CCA Industries, Inc.

Audited Financial Statements

As of and For the Years Ended November 30, 2021 and November 30, 2020

CCA INDUSTRIES, INC.
FINANCIAL STATEMENTS

INDEX

	Page Number
Independent Auditor's Report	3
Financial Statements:	
Balance Sheets as of November 30, 2021 and 2020	4-5
Statements of Operations for the years ended November 30, 2021, and 2020	6
Statements of Shareholders' Equity for the years ended November 30, 2021, and 2020	7
Statements of Cash Flows for the years ended November 30, 2021, and 2020	8-9
Notes to Financial Statements	10

Independent Auditor's Report

To the Board of Directors and Management
CCA Industries, Inc.

We have audited the accompanying financial statements of CCA Industries, Inc, which comprise the balance sheets as of November 30, 2021, and 2020, and the related statements of operations, shareholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America as of and for the years ended November 30, 2021, and 2020. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CCA Industries, Inc. as of November 30, 2021, and 2020, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CohnReznick LLP

Melville, New York
February 25, 2022

CCA INDUSTRIES, INC.
BALANCE SHEETS

	November 30, 2021	November 30, 2020
ASSETS		
Current assets:		
Cash	$ 553,426	$ 116,412
Accounts receivable, net of allowances of $4,126 and $9,121, respectively	1,501,947	1,835,405
Inventories	1,998,453	2,789,189
Prepaid expenses and sundry receivables	97,173	125,621
Prepaid and refundable income taxes	10,389	132,074
Total Current Assets	**4,161,388**	**4,998,701**
Property and equipment, net of accumulated depreciation	260,879	741,726
Intangible assets, net of accumulated amortization	1,946,529	2,257,085
Deferred financing fees, net of accumulated amortization	15,599	13,035
Deferred income taxes	5,944,738	5,714,593
Other	354,550	360,751
Total Assets	**$ 12,683,683**	**$ 14,085,891**
LIABILITIES AND CAPITAL		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 1,896,664	$ 1,629,212
Line of credit	-	645,547
Deferred revenue	202,950	-
Lease liability - right of use assets	267,433	520,922
Notes payable - current portion	162,084	785,150
Total Current Liabilities	**2,529,131**	**3,580,831**
Notes payable	217,903	-
Long-term lease liability - right of use assets	-	267,434
Long-term - other	146,750	147,853
Total Liabilities	**2,893,784**	**3,996,118**

CCA INDUSTRIES, INC.
BALANCE SHEETS

		November 30, 2021		November 30, 2020
Shareholders' Equity:				
Preferred stock, $1.00 par, authorized 20,000,000 shares, Senior Redeemable Series B, 155,000 and 155,000 shares designated, issued and outstanding, respectively		155,000		155,000
Common stock, $0.01 par, authorized 15,000,000 shares, issued and outstanding 6,593,982 and 6,563,982 shares, respectively		65,940		65,640
Class A common stock, $0.01 par, authorized 5,000,000 shares, issued and outstanding 967,702 and 967,702 shares, respectively		9,677		9,677
Additional paid-in capital		7,600,829		7,304,654
Retained earnings		1,958,453		2,554,802
Total Shareholders' Equity		**9,789,899**		**10,089,773**
Total Liabilities and Shareholders' Equity	**$**	**12,683,683**	**$**	**14,085,891**

See Notes to Financial Statements.

CCA INDUSTRIES, INC.
STATEMENTS OF OPERATIONS

	Years Ended November 30, 2021	2020
Revenues:		
Sales of health and beauty aid products - net	$ 13,831,596	$ 14,112,251
Other income	3,000	12,000
Total Revenues	**13,834,596**	**14,124,251**
Costs and Expenses:		
Cost of sales	6,414,372	5,490,592
Selling, general and administrative expenses	7,556,345	7,530,626
Advertising, cooperative and promotional expenses	839,900	673,229
Research and development	60,250	138,828
Gain on extinguishment of debt	(316,400)	-
Interest expense	105,245	261,840
Total Costs and Expenses	**14,659,712**	**14,095,115**
(Loss) Income before (benefit from) provision for income taxes	**(825,116)**	**29,136**
(Benefit from) provision for income taxes	(228,767)	156,613
Net (Loss) Income	**$ (596,349)**	**$ (127,477)**
(Loss) Earnings per Share:		
Basic	$ (0.08)	$ (0.02)
Diluted	$ (0.08)	$ (0.02)
Weighted Average Common Shares Outstanding:		
Basic	7,547,835	7,531,684
Diluted	7,547,835	7,531,684

See Notes to Financial Statements.

