

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code). ▶ Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 2021 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2021 or fiscal plan year beginning <u>01/01/2021</u> and ending <u>12/31/2021</u>	
A	This return/report is for: ☐ a multiemployer plan ☐ a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions.) ☒ a single-employer plan ☐ a DFE (specify) _____
B	This return/report is: ☐ the first return/report ☐ an amended return/report ☐ the final return/report ☐ a short plan year return/report (less than 12 months)
C	If the plan is a collectively-bargained plan, check here. ▶ ☐
D	Check box if filing under: ☒ Form 5558 ☐ special extension (enter description) ☐ automatic extension ☐ the DFVC program
E	If this is a retroactively adopted plan permitted by SECURE Act section 201, check here. ▶ ☐

Part II	Basic Plan Information—enter all requested information
1a	Name of plan <u>ASTRAL HEALTH & BEAUTY, INC. PROFIT SHARING AND 401(K) PLAN</u>
1b	Three-digit plan number (PN) ▶ <u>004</u>
1c	Effective date of plan <u>01/01/1992</u>
2a	Plan sponsor's name (employer, if for a single-employer plan) Mailing address (include room, apt., suite no. and street, or P.O. Box) City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions) <u>ASTRAL BRANDS, INC.</u> <u>6120 POWERS FERRY RD</u> <u>SUITE 300</u> <u>ATLANTA, GA 30339</u>
2b	Employer Identification Number (EIN) <u>23-5024907</u>
2c	Plan Sponsor's telephone number <u>678-444-0123</u>
2d	Business code (see instructions) <u>424210</u>

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/07/2022	DEBRA NIERLING
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

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v. 210624

3a Plan administrator's name and address ☒ Same as Plan Sponsor		3b Administrator's EIN	
		3c Administrator's telephone number	
4 If the name and/or EIN of the plan sponsor or the plan name has changed since the last return/report filed for this plan, enter the plan sponsor's name, EIN, the plan name and the plan number from the last return/report: a Sponsor's name c Plan Name		4b EIN 4d PN	
5 Total number of participants at the beginning of the plan year		5	210
6 Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines 6a(1) , 6a(2) , 6b , 6c , and 6d).			
a(1) Total number of active participants at the beginning of the plan year.....		6a(1)	150
a(2) Total number of active participants at the end of the plan year		6a(2)	152
b Retired or separated participants receiving benefits.....		6b	0
c Other retired or separated participants entitled to future benefits		6c	75
d Subtotal. Add lines 6a(2) , 6b , and 6c		6d	227
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.		6e	0
f Total. Add lines 6d and 6e		6f	227
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)		6g	155
h Number of participants who terminated employment during the plan year with accrued benefits that were less than 100% vested		6h	19
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item).....		7	
8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions: 2E 2F 2G 2J 2K 2T 3H 3D			
b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:			
9a Plan funding arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor		9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	
10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)			
a Pension Schedules (1) ☒ R (Retirement Plan Information) (2) ☐ MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary (3) ☐ SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary		b General Schedules (1) ☒ H (Financial Information) (2) ☐ I (Financial Information – Small Plan) (3) ☐ <u>0</u> A (Insurance Information) (4) ☒ C (Service Provider Information) (5) ☐ D (DFE/Participating Plan Information) (6) ☐ G (Financial Transaction Schedules)	

Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)

11a If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

11b Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

11c Enter the Receipt Confirmation Code for the 2021 Form M-1 annual report. If the plan was not required to file the 2021 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code _____

SCHEDULE C (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2021
		This Form is Open to Public Inspection.

