CCA Industries, Inc.

Audited Financial Statements

As of and For the Years Ended November 30, 2022 and November 30, 2021

CCA INDUSTRIES, INC.
FINANCIAL STATEMENTS

INDEX

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of CCA Industries, Inc., which comprise the balance sheets as of November 30, 2022 and 2021, and the related statements of operations, shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CCA Industries, Inc. as of November 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CCA Industries, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CCA Industries, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 CCA Industries, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CCA Industries, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines and Annual Report for 2022 (collectively, the "Annual Report"). The other information in the Annual Report does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information in the Annual Report, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information in the Annual Report and consider whether a material inconsistency exists between the other information in the Annual Report and the financial statements, or the other information in the Annual Report otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

CohnReznick LLP

Melville, New York
February 28, 2023

CCA INDUSTRIES, INC.
BALANCE SHEETS

	As of the Years Ended			
		November 30, 2022		November 30, 2021
ASSETS				
Current assets:				
Cash	$	179,658	$	553,426
Accounts receivable, net of allowances of $4,452 and $4,126, respectively		1,113,096		1,501,947
Inventories		3,343,825		1,998,453
Prepaid expenses and sundry receivables		196,386		97,173
Prepaid and refundable income taxes		14,914		10,389
Total Current Assets		**4,847,879**		**4,161,388**
Property and equipment, net of accumulated depreciation		13,713		260,879
Intangible assets, net of accumulated amortization		1,955,296		1,946,529
Deferred financing fees, net of accumulated amortization		3,874		15,599
Deferred income taxes		5,937,419		5,944,738
Other		354,550		354,550
Total Assets	**$**	**13,112,731**	**$**	**12,683,683**
LIABILITIES AND CAPITAL				
Current Liabilities:				
Accounts payable and accrued liabilities	$	1,379,661	$	1,896,664
Line of credit		1,491,687		-
Deferred revenue		-		202,950
Lease liability - right of use assets		-		267,433
Notes payable - current portion		214,982		162,084
Total Current Liabilities		**3,086,330**		**2,529,131**
Notes payable		-		217,903
Long-term - other		147,853		146,750
Total Liabilities		**3,234,183**		**2,893,784**

CCA INDUSTRIES, INC.
BALANCE SHEETS

	As of the Years Ended	
	November 30, 2022	November 30, 2021
Shareholders' Equity:		
Preferred stock, $1.00 par, authorized 20,000,000 shares, Senior Redeemable Series B, 175,000 and 155,000 shares designated, 160,000 and 155,000 shares issued and outstanding, respectively	160,000	155,000
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, $0.01 par, authorized 5,000,000 shares, issued and outstanding 967,702 and 967,702 shares, respectively	9,677	9,677
Additional paid-in capital	7,738,495	7,600,829
Retained earnings	1,904,436	1,958,453
Total Shareholders' Equity	**9,878,548**	**9,789,899**
Total Liabilities and Shareholders' Equity	**$ 13,112,731**	**$ 12,683,683**

See Notes to Financial Statements.

CCA INDUSTRIES, INC.
STATEMENTS OF OPERATIONS

	For the Years ended November 30, 2022	2021
Revenues:		
Sales of health and beauty aid products - net	$ 12,837,910	$ 13,831,596
Other income	-	3,000
Total Revenues	**12,837,910**	**13,834,596**
Costs and Expenses:		
Cost of sales	4,973,227	6,414,372
Selling, general and administrative expenses	7,012,943	7,556,345
Advertising, cooperative and promotional expenses	792,721	839,900
Research and development	27,290	60,250
Gain on extinguishment of debt	-	(316,400)
Interest expense	76,577	105,245
Total Costs and Expenses	**12,882,758**	**14,659,712**
(Loss) before provision for income taxes	**(44,848)**	**(825,116)**
Provision for (benefit from) income taxes	9,169	(228,767)
Net (Loss)	**$ (54,017)**	**$ (596,349)**
(Loss) per Share:		
Basic	$ (0.01)	$ (0.08)
Diluted	$ (0.01)	$ (0.08)
Weighted Average Common Shares Outstanding:		
Basic	7,561,684	7,547,835
Diluted	7,561,684	7,547,835

See Notes to Financial Statements.