CCA INDUSTRIES, INC.
STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED NOVEMBER 30, 2021 AND 2020

	PREFERRED STOCK		COMMON STOCK		ADDITIONAL		TOTAL
	SHARES	AMOUNT	SHARES	AMOUNT	PAID-IN CAPITAL	RETAINED EARNINGS	SHAREHOLDERS' EQUITY
Balance - December 1, 2019	-	$ -	7,531,684	$ 75,317	$ 6,671,353	$ 2,682,279	$ 9,428,949
Net loss for the year ended November 30, 2020	-	-	-	-	-	(127,477)	(127,477)
Stock-based compensation	-	-	-	-	245,801	-	245,801
Issuance of preferred stock	155,000	155,000	-	-	387,500	-	542,500
Balance - November 30, 2020	155,000	155,000	7,531,684	75,317	7,304,654	2,554,802	10,089,773
Net loss for the year ended November 30, 2021	-	-	-	-	-	(596,349)	(596,349)
Stock-based compensation	-	-	-	-	236,475	-	$ 236,475
Exercise of stock option	-	-	30,000	300	59,700	-	60,000
Balance - November 30, 2021	155,000	$ 155,000	7,561,684	$ 75,617	$ 7,600,829	$ 1,958,453	$ 9,789,899

See Notes to Financial Statements.

CCA INDUSTRIES, INC.
STATEMENTS OF CASH FLOWS

	Years Ended November 30, 2021	Years Ended November 30, 2020
Cash Flows from Operating Activities:		
Net (Loss)	$ (596,349)	$ (127,477)
Adjustments to reconcile net (loss) to net cash provided by operating activities:		
Depreciation and amortization	22,102	31,507
Provision for bad debt	(4,995)	(3,107)
Deferred financing fees amortization	57,821	78,206
Stock-based compensation	236,475	245,801
Deferred income taxes	(230,145)	192,371
Gain on debt extinguishment	(316,400)	-
Gain on sale of trademark	(359,015)	-
Loss on impairment of trademark	480,899	-
Loss on disposal or sale of property, plant and equipment	12,470	2,072
Change in Operating Assets & Liabilities:		
Decrease in accounts receivable	338,453	481,203
Decrease in inventory	790,735	445,861
Decrease in prepaid expenses and other receivables	28,448	136,783
Decrease (increase) in prepaid income and refundable income tax	121,685	(52,995)
Increase (decrease) in accounts payable and accrued liabilities	267,049	(930,568)
Increase in deferred revenue	202,250	-
(Decrease) in net operating lease liability	(63,363)	-
Net Cash Provided by Operating Activities:	988,120	499,657
Cash Flows from Investing Activities:		
Acquisition of property, plant and equipment	(2,014)	(9,412)
Purchase of intangible assets	(520,558)	(1,204,353)
Refund of security deposits	6,201	54,987
Proceeds from sale of intangible assets	699,960	-
Net Cash Provided By (Used In) Investing Activities	183,589	(1,158,778)
Cash Flows from Financing Activities:		
(Payments to) proceeds from line of credit, net	(645,547)	645,547
Proceeds from notes payable	500,000	316,400
Payments of notes payable	(182,513)	(375,000)
Retirement of prior notes payable	(406,250)	
Proceeds from exercise of stock option	60,000	-
Payment of deferred financing fees	(60,385)	-
Net Cash (Used In) Provided by Financing Activities	(734,695)	586,947
Net Increase (Decrease) in Cash	437,014	(72,174)
Cash at Beginning of Year	116,412	188,586
Cash at End of Year	$ 553,426	$ 116,412

CCA INDUSTRIES, INC.
STATEMENTS OF CASH FLOWS

	Years Ended November 30,			
	2021		2020	
Supplemental Disclosures of Cash Flow Information:				
Cash paid during the year for:				
Interest	$	105,245	$	261,840
Income Taxes	$	3,133	$	15,295
Non-cash investing activities during the year:				
Issuance of Preferred Stock for purchase of intangible asset	$	-	$	542,500
Non-cash financing activities during the year:				
Extinguishment of Paycheck Protection Program Loan Debt	$	316,400	$	-

See Notes to Financial Statements.

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

CCA Industries, Inc. ("CCA") 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 Doubtful Accounts – The allowance for doubtful accounts is an estimate of the loss that could be incurred if the Company's customers do not make required payments. Estimates are made based on specific disputes and additional reserves for bad debt based on the accounts receivable aging ranging from 0.35% for invoices currently due to 2.00% for invoices more than ninety days overdue. Trade receivables that are deemed uncollectible are offset against the allowance for doubtful accounts. The Company generally does not require collateral for trade receivables.

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 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates and Assumptions (Continued)

3 - 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 3.58% and 3.51% of gross sales as of November 30, 2021, and 2020, 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 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable:

Accounts receivable consist of trade receivables recorded at original invoice amount, less an estimated allowance for uncollectible amounts. Trade credit is generally extended on a short-term basis; thus, trade receivables do not bear interest. Trade receivables are periodically evaluated for collectability based on past credit history with customers and their current financial condition. Changes in the estimated collectability of trade receivables are recorded in the results of operations for the period in which the estimate is revised.

