination are (i) the apparent financial condition of the customer, (ii) the success the Company has in contacting and negotiating with the customer, (iii) the current state of the industry and (iv) the number of days the account has been outstanding. When the Company's collections does not correspond with historical performance, additional charges may be required. As of February 28, 2025 and November 30, 2024, the Company had $2,010 and $2,649, respectively, recorded as an allowance for credit losses. The income statement effect of all changes in the allowance for credit losses are recognized as provision for credit losses.

The Company manufactures and sells its products to a broad range of customers, primarily retail stores and direct to consumer through third party on-line 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 February 28, 2025 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).

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable: (Continued)

Accounts receivable totaled $443,635, less the allowance for expected credit losses of $2,010 related to accounts receivable on February 28, 2025.

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 |

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.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 February 28, 2025 and November 30, 2024, the Company had a current liability from deferred revenues of $0 and $0, respectively.

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 February 28, 2025 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 a combination of new contracts given to the customers in the current fiscal year, along with liabilities open from prior years. Specific new contracts in the current fiscal year are identified as sales incentives and those contracts 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 more than three years is closed unless management believes that a deduction may still be taken by the customer. The balance of the remaining open cooperative advertising is recorded as an accrued liability. The portion of cooperative advertising recorded as sales incentives was reduced by $0 for the three months ended February 28, 2025, to reduce open cooperative advertising contracts prior periods. The portion of cooperative advertising recorded as sales incentives was reduced by $399 for the three months ended February 29, 2024, to reduce open cooperative advertising contracts for prior periods.

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 February 28, 2025 and February 29, 2024, included in selling, general and administrative expenses are fulfillment costs of $40,657 and $115,991, respectively.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs:

The Company's policy for financial reporting is to charge advertising costs to expense as incurred. Advertising, cooperative and promotional expenses for the three months ended February 28, 2025 and February 29, 2024 were $63,975 and $139,187, respectively.

Research and Development Costs:

The Company's policy for financial reporting is to charge research and development costs to expense as incurred. Research and development costs for the three months ended February 28, 2025 and February 29, 2024 were $8,510 and $19,230, 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 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 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 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 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 February 28, 2025 and November 30, 2024. 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.

Tax Credits:

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

Earnings (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 number of weighted average number of shares of common stock outstanding during the year. Diluted earnings per share is 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, and therefore, the Company is not required to report (loss) earnings per share under the two-class method.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Please see Note 14 – Stock-Based Compensation for further information.

Risks and Uncertainties:

The Company maintains its cash in bank and financial institution deposits that at times may exceed federally insured limits. As of February 28, 2025 and November 30, 2024, the Company's cash balance was in excess of FDIC insured levels by approximately $0 and $0, respectively. The Company has not experienced any losses in such accounts through February 28, 2025.

In March 2025, the United States imposed tariffs on imports into the United States. The Company's products are manufactured in the United States, however glass components are imported, which will subject the Company to higher cost of goods for two of its product lines, and possible supply chain disruptions in the future. The Company is actively working to source the glass domestically, however that will likely result in higher cost of goods as well. The Company will likely have to increase prices in response.

The United States had been experiencing a period of high inflation. This 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, high inflation has been reflected in higher manufacturing costs passed on to the Company by its contract manufacturers, which in turn increases the cost of goods. The Federal Reserve lowered interest rates in 2024 but has not announced plans for further decreases at this time.

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:

In November 2024, the Financial Accounting Standards Board ("FASB') issued ASU No. 2024-03, "Income Statement – Expense Disaggregation Disclosures" (Subtopic 220-40), which requires additional disclosures of purchases of inventory, employee compensation, total selling expenses, and an entity's definition of selling expenses. ASU No. 2024-03 will be effective public business entities in the first annual reporting period beginning after December 15, 2026, and interim periods beginning after December 15, 2027. The adoption of this update will not have an impact on the Company's financial statements.

In November 2023, the FASB issued ASU No. 2023-07, "Segment Reporting" (Topic 280), which requires enhancements to segment reporting for public entities. ASU No. 2023-07 is effective for fiscal years beginning after December 15, 2023. The Company has reviewed the disclosure requirements and determined that no additional disclosures will be required as the Company has only one reportable segment.