For calendar plan year 2021 or fiscal plan year beginning 01/01/2021 and ending 12/31/2021		
A Name of plan ASTRAL HEALTH & BEAUTY, INC. PROFIT SHARING AND 401(K) PLAN	B Three-digit plan number (PN) ▶	004
C Plan sponsor's name as shown on line 2a of Form 5500 ASTRAL BRANDS, INC.	D Employer Identification Number (EIN) 23-5024907	

Part I	Service Provider Information (see instructions)
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You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

a Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☒ Yes ☐ No

b If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL
04-2647786

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

FIDELITY INVESTMENTS INSTITUTIONAL

04-2647786

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
37 60 64 65	RECORDKEEPER	27822	Yes ☒ No ☐	Yes ☒ No ☐	0	Yes ☒ No ☐

(a) Enter name and EIN or address (see instructions)

HAUSER RETIREMENT SOLUTIONS 2 LLC

36-4906731

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
27	ADVISOR	16302	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3. If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
AS UTILITY & TELE IS - DST ASSET M 430 W 7TH STREET STE 219432 KANSAS CITY, MO 64105	0.15%	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
INVS MS MID CAP R - INVESCO INVEST 11 GREENWAY PLAZA, SUITE 100 HOUSTON, TX 77046	0.25%	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
PIF SMALL CAP INST - PRINCIPAL SHA 620 COOLIDGE DR FOLSOM, CA 95630-3183	0.10%	

Part I Service Provider Information (continued)

3. If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
VRS SMALL CAP GRTH Y - FIS INVESTO FAITH INVESTOR SERVICES, LLC 14785 PRESTON ROAD, SUITE 1000 DALLAS, TX 75254	0.10%	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide

Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)
(complete as many entries as needed)

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110 2021 This Form is Open to Public Inspection
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For calendar plan year 2021 or fiscal plan year beginning <u>01/01/2021</u> and ending <u>12/31/2021</u>		
A Name of plan <u>ASTRAL HEALTH & BEAUTY, INC. PROFIT SHARING AND 401(K) PLAN</u>	B Three-digit plan number (PN) ►	<u>004</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>ASTRAL BRANDS, INC.</u>	D Employer Identification Number (EIN) <u>23-5024907</u>	

Part I	Asset and Liability Statement
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1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash.....	1a	0	0
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)	0	0
(2) Participant contributions.....	1b(2)	0	0
(3) Other	1b(3)	0	0
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	86863	56018
(2) U.S. Government securities	1c(2)	0	0
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)	0	0
(B) All other	1c(3)(B)	0	0
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)	0	0
(B) Common	1c(4)(B)	0	0
(5) Partnership/joint venture interests	1c(5)	0	0
(6) Real estate (other than employer real property)	1c(6)	0	0
(7) Loans (other than to participants)	1c(7)	0	0
(8) Participant loans	1c(8)	5765	28731
(9) Value of interest in common/collective trusts.....	1c(9)	0	0
(10) Value of interest in pooled separate accounts	1c(10)	0	0
(11) Value of interest in master trust investment accounts.....	1c(11)	0	0
(12) Value of interest in 103-12 investment entities	1c(12)	0	0
(13) Value of interest in registered investment companies (e.g., mutual funds)	1c(13)	5722575	6972506
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)	0	0
(15) Other.....	1c(15)	0	0

		(a) Beginning of Year	(b) End of Year
1d Employer-related investments:			
(1) Employer securities.....	1d(1)	0	0
(2) Employer real property.....	1d(2)	0	0
e Buildings and other property used in plan operation	1e	0	0
f Total assets (add all amounts in lines 1a through 1e)	1f	5815203	7057255

Liabilities

g Benefit claims payable	1g	0	0
h Operating payables	1h	0	0
i Acquisition indebtedness.....	1i	0	0
j Other liabilities.....	1j	5049	0
k Total liabilities (add all amounts in lines 1g through 1j)	1k	5049	0

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	5810154	7057255
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Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income