CCA INDUSTRIES, INC.
STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED NOVEMBER 30, 2022 AND 2021

	PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN	RETAINED	TOTAL SHAREHOLDERS'
	SHARES	AMOUNT	SHARES	AMOUNT	CAPITAL	EARNINGS	EQUITY
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
Net loss for the year ended November 30, 2022						(54,017)	(54,017)
Stock-based compensation					137,666		137,666
Issuance of preferred stock	5,000	5,000					5,000
Balance - November 30, 2022	160,000	$ 160,000	7,561,684	$ 75,617	$ 7,738,495	$ 1,904,436	$ 9,878,548

See Notes to Financial Statements.

CCA INDUSTRIES, INC.
STATEMENTS OF CASH FLOWS

	Years ended November 30, 2022	2021
Cash Flows from Operating Activities:		
Net Income	$ (54,017)	$ (596,349)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,480	22,102
Provision for bad debt	326	(4,995)
Deferred financing fees amortization	11,725	57,821
Stock-based compensation	137,666	236,475
Deferred income taxes	7,319	(230,145)
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
Change in Operating Assets & Liabilities:		
(Increase) in accounts receivable	388,525	338,453
(Increase) decrease in inventory	(1,345,371)	790,735
(Increase) decrease in prepaid expenses and other receivables	(99,212)	28,448
(Increase) decrease in prepaid income and refundable income tax	(4,525)	121,685
(Decrease) increase in accounts payable and accrued liabilities	(515,900)	267,049
(Decrease) increase in deferred revenue	(202,950)	202,250
(Decrease) in net operating lease liability	(26,296)	(63,363)
Net Cash (Used In) Provided By Operating Activities:	(1,692,230)	988,120
Cash Flows from Investing Activities:		
Acquisition of property, plant and equipment	(4,420)	(2,014)
Purchase of intangible assets	(3,800)	(520,558)
Refund of security deposits	-	6,201
Proceeds from sale of intangible assets	-	699,960
Net Cash (Used In) Provided By Investing Activities	(8,220)	183,589
Cash Flows from Financing Activities:		
Proceeds from (payments to) line of credit, net	1,491,687	(645,547)
Proceeds from notes payable	-	500,000
Payments of notes payable	(165,005)	(182,513)
Retirement of prior notes payable	-	(406,250)
Proceeds from exercise of stock option	-	60,000
Payment of deferred financing fees	-	(60,385)
Net Cash Provided By (Used in) Financing Activities	1,326,682	(734,695)
Net (Decrease) Increase in Cash	(373,768)	437,014
Cash at Beginning of Year	553,426	116,412
Cash at End of Period	$ 179,658	$ 553,426

CCA INDUSTRIES, INC.
STATEMENTS OF CASH FLOWS

	Years ended November 30,	
	2022	2021
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for:		
Interest	$ 76,577	$ 105,245
Income Taxes	$ 6,976	$ 3,133
Non-cash financing activities during the year:		
Extinguishment of Paycheck Protection Program Loan Debt	$ -	$ 316,400
Issuance of Preferred Stock for purchase of intangible asset	$ 5,000	$ -

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 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 – Intangible assets are trademarks, patents, and goodwill 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 makes a qualitative and quantitative estimate of the fair value of its intangible assets as compared to its carrying value. This determination requires significant judgment. In making this judgment, management evaluates external and internal factors, such as significant positive or adverse changes in the market environment in which the Company operates as well as projected cash flows pertaining to specific intangible assets. In making a judgment as to whether impairment indicators exist as at November 30, 2022, management concluded there were none.

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

Revenue Related Reserves:

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

1 - Returns reserve – The estimated return rate was 2.99% and 3.58% of gross sales as of November 30, 2022, and 2021, 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. There were no impairments recorded for the year ended November 30, 2022. 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.