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.

Right of use assets are recorded for operating leases. The amount of the right of use asset recorded is based on the present value of payments due over the life of the lease. The same amount is also recorded as a right of use asset liability.

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
Leasehold improvements and right of use assets	Term of the lease

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 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. The Company recorded a charge of $480,899 against earnings for impairments for the year ended November 30, 2021. Please see Note 5 – Intangible Assets for further information. There were no impairments recorded for the year ended November 30, 2020.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Lived Assets:

Long-lived assets are assets in which the Company has an economic benefit for longer than twelve 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 discounted 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 November 30, 2021, the Company had a current liability from deferred revenues of $202,950. There was no deferred revenue as of November 30, 2020 and 2019.

Revenue Recognition:

The Company recognizes sales in accordance with Accounting Standards Codification ("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 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 November 30, 2021 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 statement 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 $2,597 in the year ended November 30, 2021, to reduce open cooperative advertising contracts for 2018. The portion of cooperative advertising recorded as sales incentives was reduced by $35,676 in the year ended November 30, 2020, to reduce open cooperative advertising contracts for 2017.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 years ended November 30, 2021 and November 30, 2020 included in selling, general and administrative expenses are fulfillment costs of $913,632 and $1,020,919, respectively.

Advertising Costs:

The Company's policy for financial reporting is to charge advertising cost to expense as incurred. Advertising, cooperative and promotional expenses for the years ended November 30, 2021 and November 30, 2020 were $839,900 and $673,229, 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 years ended November 30, 2021, and November 30, 2020, were $60,250 and $138,828, 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 asset 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 impacted 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 November 30, 2021, and November 30, 2020. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Stock Options:

ASC Topic 718, “Stock Compensation,” requires stock grants to employees to be recognized in the statement of operations as noncash stock-based compensation based on their fair values. The Company issued one stock option in fiscal 2021 and did not issue stock options in fiscal 2020; see Note 15 for details.

Risks and Uncertainties:

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus disease (“COVID-19”) as a pandemic, which continues to spread throughout the United States. COVID-19 is having an unprecedented impact on the U.S. economy as federal, state and local governments react to this public health crisis. As COVID-19 spread, consumer fear about becoming ill with the virus and recommendations and/or mandates from federal, state and local authorities to avoid large gatherings of people, restrict travel, or self-quarantine continued to increase, which has affected retailers, including those who sell the Company’s products. As states continue to relax and then tighten restrictions, the Company is unsure if retail stores will be ordered to close, at what capacity, or how long such periods of store closures will be needed or mandated. The impacts of COVID-19 have adversely affected the Company’s revenues, earnings, liquidity and cash flows. However, the Company is not currently able to predict the full impact of COVID-19 on its results of operations and cash flows.

In late February 2022 and as these financial statements are being made available for issuance, 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.

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.

NOTE 3 - INVENTORIES

The components of inventory consist of the following:

	November 30, 2021	November 30, 2020
Raw materials	$ 163,758	$ 283,485
Finished goods	1,834,695	2,505,704
	$ 1,998,453	$ 2,789,189

NOTE 4 - PROPERTY AND EQUIPMENT

The components of property and equipment consisted of the following:

	November 30, 2021	November 30, 2020
Furniture and equipment	$ 110,504	$ 151,020
Tools, dies and masters	15,320	142,681
Right of use assets	1,165,953	1,173,203
Leasehold improvements	-	2,932
	1,291,777	1,469,836
Less: Accumulated depreciation	1,030,898	728,110
Property and Equipment - Net	$ 260,879	$ 741,726

Depreciation expense for the years ended November 30, 2021 and 2020 amounted to $472,197 and $505,789, respectively. The depreciation expense for the years ended November 30, 2021, and 2021 includes $450,309 and $474,505, respectively, of depreciation expense for right of use assets. The Company disposed of fixed assets no longer used of $3,413 and $2,072, respectively, for the years ended November 30, 2021, and 2020.

NOTE 5 - INTANGIBLE ASSETS

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

	November 30, 2021	November 30, 2020
Patents and Trademarks	$ 1,983,048	$ 2,404,445
Less: Accumulated amortization	36,519	147,360
Intangible assets - net	$ 1,946,529	$ 2,257,085

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, 2021 and 2020 amounted to $214 and $223, respectively. Estimated amortization expenses for the years ending November 30, 2022, 2023, 2024, 2025 and 2026 are $33, $0, $0, $0 and $0, respectively.