		(a) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	194384	
(B) Participants	2a(1)(B)	651064	
(C) Others (including rollovers).....	2a(1)(C)	23679	
(2) Noncash contributions.....	2a(2)	0	869127
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit).....	2b(1)(A)	8	
(B) U.S. Government securities	2b(1)(B)	0	
(C) Corporate debt instruments	2b(1)(C)	0	
(D) Loans (other than to participants)	2b(1)(D)	0	
(E) Participant loans.....	2b(1)(E)	237	
(F) Other	2b(1)(F)	0	
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		245
(2) Dividends: (A) Preferred stock.....	2b(2)(A)	0	776411
(B) Common stock	2b(2)(B)	0	
(C) Registered investment company shares (e.g. mutual funds).....	2b(2)(C)	776411	
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		776411
(3) Rents	2b(3)		0
(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)	0	0
(B) Aggregate carrying amount (see instructions).....	2b(4)(B)	0	
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		
(5) Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)	0	0
(B) Other	2b(5)(B)	0	
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts.....	2b(6)		0
(7) Net investment gain (loss) from pooled separate accounts.....	2b(7)		0
(8) Net investment gain (loss) from master trust investment accounts.....	2b(8)		0
(9) Net investment gain (loss) from 103-12 investment entities.....	2b(9)		0
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		96437
c Other income.....	2c		0
d Total income. Add all income amounts in column (b) and enter total.....	2d		1742220
Expenses			
e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers.....	2e(1)	456042	
(2) To insurance carriers for the provision of benefits.....	2e(2)	0	
(3) Other.....	2e(3)	0	
(4) Total benefit payments. Add lines 2e(1) through (3).....	2e(4)		456042
f Corrective distributions (see instructions).....	2f		-5047
g Certain deemed distributions of participant loans (see instructions).....	2g		0
h Interest expense.....	2h		0
i Administrative expenses: (1) Professional fees.....	2i(1)	0	
(2) Contract administrator fees.....	2i(2)	0	
(3) Investment advisory and management fees.....	2i(3)	0	
(4) Other.....	2i(4)	44124	
(5) Total administrative expenses. Add lines 2i(1) through (4).....	2i(5)		44124
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		495119
Net Income and Reconciliation			
k Net income (loss). Subtract line 2j from line 2d.....	2k		1247101
l Transfers of assets:			
(1) To this plan.....	2l(1)		0
(2) From this plan.....	2l(2)		0

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☒ Unmodified (2) ☐ Qualified (3) ☐ Disclaimer (4) ☐ Adverse

b Check the appropriate box(es) to indicate whether the IQPA performed an ERISA section 103(a)(3)(C) audit. Check both boxes (1) and (2) if the audit was performed pursuant to both 29 CFR 2520.103-8 and 29 CFR 2520.103-12(d). Check box (3) if pursuant to neither.

(1) ☒ DOL Regulation 2520.103-8 (2) ☐ DOL Regulation 2520.103-12(d) (3) ☐ neither DOL Regulation 2520.103-8 nor DOL Regulation 2520.103-12(d).

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: PRAGER METIS CPAS, PLLC

(2) EIN: 06-1667465

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....

	Yes	No	Amount
4a		X	

	Yes	No	Amount
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)			
4b		X	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)			
4c		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)			
4d		X	
e Was this plan covered by a fidelity bond?	X		500000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
4f		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?			
4g		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?			
4h		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	X		
4i	X		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked and see instructions for format requirements.)			
4j		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?			
4k		X	
l Has the plan failed to provide any benefit when due under the plan?			
4l		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)			
4m		X	
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.			
4n		X	

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year? ☐ Yes ☒ No
If "Yes," enter the amount of any plan assets that reverted to the employer this year _____.

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)

5c Was the plan a defined benefit plan covered under the PBGC insurance program at any time during this plan year? (See ERISA section 4021 and instructions.) ☐ Yes ☐ No ☐ Not determined
If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year _____.