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

## NOTE 3 - INVENTORIES

The components of inventory consist of the following:

| | February 28, 2025 | November 30, 2024 |
|---|---|---|
| Raw materials | $ 346,455 | $ 336,915 |
| Finished goods | 1,261,513 | 1,345,294 |
| | $ 1,607,968 | $ 1,682,209 |

## NOTE 4 - PROPERTY AND EQUIPMENT

The components of property and equipment consisted of the following:

| | February 28, 2025 | November 30, 2024 |
|---|---|---|
| Furniture and equipment | $ 104,966 | $ 104,966 |
| Tools, dies and masters | 21,415 | 21,415 |
| | 126,381 | 126,381 |
| Less: Accumulated depreciation | 121,343 | 120,615 |
| Property and Equipment - Net | $ 5,038 | $ 5,766 |

Depreciation expense for the three months ended February 28, 2025 and February 29, 2024 amounted to $728 and $1,480, respectively.

## NOTE 5 - INTANGIBLE ASSETS

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

| | February 28, 2025 | November 30, 2024 |
|---|---|---|
| Patents and Trademarks | $ 1,237,437 | $ 1,237,437 |
| Less: Accumulated amortization | 33,089 | 33,089 |
| Intangible assets - net | $ 1,204,348 | $ 1,204,348 |

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. Amortization expense for the years ended November 30, 2024 and 2023 amounted to $0 and $0, respectively. Estimated amortization expenses for the years ending November 30, 2026, 2027, 2028, 2029 and 2030 are $0 for each year.

**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:

| | February 28, 2025 | November 30, 2024 |
|---|---|---|
| Co-operative advertising contract liabilities | $ 101,250 | $ 126,145 |
| Returns and allowances accrual | 65,687 | 65,408 |

**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, and requires an annual facility fee of 1.0% of the total commitment for the first year of the agreement 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 February 28, 2025, there were borrowings of $623,778 under the Loan Agreement which are due at maturity in February 2026 and are noted as a current liability on the accompanying balance sheets.

**NOTE 8 – REVENUE RECOGNITION**

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

| | Three months ended | |
|---|---|---|
| | February 28, 2025 | February 29, 2024 |
| Gross Sales | $ 1,774,193 | $ 2,219,108 |
| Less: | | |
| Sales returns | 32,455 | (59,617) |
| Sales allowances | 46,858 | 49,422 |
| Coupon expense | 190 | 13,935 |
| Sales incentives, net | 14,173 | 62,982 |
| Other deductions | (154) | (843) |
| Cash discounts | 14,724 | 18,648 |
| Total | 108,247 | 84,527 |
| Net Sales | $ 1,665,946 | $ 2,134,581 |

**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 | |
|---|---|---|
| | February 28, 2025 | February 29, 2024 |
| Company contributions | $ 1,386 | $ 3,497 |

## 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 February 28, 2025 and November 30, 2024. 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.

Federal and state income tax returns for the years ended November 30, 2024, 2023, 2022, and 2021 remain open to assessment by the relevant tax jurisdictions. The Company has not received any notice that its tax returns are being reviewed by any federal or state tax 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 23.56% for the three months ended February 28, 2025. In November 2024, the Company recorded a valuation allowance of $2,755,244 against the net operating loss carry forward to recognize the amount of loss that the Company estimates would not be used by November 30, 2033. This resulted in recording a provision for income tax of $4,302,626 for the year ended November 30, 2024. As of November 30, 2024, the Company had federal and state net operating loss carry forwards of approximately $26,242,103. The net operating loss carry forwards generated before 2017 of approximately $22,900,000 will expire between 2033 and 2035. The balance of the federal net operating loss is available to the Company indefinitely to offset up to 80% of future taxable income each year.

The deferred compensation amount in the table below is from the issuance of stock options (see Note 14 - Stock-Based Compensation) and will be realized in future years if the options are exercised.

At February 28, 2025 and November 30, 2024, respectively, the Company had temporary differences arising from the following:

| | February 28, 2025 | November 30, 2024 |
|---|---|---|
| Type | Deferred Tax | Deferred Tax |
| Depreciation | $ (123,912) | $ (151,944) |
| Reserve for bad debts | 474 | 629 |
| Reserve for obsolete inventory | 44,296 | 57,758 |
| Vacation accrual | 4,747 | 6,393 |
| Section 174 costs | 18,385 | 16,499 |
| Research and development credit carry forward | 65,175 | 65,175 |
| Deferred compensation | 133,852 | 130,378 |
| Charitable contributions | 3,850 | 3,878 |
| Section 263A costs | 9,576 | 10,102 |
| Operating loss carry forward | 6,094,596 | 6,107,296 |
| Gross deferred tax assets | 6,251,037 | 6,246,164 |
| less: valuation allowance | (4,560,949) | (4,560,949) |
| Net deferred tax assets | $ 1,690,088 | $ 1,685,215 |