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 projected future cash flows or appraisals. Impairments are recorded in the statement of operations as part of selling, general and administrative expenses.

Deferred Revenue:

The Company records deposits received from customers for orders that have not been shipped to the customers as deferred revenue. Orders that will ship less than twelve months from the date of the financial statements are recorded as a current liability. As of November 30, 2022 and 2021, the Company had a current liability from deferred revenues of $0 and $202,950, respectively. There was no deferred revenue as of December 1, 2020.

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 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, 2022 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 $2 in the year ended November 30, 2022, to reduce open cooperative advertising contracts for 2019. 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.

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, 2022 and 2021 included in selling, general and administrative expenses are fulfillment costs of $732,177 and $913,632, respectively.

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 years ended November 30, 2022 and 2021 were $792,721 and $839,900, 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, 2022, and 2021 were $27,290 and $60,250, 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, 2022 and 2021. 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 statements of operations as noncash stock-based compensation based on their fair values. The Company did not issue any stock options in fiscal 2022 and issued one stock option in fiscal 2021; see Note 14 for details.

Risks and Uncertainties:

The United States has been experiencing a period of high inflation. This has resulted in the United States Federal Reserve increasing interest rates. The higher interest rates impact the Company as borrowing costs under the line of credit increase. In addition, the high inflation has been reflected in higher manufacturing costs passed on to the Company by its contract manufacturers, which in turn increases the cost of goods. The Federal Reserve has indicated that they plan on continuing to increase interest rates until inflation is under control. The Company cannot predict the impact of the higher rates on its manufacturing costs. The Company can predict the increased interest rates will increase the Company’s borrowing costs, which will affect the Company’s earnings and cash flows.

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.

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, 2022	November 30, 2021
Raw materials	$ 398,389	$ 163,758
Finished goods	2,945,436	1,834,695
	$ 3,343,825	$ 1,998,453

NOTE 4 - PROPERTY AND EQUIPMENT

The components of property and equipment consisted of the following:

	November 30, 2022	November 30, 2021
Furniture and equipment	$ 110,504	$ 110,504
Tools, dies and masters	19,740	15,320
Right of use assets	1,165,953	1,165,953
	1,296,197	1,291,777
Less: Accumulated depreciation	1,282,484	1,030,898
Property and Equipment - Net	$ 13,713	$ 260,879

Depreciation expense for the years ended November 30, 2022 and 2021 amounted to $251,586 and $472,197, respectively. The depreciation expense for the years ended November 30, 2022, and 2021 includes $241,139 and $450,309, respectively, of depreciation expense for right of use assets. The Company disposed of fixed assets no longer used of $0 and $3,413, respectively, for the years ended November 30, 2022, and 2021.

NOTE 5 - INTANGIBLE ASSETS

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

	November 30, 2022	November 30, 2021
Patents and Trademarks	$ 1,991,848	$ 1,983,048
Less: Accumulated amortization	36,552	36,519
Intangible assets - net	$ 1,955,296	$ 1,946,529

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, 2022 and 2021 amounted to $33 and $214, respectively. Estimated amortization expenses for the years ending November 30, 2023, 2024, 2025, 2026 and 2027 are $0 for each year, respectively.

NOTE 5 - INTANGIBLE ASSETS (Continued)

Effective October 1, 2022, the Company entered into an Amendment to the Asset Purchase Agreement, made, as of August 5, 2008, by and between Continental Quest Corp., an Indiana Corporation and the Company. The Asset Purchase Agreement provided for the purchase of the analgesic product Pain Bust R, with a provision for a royalty of 2% of the net sales of the product. The Amendment provided for a one-time payment of $3,800 in exchange for no further royalties due to Continental Quest Corp., which was recorded by the Company as an intangible asset.

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 were 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. The Company had no retail distribution in fiscal 2022, however plans on gaining retail distribution in fiscal 2023. Therefore, no impairment was required to be recorded for the year ended November 30, 2022.