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110 2021 This Form is Open to Public Inspection.
---	--	---

For calendar plan year 2021 or fiscal plan year beginning 01/01/2021 and ending 12/31/2021

A Name of plan ASTRAL HEALTH & BEAUTY, INC. PROFIT SHARING AND 401(K) PLAN	B Three-digit plan number (PN) 004
C Plan sponsor's name as shown on line 2a of Form 5500 ASTRAL BRANDS, INC.	D Employer Identification Number (EIN) 23-5024907

Part I	Distributions
--------	---------------

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....	1
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): 04-6568107 Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.	
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year	3

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part.)
---------	--

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)? If the plan is a defined benefit plan, go to line 8.	☐ Yes ☐ No ☐ N/A
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.	
6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived)	6a
b Enter the amount contributed by the employer to the plan for this plan year	6b
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....	6c
If you completed line 6c, skip lines 8 and 9.	
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?	☐ Yes ☐ No ☐ N/A
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?	☐ Yes ☐ No ☐ N/A

Part III	Amendments
----------	------------

9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box.....	☐ Increase ☐ Decrease ☐ Both ☐ No
--	--

Part IV	ESOPs (see instructions). If this is not a plan described under section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
---------	--

10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?	☐ Yes ☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes ☐ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.)	☐ Yes ☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes ☐ No

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

Schedule R (Form 5500) 2021
v. 201209

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

- 14** Enter the number of deferred vested and retired participants (inactive participants), as of the beginning of the plan year, whose contributing employer is no longer making contributions to the plan for:

a The current plan year. Check the box to indicate the counting method used to determine the number of inactive participants: ☐ last contributing employer ☐ alternative ☐ reasonable approximation (see instructions for required attachment).....

14a

b The plan year immediately preceding the current plan year. ☐ Check the box if the number reported is a change from what was previously reported (see instructions for required attachment).....

14b

c The second preceding plan year. ☐ Check the box if the number reported is a change from what was previously reported (see instructions for required attachment).....

14c

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year.....

15a

b The corresponding number for the second preceding plan year.....

15b

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year.....

16a

b If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers.....

16b

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment..... ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment..... ☐

- 19** If the total number of participants is 1,000 or more, complete lines (a) through (c)

a Enter the percentage of plan assets held as:

Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

b Provide the average duration of the combined investment-grade and high-yield debt:

☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

c What duration measure was used to calculate line 19(b)?

☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____

- 20 PBGC missed contribution reporting requirements.** If this is a multiemployer plan or a single-employer plan that is not covered by PBGC, skip line 20.

a Is the amount of unpaid minimum required contributions for all years from Schedule SB (Form 5500) line 40 greater than zero? ☐ Yes ☐ No

b If line 20a is "Yes," has PBGC been notified as required by ERISA sections 4043(c)(5) and/or 303(k)(4)? Check the applicable box:

☐ Yes.

☐ No. Reporting was waived under 29 CFR 4043.25(c)(2) because contributions equal to or exceeding the unpaid minimum required contribution were made by the 30th day after the due date.

☐ No. The 30-day period referenced in 29 CFR 4043.25(c)(2) has not yet ended, and the sponsor intends to make a contribution equal to or exceeding the unpaid minimum required contribution by the 30th day after the due date.

☐ No. Other. Provide explanation _____

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2. With regard to the electronic dissemination of consolidated financial statements, including financial statements published electronically on your (or any other) Internet website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in those sites or to consider the consistency of other information in the electronic site with the original document.
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Astral Brands, Inc. and Subsidiaries

Consolidated Financial Statements

December 31, 2021



Astral Brands, Inc. and Subsidiaries

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Independent Auditor's Report

To the Stockholders of
Astral Brands, Inc. and Subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of Astral Brands, Inc. and Subsidiaries (collectively, the Company), which comprise the consolidated balance sheet as of December 31, 2021, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Astral Brands, Inc. and Subsidiaries as of December 31, 2021, and the results of their operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Astral Brands, Inc. and Subsidiaries 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 these 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.

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 the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 the Company'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 the Company'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.