**NOTE 10 - INCOME TAXES (CONTINUED)**

Income tax expense is made up of the following components:

| | Three months ended | |
|---|---|---|
| | February 28, 2025 | February 29, 2024 |
| Current tax - federal | $ - | $ - |
| Current tax - state & local | 817 | 956 |
| Deferred tax | (4,871) | (74,476) |
| Total income tax provision (benefit) | $ (4,054) | $ (73,520) |

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

| Prepaid and refundable income taxes | Federal | State & Local | Total |
|---|---|---|---|
| February 28, 2025 | $ - | $ 4,736 | $ 4,376 |
| November 30, 2024 | $ - | $ 5,193 | $ 5,193 |

A reconciliation of the (benefit from) provision for income taxes computed at the statutory rate to the effective rate for the three months ended February 28, 2025 and February 29, 2025 is as follows:

| | Three months ended February 28, 2025 | | Three months ended February 29, 2024 | |
|---|---|---|---|---|
| | Amount | Percent of Pretax Income | Amount | Percent of Pretax |
| (Benefit from) income taxes at federal statutory rate | $ 2,032 | 21.00% | $ (66,975) | 21.00% |
| Changes in (benefit from) provision for income taxes resulting from: | | | | |
| State income taxes, net of federal income tax benefit | 248 | 2.56% | (8,069) | 2.53% |
| Non-deductible expenses and other adjustments | (6,335) | (65.40) % | 1,524 | (0.48) |
| Provision for (benefit from) income taxes at effective rate | $ (4,054) | (41.84) % | $ (73,520) | 23.05% |

## NOTE 11 - COMMITMENTS AND CONTINGENCIES

Leases:

The Company had no long-term leases as of February 28, 2025 and November 30, 2024.

Royalty Agreements:

On September 1, 2022, the Company entered into an Endorsement Agreement with Michael Singletary ("Singletary") for the Company's Neutein brand. Mike Singletary had a profound impact on the sport of football, drafted by the Chicago Bears in 1981 and was the Bears' first or second leading tackler each of his last 11 seasons. Selected to play in a team record of 10 Pro Bowls, Singletary was All-Pro eight times and All-NFC every year from 1983 until 1991. He entered the NFL Hall of Fame in 1998 and was a head coach of the San Francisco 49ers. Singletary is now a motivational speaker, author, grandfather, and ordained minister. He was also a contestant on the CBS reality series, Beyond the Edge. The Company agreed to pay Singletary $1.00 for each bottle of Neutein sold. In addition, the Company agreed to make a donation to Changing Our Perspectives, Inc., a charity founded by Singletary. The agreement is for a term of five years and expires on September 1, 2027. Singletary and the Company each have the right to terminate the Endorsement Agreement early if certain events occur. The Endorsement Agreement provides for Singletary to make a certain amount of time available to the Company for media or publicity events as well as posting on social media regarding the Neutein brand. Singletary has an ownership interest in Para Bellum Partners, LLC, which licensed the Neutein brand to the Company. The Company incurred royalties of $1,311 and $619, respectively, for the three months ended February 28, 2025 and February 29, 2024. The Company had unpaid royalties of $1,084 and $271, respectively, as of February 28, 2025 and November 30, 2024.

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 $13,096 and $19,413, respectively, for the three months ended February 28, 2025 and February 29, 2024. The Company had unpaid royalties of $28,449 and $15,353, respectively, as of February 28, 2025 and November 30, 2024.

## NOTE 11 - COMMITMENTS AND CONTINGENCIES (Continued)

Royalty Agreements: (Continued)

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 Company exercised its option to renew the License Agreement. 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 had 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 $2,075 and $1,647, respectively, for the three months ended February 28, 2025 and February 29, 2024. The Company had unpaid royalties of $2,611 and $3,520, respectively, as of February 28, 2025 and November 30, 2024.

The Company is not a party to any other license agreement that is currently material to its operations.