In June 2021, the Company exercised its option to purchase the Nutra Nail brand from Inspired Beauty, Inc. The purchase price was $500,000 as provided for in the Nutra Nail License Agreement, which was effective November 30, 2017. The Nutra Nail License Agreement was terminated as of the purchase date, and no further royalties are due for periods subsequent to the purchase date. The purchased assets included in the Asset Purchase Agreement are trademarks and trademark registrations, and all intellectual property rights including brand names, domain names, formulas and packaging designs related to the Nutra Nail products. The Company did not assume any liabilities or obligations of Inspired Beauty, Inc. in the transaction. The purchase price of $500,000 and related legal expenses was recorded as a trademark asset as of the date of purchase.

In October 2021, the Company sold the Sunset Café brand and related intellectual property to KEBCI LLC for $700,000. Products under the brand were previously sold to a distributor in Saudi Arabia. The sale resulted in a gain of $359,015.

In November 2021, as part of the review for impairment of intangible assets, the Company recorded a charge of $480,899 against earnings for impairment of the Solar Sense trademark which are included in selling, general and administrative expenses on the statement of operations for the year ended November 30, 2021, as sales are now expected to be lower than originally estimated. The impairment was calculated by evaluating the discounted cash flow of net sales related to the trademark over a ten-year period.

NOTE 6 – CONTRACT LIABILITIES

The following are liabilities of the Company as a result of the sale of products to its customers:

	November 30, 2021	November 30, 2020
Co-operative advertising contract liabilities	$ 307,162	$ 259,902
Returns and allowances accrual	124,941	164,702

NOTE 7 - ACCRUED EXPENSES

The following items which exceeded 5% of total current liabilities are included in accrued expenses as of:

	November 30, 2021	November 30, 2020
Co-operative advertising contract liabilities	$ 307,162	$ 259,902
Returns and allowances accrual	*	164,702

*Represents less than 5% of total current liabilities

NOTE 8 - DEBT AGREEMENT

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 provide 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 is 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 bears 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 is for one year and will be 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 are 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 equal 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 contains 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. As of November 30, 2021, there were no borrowings on the Revolving Line Note and $379,987 outstanding on the Term Note.

Principal payment requirements on the M&T Bank Term Note in each of the four years subsequent to November 30, 2021, are as follows:

For the Years Ended November 30,			
2022	2023	2024	2025
$ 165,005	$ 170,957	$ 44,025	$ -

NOTE 8 - DEBT AGREEMENT (Continued)

On April 16, 2020, the Company entered into a term note ("PPP Loan") with PNC Bank, National Association ("PNC") in conjunction with the Paycheck Protection Program through the United States Small Business Administration ("SBA"). The PPP Loan provided for a term loan of $316,400, with an interest rate of 1% per annum. During the first six months of the loan, interest accrued; however no principal or interest payment was due. Part or all of the loan may be forgiven under the terms of the SBA program. The Company applied for forgiveness of the entire loan amount in the fourth quarter of fiscal 2020. On December 23, 2020, the Company was notified by PNC Bank that the Paycheck Protection Loan in the amount of $316,400, and all accrued interest, had been forgiven by the United States Small Business Administration under the terms of the program. The amount of $316,400 was recorded as gain on extinguishment of debt in the accompanying statement of operations for the year ended November 30, 2021.

On February 5, 2018, the Company entered into the Revolving Credit, Term Loan and Security Agreement (the "2018 Credit Agreement") with PNC Bank, National Association ("PNC"). The 2018 Credit Agreement provided for a term loan in an amount of $1,500,000 (the "Term Loan") and a revolving line of credit up to a maximum of $4,500,000 (the "2018 Revolving Loan" and together with the Term Loan, the "Loans"). The proceeds of the Loans were used to pay off the Company's existing debt with CNH Finance Fund I, L.P., formerly known as SCM Specialty Finance Opportunities Fund, L.P. ("CNH"), and for general working capital purposes. The Term Loan was payable in consecutive monthly installments of $31,250 commencing March 1, 2018, and bore interest, at the election of the Company, at either the PNC base rate plus 1% or 30-, 60- or 90-day LIBOR rate plus 3.50%. All outstanding amounts under the 2018 Revolving Loan bore interest, at the election of the Company, at either the PNC base rate plus 0.25% or 30-, 60- or 90-day LIBOR rate plus 2.75%, payable monthly in arrears. The Company was also required to pay a quarterly unused line fee and collateral management fee. The commitment under the 2018 Credit Agreement expired three years after the Closing Date. The Loans and all other amounts due and owing under the 2018 Credit Agreement and related documents 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 Loan equaled the lesser of the Borrowing Base (as defined below), and $4,500,000, in each case, as the same was reduced by the aggregate principal amount outstanding under the 2018 Revolving Loan. "Borrowing Base" under the Credit Agreement meant, generally, the amount equal to (i) 85% of the Company's eligible accounts receivable, plus (ii) 65% of the value of eligible inventory, less (iii) certain reserves. The 2018 Credit Agreement contained customary representations, warranties and covenants on the part of the Company. This agreement was terminated in January 2021 in conjunction with the credit agreement with M&T Bank.