Bennett Thrasher LLP

July 14, 2022

Astral Brands, Inc. and Subsidiaries

Consolidated Balance Sheet

December 31, 2021

Assets

Current assets:

Cash and cash equivalents	\$ 103,216
Accounts receivable, net	6,676,787
Other receivables	420,917
Inventories, net	22,742,275
Prepaid expenses and other current assets	<u>313,095</u>

Total current assets 30,256,290

Property and equipment, net 1,964,885

Non-current assets:

Goodwill, net	400,829
Other intangible assets, net	1,878,754
Deferred income taxes	<u>756,595</u>

Total non-current assets 3,036,178

Total assets \$ 35,257,353

Liabilities and Stockholders' Equity:

Current liabilities:

Accounts payable	\$ 7,349,858
Accrued expenses	1,234,394
Current portion of long-term debt	1,822,156
Income taxes payable	750,889
Line of credit	<u>4,291,100</u>

Total current liabilities 15,448,397

Non-current liabilities:

Long-term debt, net of current portion and deferred loan costs	7,490,000
Accrued management fees	885,000
Deferred rent, net of current portion	<u>219,174</u>

Total liabilities 24,042,571

Stockholders' equity:

Common stock	-
Additional paid-in capital	25,037,855
Accumulated deficit	(12,242,973)
Accumulated other comprehensive loss	<u>(1,580,100)</u>

Total stockholders' equity 11,214,782

Total liabilities and stockholders' equity \$ 35,257,353

See accompanying notes to the consolidated financial statements.

Astral Brands, Inc. and Subsidiaries

Consolidated Statement of Income For the Year Ended December 31, 2021

Revenues, net	\$ 58,880,434
Cost of revenues	<u>27,215,166</u>
Gross profit	<u>31,665,268</u>
Operating expenses:	
Selling, general and administrative	28,832,352
Depreciation and amortization	<u>2,561,208</u>
Total operating expenses	<u>31,393,560</u>
Operating income	<u>271,708</u>
Other income (expense):	
Interest expense, net	(681,879)
Related party management fee income	224,202
Gain on foreign currency transactions	86,992
Paycheck Protection Program loan forgiveness	<u>2,667,175</u>
Total other income	<u>2,296,490</u>
Income before income taxes	<u>2,568,198</u>
Income tax expense	<u>1,065,421</u>
Net income	<u><u>\$ 1,502,777</u></u>

See accompanying notes to the consolidated financial statements.

Astral Brands, Inc. and Subsidiaries

Consolidated Statement of Comprehensive Income For the Year Ended December 31, 2021

Net income	\$ 1,502,777
Foreign currency translation adjustment	<u>(129,331)</u>
Total comprehensive income	<u>\$ 1,373,446</u>

See accompanying notes to the consolidated financial statements.

Astral Brands, Inc. and Subsidiaries

Consolidated Statement of Stockholders' Equity For the Year Ended December 31, 2021

	Common Stock		Additional Paid	Accumulated	Accumulated Other Comprehensive	Total
	Shares	\$	In Capital	Deficit	Loss	Stockholders' Equity
Balance, December 31, 2020	395,704	\$ -	\$ 26,487,856	\$ (13,470,164)	\$ (1,450,769)	\$ 11,566,923
Net income	-	-	-	1,502,777	-	1,502,777
Repurchase of equity interests (Note 1)	-	-	(1,450,001)	(275,586)	-	(1,725,587)
Foreign currency translation adjustment	-	-	-	-	(129,331)	(129,331)
Balance, December 31, 2021	<u>395,704</u>	<u>\$ -</u>	<u>\$ 25,037,855</u>	<u>\$ (12,242,973)</u>	<u>\$ (1,580,100)</u>	<u>\$ 11,214,782</u>

See accompanying notes to the consolidated financial statements.

Astral Brands, Inc. and Subsidiaries

Consolidated Statement of Cash Flows For the Year Ended December 31, 2021

Cash flows from operating activities:

Net income	\$ 1,502,777
Adjustments to reconcile net income to net cash used in operating activities:	
Depreciation and amortization	2,561,208
Amortization of deferred loan costs included in interest expense	26,274
Allowance for doubtful accounts, returns and discounts	335,829
Inventory allowance	(282,597)
Deferred income taxes	312,125
Paycheck Protection Program loan forgiveness	(2,667,175)
Changes in operating assets and liabilities:	
Accounts receivable	2,157,374
Other receivables	99,904
Inventories	(2,972,790)
Prepaid expense	1,066,548
Accounts payable	(1,142,559)
Accrued expenses and other	(1,350,486)
Income taxes payable	(70,883)
Deferred rent	13,906
Net cash used in operating activities	<u>(410,545)</u>