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 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.

NOTE 6 – CONTRACT LIABILITIES

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

	November 30, 2022	November 30, 2021
Co-operative advertising contract liabilities	$ 247,918	$ 307,162
Returns and allowances accrual	100,014	124,941

NOTE 7 - ACCRUED EXPENSES

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

	November 30, 2022	November 30, 2021
Co-operative advertising contract liabilities	$ 247,918	$ 307,162

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 provided for a Term Note of $500,000 and a Revolving Line of Credit up to $4,500,000 ("Revolving Line Note"). The proceeds of the loans were used to pay off the Company's existing debit with PNC. The Term Note was payable in 35 consecutive monthly installments of $14,651, consisting of both principal and interest commencing March 1, 2021, and a final payment equal to any remaining principal, accrued interest, costs and expenses. The Term Note bore interest at a fixed rate of 3.50% per annum. All outstanding amounts under the Revolving Line Note bore interest, at the election of the Company, at either the M&T Bank prime rate plus 2.0%, or the one-month LIBOR rate plus 2.75%, payable monthly in arrears. The commitment under the Revolving Line Note was for one year and was required to be renewed annually. M&T Bank agreed to extend the commitment under the Revolving Line Note to January 20, 2023. The Company entered into a Modification Agreement with M&T Bank effective April 25, 2022. Under the Modification Agreement, the maximum amount of the Term Note and Revolving Line of Credit was reduced to $3,000,000 and the maturity date was extended to July 24, 2022. The Company entered into a Second Modification Agreement effective July 20, 2022, which provided for the maturity date to be extended to January 20, 2023. The Revolving Line Note, Term Note and all other amounts due and owing under the Credit Agreements were secured by a first priority perfected security interest in, and lien on, substantially all of the assets of the Company. Amounts available for borrowing under the Revolving Line Note equaled the lesser of the Borrowing Base (as defined below), and $3,000,000, in each case, as the same is reduced by the aggregate principal amount outstanding under the Revolving Line Note. "Borrowing Base" under the Credit Agreement means, generally, the amount equal to (i) 85% of the Company's eligible accounts receivable, plus (ii) 50% of the value of eligible inventory, less (iii) certain reserves. The Credit Agreement contained customary representations, warranties and covenants on the part of the Company. On the Closing Date, the Company borrowed the entire $500,000 Term Note and $1,192,368 under the Revolving Line Note. These amounts were used, in part, to pay off the total amount due under the Company's 2018 Credit Agreement with PNC and to provide working capital to the Company. As of November 30, 2022 and 2021, there were borrowings of $1,491,687 and $0, respectively, on the Revolving Line Note. As of November 30, 2022 and 2021, there were $214,982 and $379,987, respectively, outstanding on the Term Note. On February 15, 2023, the Company paid off the balance of the Term Note and Revolving Line Note. See Note 17 – Subsequent Events for further information regarding the Credit Agreements with M&T Bank.

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.

NOTE 8 - DEBT AGREEMENT (Continued)

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 statements 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, 2022	Year ended November 30, 2021
Gross Sales	$ 14,144,011	$ 15,806,628
Less:		
Sales returns	402,818	542,943
Sales allowances	308,684	339,835
Coupon expense	144,049	181,751
Sales incentives, net	286,638	674,122
Cash discounts	163,912	236,381
Total	1,306,101	1,975,032
Net Sales	$ 12,837,910	$ 13,831,596

NOTE 10 - 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, 2022	Year Ended November 30, 2021
Company contributions	$ 32,834	$ 46,032

NOTE 11 - 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, 2022, and November 30, 2021. ASC Subtopic 740-10-25 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities.

The Company values its deferred tax assets and liabilities using the tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. The Company has valued its deferred tax assets and liabilities based on an estimated future tax rate of 23.91% for the year ended November 30, 2022.