Employment Agreements:

On December 15, 2021, Christopher Dominello was appointed Chief Executive Officer by the Board of Directors. The Company entered into an Employment Agreement ("2021 Employment Agreement") with Mr. Dominello on the same date which superseded the Employment Agreement dated April 1, 2020. The 2021 Employment Agreement provides for Mr. Dominello to be engaged as the Company's Chief Executive Officer for a term continuing until December 31, 2023, with successive one-year terms unless notice is provided either by the Company or Mr. Dominello. Under the terms of the 2021 Employment Agreement, Mr. Dominello's base salary is $300,000 per annum, with a performance bonus of 5% of the Company's EBITDA (earnings before interest, taxes, depreciation and amortization) to be paid after the end of each fiscal year. Mr. Dominello is eligible to participate in the Company's equity compensation plans and other benefits as available to all employees of the Company. In the event of death, the 2021 Employment Agreement terminates. In the event of a disability that last more than ninety (90) days, the Company has the right to terminate the 2021 Employment Agreement. If the Company terminates Mr. Dominello for Cause (as defined in the 2021 Employment Agreement), or the Mr. Dominello terminates his employment in a manner not considered to be for Good Reason (as defined in the 2021 Employment Agreement), Mr. Dominello shall be entitled to receive all base salary and other benefits earned and accrued prior to the date of termination. If the Company terminates Mr. Dominello in a manner that is not for Cause or due to Mr. Dominello's

## NOTE 11 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Employment Agreements: (Continued)

death or disability, Mr. Dominello terminates his employment for Good Reason, or the Company does not renew the Employment Agreement after its expiration, the Executive shall be entitled to receive a single-sum payment equal to his unpaid base salary and other benefits earned and accrued prior to the date of termination and a single-sum payment of an amount equal to one and half times (a) the highest annual base salary amounts paid to Executive over the three calendar years prior to the date of termination, (b) if less than twelve months have elapsed from the date of this 2021 Employment Agreement and the date of termination, the highest base salary paid in any month times twelve, or (c) if less than twelve months have elapsed between December 15, 2021 and the date of termination, the highest base salary received in any month times twelve. In addition, Mr. Dominello is entitled to the same benefits if he terminates his employment with the Company in connection with a Change of Control (as defined in the Employment Agreement). In the event that the Company is sold during Mr. Dominello's employment term, or within six months after the expiration of Mr. Dominello's 2021 Employment Agreement, Mr. Dominello shall receive a bonus equal to 3% of the purchase price in excess of fifteen million dollars. Under the 2021 Employment Agreement, Mr. Dominello has agreed to non-competition and non-solicitation restrictions for a period of one year following the end of the term of his 2021 Employment Agreement.

An officer of the Company was terminated by the Company in October 2023. The Company and the officer mutually agreed to a severance of $330,000, with $90,000 paid in October 2023, and $240,000 to be paid over a period of 52 payroll periods at the rate of $4,615.39 per period. Payroll periods are every two weeks.

On March 21, 2011, the compensation committee of the Board of Directors, acting on behalf of the Company, entered into an Employment Agreement ("Employment Agreement") with Stephen A. Heit. Pursuant to his Employment Agreement, Mr. Heit has been engaged to continue to serve as the Company's Executive Vice President and Chief Financial Officer. The term of employment under Mr. Heit's Employment Agreement runs from March 21, 2011 through December 31, 2013 and has been continued thereafter for successive one-year periods unless the Company or the Executive chooses not to renew the respective Employment Agreement. Under the Employment Agreement, the base salary of Mr. Heit is $250,000 per annum, and may be increased each year at the discretion of the Company's Board of Directors. Mr. Heit's base salary was increased to $280,000, effective October 1, 2014, and was further increased to $300,000, effective December 31, 2017. Effective July 21, 2024, Mr. Heit voluntarily reduced his compensation to $180,000 per annum. Mr. Heit is eligible to receive an annual performance-based bonus under his Employment Agreement and entitled to participate in the Company equity compensation plans. In addition, Mr. Heit receives dental insurance and certain other benefits. In the event of termination of the Employment Agreement as a result of the disability or death of the Executive, the Executive (or his estate or beneficiaries) shall be entitled to receive all base salary and other benefits earned and accrued until such termination as well as a single-sum payment equal to the Executive's base salary and a single-sum payment equal to the value of the highest bonus earned by the Executive in the one-year period preceding the date of termination pro-rated for the number of days served in that fiscal year. If the Company terminates the Executive for Cause (as defined in the respective Employment Agreement), or the Executive terminates his employment in a manner not considered to be for Good Reason (as defined in the respective Employment Agreement), the Executive shall be entitled to receive all base salary and other benefits earned and accrued prior to the date of termination. If the Company terminates the Executive in a manner that is not for Cause or due to the Executive's death or disability, the Executive terminates his employment for Good Reason, or the