NOTE 9 – 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:

	Year ended November 30, 2021	Year ended November 30, 2020
Gross Sales	$ 15,806,628	$ 15,873,628
Less:		
Sales returns	542,942	591,955
Sales allowances	339,835	244,780
Coupon expense	181,751	101,835
Sales incentives, net	674,122	569,814
Cash discounts	236,381	252,993
Total	1,975,032	1,761,377
Net Sales	$ 13,831,596	$ 14,112,251

NOTE 10 - OTHER INCOME

Other income consists of the following:

	Year Ended November 30, 2021	Year Ended November 30, 2020
Royalty income	$ 3,000	$ 12,000

NOTE 11 - 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:

	Year Ended November 30, 2021	Year Ended November 30, 2020
Company contributions	$ 46,032	$ 51,873

NOTE 12 - 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 November 30, 2021, and November 30, 2020. 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 24.29% for the year ended November 30, 2021.

The deferred compensation amount in the table below is from the issuance of stock options (see Note 15 - Stock-Based Compensation) and will be realized in future years if the options are exercised.

At November 30, 2021 and November 30, 2020, respectively, the Company had temporary differences arising from the following:

	November 30, 2021		November 30, 2020	
Type	Amount	Deferred Tax	Amount	Deferred Tax
Depreciation	$ 241,742	$ 58,712	$ (514,968)	$ (124,288)
Reserve for bad debts	4,126	1,002	9,121	2,201
Reserve for obsolete inventory	833,192	202,356	162,858	39,306
Vacation accrual	75,910	18,436	77,010	18,586
Research and development credit carry forward	-	65,175	-	65,175
Deferred compensation	493,102	119,759	447,238	107,941
Charitable contributions	42,380	10,293	41,130	9,927
Section 263A costs	53,116	12,900	60,252	14,542
Net Operating Loss carry forward	22,954,766	5,456,105	23,460,349	5,581,203
Net deferred tax asset	$ 24,698,334	$ 5,944,738	$ 23,742,990	$ 5,714,593

Income tax (benefit) expense is made up of the following components:

	Year ended November 30,	
	2021	2020
Current tax - Federal	$ -	$ -
Current tax - State & Local	4,437	4,478
Deferred tax	(233,204)	152,135
Total Income Tax Expense	$ (228,767)	$ 156,613

NOTE 12 - INCOME TAXES (CONTINUED)

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

Prepaid and refundable income taxes	Federal	State & Local	Total
November 30, 2021	$ -	$ 10,389	$ 10,389
November 30, 2020	$ 122,582	$ 9,492	$ 132,074

A reconciliation of the provision for income taxes computed at the statutory rate to the effective rate for the years ended November 30, 2021, and 2020 is as follows:

	November 30, 2021		November 30, 2020	
	Amount	Percent of Pretax	Amount	Percent of Pretax
Provision for (benefit from) income taxes at federal statutory rate	$ (173,274)	21.00%	$ 6,119	21.00%
Changes in provision for income taxes resulting from:				
State income taxes, net of federal income tax benefit	(9,736)	1.18%	915	3.14%
Non-deductible expenses and other adjustments	(45,757)	5.55%	149,579	513.38%
Provision for (benefit from) income taxes at effective rate	$ (228,767)	27.73%	$ 156,613	537.52%

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Leases:

In April 2015, the Company moved from its facility at 200 Murray Hill Parkway, East Rutherford, New Jersey. The East Rutherford facility consisted of warehouses and offices totaling approximately 81,000 square feet of space. As a result of the outsourcing of the Company's warehousing and shipping, the Company had not been using the warehouse space since December 2014. In June 2015, the Company sub-let the East Rutherford facility. The terms of the sublet are for a monthly rent of $36,963 plus all common charges and utilities for a term of six years and ten-and one-half months, expiring in May 2022. The sub-lease provides for annual increases of 2% per year. The Company was leasing the East Rutherford facility for $41,931 per month, with annual increases equal to the change in the Consumer Price Index. The Company recorded an expense of $407,094 during fiscal 2015 as a restructuring charge as an estimate for the difference between the rent that the Company pays its landlord and the rent received from the sub-tenant over the term of the sub-lease. The lease for the Murray Hill Parkway facility expires in May 2022.

In December 2017, the Company moved to a facility at 1099 Wall Street West, Suite 275, Lyndhurst, New Jersey, as a result of downsizing and not needing as much office space. The suite at Lyndhurst was located in an office building and consisted of 1,751 square feet of space including allocated common space. The lease expired in December 2020. Due to the COVID-19 pandemic, the Company elected to have its employees work from home and does not currently lease any office space.