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 November 30, 2022 and 2021, respectively, the Company had temporary differences arising from the following:

	November 30, 2022		November 30, 2021	
Type	Amount	Deferred Tax	Amount	Deferred Tax
Depreciation	$ 96,942	$ 23,177	$ 241,742	$ 58,712
Reserve for bad debts	4,452	1,064	4,126	1,002
Reserve for obsolete inventory	543,774	130,006	833,192	202,356
Vacation accrual	43,912	10,497	75,910	18,436
Research and development credit carry forward	-	65,175	-	65,175
Deferred compensation	493,102	117,891	493,102	119,759
Charitable contributions	13,460	3,218	42,380	10,293
Section 263A costs	85,825	20,519	53,116	12,900
Net Operating Loss carry forward	23,467,108	5,565,872	22,954,766	5,456,105
Net deferred tax asset	$ 24,748,575	$ 5,937,419	$ 24,698,334	$ 5,944,738

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

	Years ended November 30,	
	2022	2021
Current tax - Federal	$ -	$ -
Current tax - State & Local	4,896	4,437
Deferred tax	4,273	(233,204)
Total Income Tax Expense	$ 9,169	$ (228,767)

NOTE 11 - 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, 2022	$ -	$ 14,914	$ 14,914
November 30, 2021	$ -	$ 10,389	$ 10,389

A reconciliation of the provision for income taxes computed at the statutory rate to the effective rate for the years ended November 30, 2022 and 2021 is as follows:

	November 30, 2022		November 30, 2021	
	Amount	Percent of Pretax	Amount	Percent of Pretax
(Benefit from) income taxes at federal statutory rate	$ (9,418)	21.00%	$ (173,274)	21.00%
Changes in provision for income taxes resulting from:				
State income taxes, net of federal income tax benefit	(1,305)	2.91%	(9,736)	1.18%
Non-deductible expenses and other adjustments	19,892	-44.35%	(45,757)	5.55%
Provision for (benefit from) income taxes at effective rate	$ 9,169	-20.44%	$ (228,767)	27.73%

NOTE 12 - 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 were 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 provided 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 expired 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 Company has no long term leases as of November 30, 2022.

NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)

Royalty Agreements:

Effective October 1, 2022, the Company entered into an Amendment to the Asset Purchase Agreement, made, as of August 5, 2008, by and between Continental Quest Corp., an Indiana Corporation and the Company. The Asset Purchase Agreement provided for the purchase of the analgesic product Pain Bust R, with a provision for a royalty of 2% of the net sales of the product. The Amendment provides for a one-time payment of $3,800 in exchange for no further royalties due to Continental Quest Corp. The Company incurred royalties of $0 and $730, respectively, for the years ended November 30, 2022 and 2021.

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 $480 for the year ended November 30, 2022.

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, former 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. 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. In addition, the New Agreement provides for the Company to hold back 20% of the royalties due during the first twelve months ("Hold Back Period") of the New Agreement. If the Company has returns, discounts and allowances that exceed the royalties due during the Hold Back Period, the amount that exceeds the royalties due may be deducted from the accrued royalties. The Company agreed to pay the balance of the accrued royalties at the end of the Hold Back Period. The Company incurred royalties of $119,461 and $212,678, respectively, for the years ended November 30, 2022 and 2021.

NOTE 12 - 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 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. The Company incurred royalties of $8,730 for the year ended November 30, 2022.

On November 30, 2017, the Company entered into a license agreement with Inspired Beauty Brands, Inc. for the Nutra Nail brand, which provided a royalty rate of 10.0% on the gross sales with no minimum royalty. The license agreement was for a term of three years, with an option to extend for two additional one-year terms. The Company also had an option to purchase the Nutra Nail brand for an amount equal to the greater of: (a) ten (10) times the annual royalty for the Nutra Nail brand 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.

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 were 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. The Company incurred royalties of $0 and $16,196, respectively, for the years ended November 30, 2022 and 2021.

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

NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)

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 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.

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.

NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)

Employment Agreements (Continued)

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. On June 5, 2019, the Severance Agreement was amended to increase the amount of the single-sum payment from an amount equal to a base salary for one year to an amount equal to the one and a half times the average of the base salary for the preceding three years.