## NOTE 11 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Employment Agreements: (Continued)

Company does not renew the Employment Agreement after December 31, 2013, the Executive shall be entitled to receive a single-sum payment equal to his unpaid base salary and other benefits earned and accrued prior to the date of termination and a single-sum payment of an amount equal to three times (a) the average of the annual base salary amounts paid to Executive over the three calendar years prior to the date of termination, (b) if less than three years have elapsed between March 21, 2011 and the date of termination, the highest base salary paid to the Executive in any calendar year prior to the date of termination, or (c) if less than twelve months have elapsed between March 21, 2011 and the date of termination, the highest base salary received in any month times twelve. In addition, the Executive is entitled to the same benefits if the Executive terminates his employment with the Company in connection with a Change of Control (as defined in the Employment Agreement). Under the Employment Agreement, the Executive has agreed to non-competition restrictions for a period of six months following the end of the term of his Employment Agreement, during which period the Executive will be paid an amount equal to his base salary for a period of six months, and an amount equal to the pro rata share of any bonus attributable to the portion of the year completed prior to the date of termination. The Executive has also agreed to confidentiality and non-solicitation restrictions under the Employment Agreements. The foregoing summary of the Employment Agreement is qualified in its entirety by the full text of the Employment Agreement, copies of which may be found in Form 8-K that was filed by the Company on March 21, 2011, with the United States Securities and Exchange Commission.

## NOTE 12 – SHAREHOLDERS' EQUITY, DIVIDENDS AND CAPITAL TRANSACTIONS

Preferred Stock

As of February 28, 2025 and November 30, 2024, the Company was authorized to issue 20,000,000 shares of preferred stock, with a par value of $1 per share. As of February 28, 2025 and November 30, 2024, the Company had designated 175,000 and 170,000 shares, respectively, as Series B convertible preferred stock. As of February 28, 2025 and November 30, 2024, there were 175,000 and 170,000 shares, respectively, issued and outstanding. In February 2025, 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.

Common Stock

As of February 28, 2025 and November 30, 2024, the Company was authorized to issue 15,000,000 shares of common stock with a par value of $0.01 per share, of which 6,593,982 was issued and outstanding as of February 28, 2025 and November 30, 2024.

## NOTE 12 – SHAREHOLDERS' EQUITY, DIVIDENDS AND CAPITAL TRANSACTIONS (CONTINUED)

Class A Common Stock

As of February 28, 2025 and November 30, 2024, the Company was authorized to issue 5,000,000 shares of class A common stock with a par value of $0.01 per share, of which 967,702 were issued and outstanding as of February 28, 2025 and November 30, 2024. The class A common stock has the right to elect a majority of the members of the board of directors and is convertible into common stock.

The Company issued stock options in fiscal 2024. See Note 14 – Stock-Based Compensation for further information.

There were no dividends issued by the Company in the fiscal years 2025 and 2024.

## NOTE 13 - CONCENTRATION OF RISK

Most of the Company's products are sold to major drug and food chain merchandisers, and wholesale beauty-aids distributors throughout the United States and Canada and direct to consumers through Amazon.com and Walmart.com.

During the three months ended February 28, 2025 and February 29, 2024, certain customers each accounted for more than 5% of the Company's net sales, as follows:

| | Three months ended | |
|---|---|---|
| Customer | February 28, 2025 | February 29, 2024 |
| Walmart | 11.90% | 18.30% |

The loss of any one of these customers could have a material adverse effect on the Company's earnings and financial position.

The Company also sells its products online directly to consumers through Amazon.com, and other online outlets, which together comprise 60.5% of net sales.

During the three months ended February 28, 2025 and February 29, 2024, certain products within the Company's product lines accounted for more than 10% of the Company's net sales as follows:

| | Three months ended | |
|---|---|---|
| Category | February 28, 2025 | February 29, 2024 |
| Skin care | 37.50% | 40.70% |
| Oral care | 30.20% | 33.50% |
| Ear care | 17.20% | 14.80% |
| Nail care | 13.40% | 10.00% |

## NOTE 14 - STOCK-BASED COMPENSATION

On June 15, 2005, the shareholders approved an amended and Restated Stock Option Plan amending the 2003 Stock Option Plan (the “2005 Plan”). The 2005 Plan authorizes the issuance of up to one million 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 restricted shares, stock appreciation rights and/or performance shares. The 2005 Plan expired in April 2015, but awards made under the 2005 Plan prior to its expiration will remain in effect until such awards have been satisfied or terminated in accordance with the terms and provisions of the 2005 Plan. 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 $23,865 and $3,354, respectively, for the three months ended February 28, 2025 and February 29, 2024 for all outstanding stock options granted.