The weighted average remaining lease terms and weighted average discount rate as of November 30, 2021, are as follows:

	Weighted Average	
	Remaining Lease Term	Discount Rate
Operating leases	0.5 years	5.00%

The annual maturities of the Company's lease liabilities as of November 30, 2021, are as follows:

Fiscal Year Ending	Operating Leases
November 30, 2022	$ 271,152
November 30, 2023	-
Total future lease payments	271,152
Less imputed interest	(3,911)
Present value of lease liabilities	$ 267,241

NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)

Royalty Agreements:

On November 30, 2017, the Company entered into two license agreements with Inspired Beauty Brands, Inc. for the Hair Off and Nutra Nail brands, which provided a royalty rate of 10.0% on the gross sales with no minimum royalty. The license agreements are for a term of three years, with an option to extend for two additional one-year terms. The Company also has an option to purchase the Hair Off and Nutra Nail brands for an amount equal to the greater of: (a) ten (10) times the annual royalty for the Nutra Nail and or Hair Off brands for the preceding twelve months, or (b) (i) $500,000 for the period November 30, 2017 through November 30, 2019; (ii) $750,000 for the period December 1, 2019 through November 30, 2020; and (iii) $1,000,000 for the period December 1, 2020 through November 30, 2022; subject to the negotiation of a definitive purchase and sale agreement containing terms customary for transactions of such nature. The Company incurred royalties of $10,899 under the license agreements for the fiscal year ended November 30, 2020. Of that amount, $9,864 was for the Nutra Nail brand and $1,035 was for the Hair Off brand.

On December 27, 2019, the Company exercised its option to purchase the Hair Off brand from Inspired Beauty, Inc. The purchase price was $500,000 as provided for in the Hair Off License Agreement, which was effective November 30, 2017. The Hair Off License Agreement was terminated as of the purchase date, and no further royalties are due for periods subsequent to the purchase date. The purchased assets included in the Asset Purchase Agreement are trademarks and trademark registrations, and all intellectual property rights including brand names, domain names, formulas and packaging designs related to the Hair Off products. The Company did not assume any liabilities or obligations of Inspired Beauty, Inc. in the transaction. The purchase price of $500,000 and related legal expenses was recorded as a trademark asset as of the date of purchase.

In June 2021, the Company exercised its option to purchase the Nutra Nail brand from Inspired Beauty, Inc. The purchase price was $500,000 as provided for in the Nutra Nail License Agreement, which was effective November 30, 2017. The Nutra Nail License Agreement was terminated as of the purchase date, and no further royalties are due for periods subsequent to the purchase date. The purchased assets included in the Asset Purchase Agreement are trademarks and trademark registrations, and all intellectual property rights including brand names, domain names, formulas and packaging designs related to the Nutra Nail products. The Company did not assume any liabilities or obligations of Inspired Beauty, Inc. in the transaction. The purchase price of $500,000 and related legal expenses of $20,558 were recorded as a trademark asset as of the date of purchase.

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 and former Chief Executive Officer, Lance Funston, is also the Chairman of the Board and Chief Executive Officer 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. In addition, the Company purchased all good and saleable inventory of Porcelana products in Ultimark's possession or control as of April 1, 2017 at Ultimark's cost without markup. The Agreement had a term of one year, effective March 1, 2017 and ending February 28, 2018. The Agreement may be renewed, at the Company's option, for up to two additional one-year terms. The Company renewed the Agreement for an additional term ending

NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)

Royalty Agreements (Continued)

February 28, 2019. The Agreement required the Company to pay Ultimark a royalty of 10% on the gross sales of Porcelana products manufactured and sold under the Agreement. Royalties are payable quarterly, commencing the first fiscal quarter in which Porcelana products are sold pursuant to the Agreement. There is no minimum royalty for any period under the Agreement. In addition, the Company had the option to purchase the Porcelana Brand from Ultimark during the term of the Agreement for an amount not to exceed $3.2 million, subject to a fairness opinion. The Company renewed the agreement for a second one-year term ending February 28, 2020, which also provided for the royalty rate to be decreased from 10% to 8%. In addition, the option to purchase provision was replaced with a right of first refusal to purchase the brand. 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 provides for a royalty rate of 10% on the gross sales of Porcelana products and eliminated the right of first refusal. The Company incurred royalties of $212,678 and $166,435, respectively, for the fiscal years ended November 30, 2021 and 2020.

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

Employment Agreements:

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. 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 an automobile allowance, health 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 13 - 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.

On February 22, 2017, the Company entered into a Severance Agreement with Douglas Haas ("Employee"), the Company's President and Chief Operating Officer. In the event of termination of the Employee's employment as a result of the disability or death of the Employee, the Employee (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 Employee's base salary and a single-sum payment equal to the value of the highest bonus earned by the Employee 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 Employee for Cause (as defined in the Severance Agreement), or the Employee terminates his employment in a manner not considered to be for Good Reason (as defined in the Severance Agreement), the Employee 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 Employee in a manner that is not for Cause or due to the Employee’s death or disability or the Employee terminates his employment for Good Reason, the Employee 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 times the average of the base salary amounts paid to Employee over the three calendar years prior to the date of termination. In addition, the Employee is entitled to certain benefits in connection with a Change of Control (as defined in the Severance Agreement). The base salary of Mr. Haas at the time the Company entered into the Severance Agreement was $275,000 per annum. Effective December 31, 2017, Mr. Haas' base salary was increased to $300,000 per annum. Under the Severance Agreement, the Employee has agreed to non-competition restrictions for a period of six months following the end of his employment, during which period the Employee 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 Employee has also agreed to confidentiality and non-solicitation restrictions under the Severance Agreement.

NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)

Employment Agreements (Continued)

On April 1, 2020, the Company entered into an Employment Agreement with Christopher Dominello to serve as the Company's Executive Vice President and Chief Growth Officer. The Employment Agreement has a term that continues until March 31, 2022, subject to earlier termination, and may be extended for additional one-year periods unless either the Company or Mr. Dominello give written notice of non-renewal ninety days prior to expiration. The Employment Agreement provides for a base salary of $275,000 per annum and a performance bonus equal to five percent of the year over year increase in net sales from certain customer accounts. In addition, Mr. Dominello is eligible for all benefits as available to other employees and participation in the Company's management bonus program. The Company may terminate the Employment Agreement for cause. In the event that Mr. Dominello is terminated without cause, or the Employment Agreement expires, he is entitled to an amount equal to one year's base salary as a severance payment and any unpaid or pro-rated performance and management bonuses.

Dividends and Capital Transactions:

There were no dividends issued by the Company in fiscal years 2021 and 2020.

The warrants previously issued to Capital Preservation Solutions, LLC, an entity controlled by Lance Funston, the Company's Chairman of the Board and former Chief Executive Officer, expired in March 2020. There were 1,442,7744 shares underlying the warrants that were unexercised at the time of expiration.

NOTE 14 - 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.

During the fiscal years ended November 30, 2021, and 2020, certain customers each accounted for more than 5% of the Company's net sales, as follows:

	For the Year Ended November 30,	
Customer	2021	2020
Walmart	48.4%	48.8%
Walgreens	8.2%	8.6%

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 which comprises 18.5% of net sales.

During the fiscal years November 30, 2021, and 2020, certain products within the Company's product lines accounted for more than 10% of the Company's net sales as follows:

	For the Year Ended November 30,	
Category	2021	2020
Skin Care	54.7%	55.2%
Oral Care	44.0%	40.7%

NOTE 15 - 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 $236,475 and $245,801, respectively, for the years ended November 30, 2021, and 2020 for all outstanding stock options granted.

There were no stock options granted in fiscal 2020. The fair value of the stock option grant in fiscal year 2021 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)
December 9, 2020	0.41%	0%	48.25%	5

On December 9, 2020, the Company granted non-qualified stock options for an aggregate of 50,000 shares to Michael Dunn, a director of the Company, at $2.08 per share, which was the closing price of the Company's stock on that day. The options vest twelve months after the date of grant. The options expire on December 9, 2025. The Company had estimated the fair value of the options granted to be $43,500 as of the grant date.

In February 2021 and in August 2021, Lance Funston ("Funston"), the Company's Chairman of the Board and former Chief Executive Officer, exercised stock options held by him for 15,000 shares and 15,000 shares, respectively, at the option price of $2.00 per share. The incentive stock option award was granted to Funston on June 5, 2019. The option price of $2.00 per share was the closing price of the stock on that day.

As of November 30, 2021, there were 932,500 stock options outstanding, of which there were 641,000 stock options that were exercisable. The total compensation cost of stock option awards that have not yet been recognized

NOTE 15 - STOCK-BASED COMPENSATION (Continued)

was $269,954 as of November 30, 2021. The weighted average period over which the unrecognized compensation is expected to be recognized is 21 months.

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, 2019	1,306,500	$	2.87	7.6	—
Granted	—	—			—
Exercised	—	—			—
Canceled or Forfeited	260,000	—			—
Outstanding at November 30, 2020	1,046,500	$	2.82	7.7	—
Granted	50,000	—			—
Exercised	30,000	—			—
Canceled or Forfeited	134,000	—			—
Outstanding at November 30, 2021	932,500	$	2.84	6.4	—

A summary of the future amortization expense of stock options outstanding as of November 30, 2021, is as follows:

For the years ending November 30,							
2022		2023		2024		2025	
$	145,495	$	84,930	$	24,400	$	-

NOTE 15 - STOCK-BASED COMPENSATION (Continued)

The following table summarizes information about currently outstanding and vested stock options at November 30, 2021:

Exercise Price	Number of Options Granted	Weighted Average Remaining Term (years)	Number of Option Shares Vested
$2.00	170,000	7.52	50,000
$2.08	50,000	4.02	-
$2.85	210,000	6.56	126,000
$2.85	150,000	1.55	150,000
$3.18	10,000	3.36	10,000
$3.30	187,500	5.55	150,000
$3.35	120,000	4.56	120,000
$3.48	35,000	3.10	35,000
Total	932,500		641,000

NOTE 16 - (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share is calculated using the average number of common shares outstanding. Diluted (loss) income 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".