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.

NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)

Employment Agreements (Continued)

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 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.

Dividends and Capital Transactions:

There were no dividends issued by the Company in the fiscal years 2022 and 2021.

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.

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 fiscal years ended November 30, 2022 and 2021, certain customers each accounted for more than 5% of the Company's net sales, as follows:

	For the Year Ended November 30,	
Customer	2022	2021
Walmart	34.7%	48.4%
Walgreens	7.2%	8.2%

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 Walmart.com, which together comprises 33.8% of net sales.

During the fiscal years November 30, 2022, and 2021, 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	2022	2021
Skin Care	53.7%	54.7%
Oral Care	34.9%	44.0%

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 $137,666 and $236,475, respectively, for the years ended November 30, 2022 and 2021 for all outstanding stock options granted.

There were no stock options granted in fiscal 2022. 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, 2022, there were 902,500 stock options outstanding, of which there were 790,500 stock options that were exercisable. The total compensation cost of stock option awards that have not yet been recognized

NOTE 14 - STOCK-BASED COMPENSATION (Continued)

was $100,290 as of November 30, 2022. The weighted average period over which the unrecognized compensation is expected to be recognized is 14 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, 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	—
Granted	—	—			—
Exercised	—	—			—
Canceled or Forfeited	30,000	—			—
Outstanding at November 30, 2022	902,500	$	2.85	5.2	—

A summary of the future amortization expense of stock options outstanding as of November 30, 2022 is as follows:

For the years ending November 30,							
2023		2024		2025		2026	
$	78,330	$	21,960	$	-	$	-

NOTE 14 - STOCK-BASED COMPENSATION (Continued)

The following table summarizes information about currently outstanding and vested stock options at November 30, 2022:

Exercise Price	Number of Options Granted	Weighted Average Remaining Term (years)	Number of Option Shares Vested
$2.00	150,000	6.52	78,000
$2.08	50,000	3.02	50,000
$2.85	200,000	5.56	160,000
$2.85	150,000	0.55	150,000
$3.18	10,000	2.36	10,000
$3.30	187,500	4.55	187,500
$3.35	120,000	3.56	120,000
$3.48	35,000	2.10	35,000
Total	902,500		790,500

NOTE 15 - (LOSS) PER SHARE

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

	Years ended November 30, 2022	Years ended November 30, 2021
Net loss	$ (54,017)	$ (596,349)
Net loss available to preferred shareholders	-	-
Net loss available to common shareholders	$ (54,017)	$ (596,349)
Weighted average preferred shares outstanding - Basic	158,644	155,000
Weighted average common shares outstanding - Basic	7,561,684	7,547,835
Net effect of dilutive stock options	-	-
Weighted average common shares and common shares equivalent - Diluted	7,561,684	7,547,835
Loss per Share - common shareholders:		
Basic	$ (0.01)	$ (0.08)
Diluted	$ (0.01)	$ (0.08)

902,500 shares underlying stock options for the year ended November 30, 2022, and 962,500 shares underlying stock options for the year ended November 30, 2021 were excluded from the diluted (loss) per share because the effects of such shares were anti-dilutive. 160,000 shares of preferred stock for the year ended November 30, 2022 and 155,000 shares of preferred stock for the year ended November 30, 2021 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 12 – 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 director,,former Chairman of the Board and former Chief Executive Officer, Lance Funston, is also the Chairman of the Board and Chief Executive Officer of Ultimark. Please see Note 12 – Commitments and Contingencies, Royalty Agreements for further information regarding the License Agreement.

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 director, former Chairman of the Board and former Chief Executive Officer. The Company terminated the consulting services as of December 1, 2021.

NOTE 17 – SUBSEQUENT EVENTS

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

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. 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.

NOTE 17 – SUBSEQUENT EVENTS (Continued)

Subsequent events have been evaluated through February 28, 2023, the date of issuance of the financial statements for year ended November 30, 2022. There are no additional subsequent events to report.