As of February 28, 2025, there were 785,000 stock options outstanding, of which there were 155,000 stock options that were exercisable. The total compensation cost of stock option awards that have not yet been recognized was $81,840 as of February 28, 2025. The weighted average period over which the unrecognized compensation is expected to be recognized is 48 months.

## NOTE 14 - 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 | 655,000 | — | | — |
| Exercised | — | — | | — |
| Canceled or Forfeited | 80,000 | — | | — |
| Outstanding at November 30, 2024 | 922,500 | $ 1.35 | 5.7 | — |
| Granted | - | — | | — |
| Exercised | — | — | | — |
| Canceled or Forfeited | 137,500 | — | | — |
| Outstanding at February 28, 2025 | 785,000 | $ 1.13 | 5.8 | — |

**NOTE 14 - STOCK-BASED COMPENSATION (CONTINUED)**

A summary of the amortization expense per year of stock options outstanding as of February 29, 2025 is as follows:

| For the years ending November 30, | | | | |
|---|---|---|---|---|
| 2025 | 2026 | 2027 | 2028 | 2029 |
| $ 39,210 | $ 20,460 | $ 20,460 | $ 20,460 | $ 5,115 |

The following table summarizes information about currently outstanding and vested stock options at February 29, 2025:

| Exercise Price | Number of Options Granted | Weighted Average Remaining Term (years) | Number of Option Shares Vested |
|---|---|---|---|
| $0.66 | 330,000 | 9.04. | - |
| $0.66 | 300,000 | 4.03 | - |
| $2.00 | 15,000 | 4.27 | 15,000 |
| $2.85 | 50,000 | 3.31 | 50,000 |
| $3.30 | 45,000 | 2.30 | 45,000 |
| $3.35 | 45,000 | 1.31 | 45,000 |
| | | | |
| Total | 785,000 | | 155,000 |

**NOTE 15 – INCOME (LOSS) PER SHARE**

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

| | Three months ended February 28, 2025 | Three months ended February 29, 2024 |
|---|---|---|
| Net income (loss) | $ 13,731 | $ (245,410) |
| Net income available to preferred shareholders | 302 | - |
| Net income (loss) available to common shareholders | $ 13,429 | $ (245,410) |
| | | |
| Weighted average preferred shares outstanding - Basic | 170,000 | 165,000 |
| | | |
| Weighted average common and Class A shares outstanding - Basic | 7,561,684 | 7,561,684 |
| Net effect of dilutive stock options | - | - |
| Weighted average common shares and common shares equivalent - Diluted | 7,561,684 | 7,561,684 |
| | | |
| Income (loss) per share - common shareholders: | | |
| Basic | $ 0.00 | $ (0.03) |
| Diluted | $ 0.00 | $ (0.03) |

785,000 shares underlying stock options for the three months ended February 28, 2025 and 347,500 shares underlying stock options for the three months ended February 29, 2024 were excluded from the diluted income (loss) per share because the effects of such shares were anti-dilutive. 165,000 shares of preferred stock for the three months ended February 29, 2024 were excluded as preferred stock does not participate in losses.

## NOTE 16 - 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. Please see Note 11 – Commitments and Contingencies, Royalty Agreements for further information regarding the License Agreement.

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 Chairman of the Board, Brent Funston, is also the Chairman of the Board and Chief Executive Officer of Ultimark. Please see Note 11 – Commitments and Contingencies, Royalty Agreements for further information regarding the License Agreement.

## NOTE 17 – LIQUIDITY

For the years ended November 31, 2024 and 2023, the Company has reported net losses of $6,119,738 and $422,866, respectively. The Company’s ability to achieve profitability is dependent on continued business plan execution and growing the business. During 2024 and into 2025, management has continued to implement its business plan, working on improving profitability and liquidity. Furthermore, the Company anticipates renewing the loan agreement with its lender in February 2026.

## NOTE 18 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 15, 2025, the date of issuance of the financial statements for the three months ended February 28, 2025. There are no additional subsequent events to report.