	Year Ended November 30,	
	2021	2020
Net (loss)	$ (596,349)	$ (127,477)
Net income available to preferred shareholders	-	-
Net (loss) available to common shareholders	$ (596,349)	$ (127,477)
Weighted average preferred shares outstanding - Basic	155,000	155,000
Weighted average common shares outstanding - Basic	7,547,835	7,531,684
Net effect of dilutive stock options	-	-
Weighted average common shares and common shares equivalent - Diluted	7,547,835	7,531,684
(Loss) per Share - common shareholders:		
Basic	$ (0.08)	$ (0.02)
Diluted	$ (0.08)	$ (0.02)

962,500 shares underlying stock options for the year ended November 30, 2021, and 1,046,500 shares underlying stock options for the year ended November 30, 2020 were excluded from the diluted (loss) per share because the effects of such shares were anti-dilutive. 155,000 shares of preferred stock were excluded for the years ended November 30, 2021, and 2020 as preferred stock does not participate in losses.

NOTE 17 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company signed an agreement in December 2015 with Funston Media Management Services, Inc. The agreement provided for Funston Media Management Services, Inc. ("FMM") to provide consumer advertising purchasing services and brand management for a fee equal to 10.0% of the advertising costs with no minimum fee or monthly management fee. The agreement automatically renews unless canceled by the Company or FMM. The Company's board of directors agreed to an increased fee of 15.0%, effective December 2020. Under the agreement, the Company incurred costs of $0 for the year ended November 30, 2021 and $24,647 for the year ended November 30, 2020. As of November 30, 2021, there were no unpaid media charges due to FMM.

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 and former Chief Executive Officer, Lance Funston, is also the Chairman of the Board and Chief Executive Officer 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. In addition, the Company purchased all good and saleable inventory of Porcelana products in Ultimark's possession or control as of April 1, 2017 at Ultimark's cost without markup. The Agreement has a term of one year, effective March 1, 2017 and ending February 28, 2018. The Agreement may be renewed, at the Company's option, for up to two additional one-year terms. The Company renewed the Agreement for an additional term ending February 28, 2019. The Agreement required the Company to pay Ultimark a royalty of 10% on the gross sales of Porcelana products manufactured and sold under the Agreement. Royalties are payable quarterly, commencing the first fiscal quarter in which Porcelana products are sold pursuant to the Agreement. There is no minimum royalty for any period under the Agreement. In addition, the Company had the option to purchase the Porcelana Brand from Ultimark during the term of the Agreement for an amount not to exceed $3.2 million, subject to a fairness opinion. The Company renewed the agreement for a second one-year term ending February 28, 2020, which also provided for the royalty rate to be decreased from 10% to 8%. In addition, the option to purchase provision was replaced with a right of first refusal to purchase the brand. 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 provides for a royalty rate of 10% on the gross sales of Porcelana products and eliminated the right of first refusal. The Company incurred royalties of $212,678 for the fiscal year ended November 30, 2021.

The Company rented space at 298 Tower Lane, Penn Valley, Pennsylvania for a monthly rental of $3,000 per month, beginning in January 2021 in a building owned by Lance Funston, the Company's Chairman of the Board and Chief Executive Officer. There was no written lease for the facility. The Company vacated the facility in December 2021. Previously, the Company rented office space at 193 Conshohocken State Road, Penn Valley, Pennsylvania for a monthly rental of $6,000 per month during fiscal 2020 that was also owned by Lance Funston. The Company vacated the space at 193 Conshohocken State Road in December 2020. There was no written lease for the 193 Conshohocken Sate Road facility.

NOTE 17 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS (Continued)

Jan Marie Hudson provided marketing consulting services to the Company for a retainer of $8,000 per month. There was no written contract. Jan Marie Hudson is the daughter-in-law of Lance Funston, the Company's Chairman of the Board and Chief Executive Officer. The Company terminated the consulting services as of December 1, 2021.

NOTE 18 – SUBSEQUENT EVENTS

On December 15, 2021, Lance Funston stepped down as Chief Executive Office of the Company, and Christopher Dominello was appointed by the Board of Directors Chief Executive Officer reporting directly to the Board of Directors. Mr. Funston remains as Chairman of the Board of the Company. The Board of Directors 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 the Mr. Dominello's 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 three percent 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.

NOTE 18 – SUBSEQUENT EVENTS (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 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 time 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.

In February 2022, 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.

Subsequent events have been evaluated through February 25, 2022, the date of issuance of the financial statements for year ended November 30, 2021. There are no additional subsequent events to report.