Cash flows from investing activities:

Purchase of property and equipment	(1,395,059)
Payments of regulatory registration costs	<u>(244,507)</u>
Net cash used in investing activities	<u>(1,639,566)</u>

Cash flows from financing activities:

Net borrowings from line of credit	1,241,325
Proceeds from issuance of long-term debt	3,076,470
Payments of long-term debt	(4,655,535)
Proceeds from PPP loan	2,667,175
Repurchase of equity interests (Note 1)	<u>(475,587)</u>
Net cash provided by financing activities	<u>1,853,848</u>

Net decrease in cash and cash equivalents	(196,263)
Cash and cash equivalents, beginning of year	<u>299,479</u>
Cash and cash equivalents, end of year	<u>\$ 103,216</u>

Supplemental disclosure of cash flow information

Cash paid during the year for income taxes	<u>\$ 1,256,774</u>
Cash paid during the year for interest	<u>\$ 655,605</u>
Stockholder notes payable for repurchase of equity interests	<u>\$ 1,250,000</u>

See accompanying notes to the consolidated financial statements.

Astral Brands, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2021

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Astral Brands, Inc. and its wholly owned or controlled subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

On December 23, 2021, the Company underwent a corporate restructuring in which the ownership of butter London, LLC was transferred to Astral Brands, Inc. pursuant to an Exchange Agreement. The effect on the reorganization resulted in no change to the carrying amount of the Company's historical assets or liabilities and the impact of the reorganization is included in opening equity given the common controlled nature of the transaction. Concurrent with the transfer, Astral Brands, Inc. redeemed certain equity interests totaling \$1,725,587 primarily through the issuance of related party notes payable along with \$275,586 in required tax distributions.

Nature of Operations

Astral Brands, Inc. and Subsidiaries (collectively, the Company), a Delaware C corporation sells multi-brand cosmetic and skincare products globally through franchises, television shopping networks, direct marketing, retailers, e-tailers, distributors, and direct to consumer ("DTC").

As of December 31, 2021, the Company had a wholly owned operating subsidiary in Canada, Aloette Cosmetics of Canada, Inc.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from estimates.

Revenue Recognition

The Company accounts for revenue in accordance with Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC Topic 606). Accordingly, revenue is recognized when the Company determines the customer obtains control of promised goods or services, in an amount that reflects the consideration expected to be received in exchange for those goods or services. To determine revenue recognition, the Company applies the following five steps:

1. Identify the contract(s) with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenues as or when the performance obligation is satisfied.

Cash and Cash Equivalents

The Company considers cash on hand, demand deposits, and all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. Amounts receivable from credit card processors are also considered cash equivalents because they are both short-term and highly liquid in nature and are typically converted to cash within three days of the sales transaction.

The Company maintains cash and cash equivalents in demand deposit accounts with a Federally insured bank. At times, balances in these accounts may be in excess of Federally insured limits. The Company believes it mitigates risks by depositing cash and cash equivalents with major financial institutions.

Fair Value of Financial Instruments

The Company's financial instruments, including cash and cash equivalents, are carried at cost, which approximate their fair value because of the short-term nature of these assets and liabilities. Long-term notes payable are recorded at an amount equal to the outstanding principal balance adjusted for any unamortized discount or premium, which approximates fair value.

Accounts Receivable

The Company sells products on credit to qualified customers. Credit to customers, when extended, is based on the evaluation of the customer's financial condition and credit worthiness. Accounts receivable are recorded at invoiced amounts and do not bear interest. The Company does not require collateral for its accounts receivable; however, certain foreign receivables are covered up to 90% by a third-party credit insurance provider.

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of customers to make payments. Management regularly evaluates the allowance for doubtful accounts, considering historical losses adjusted to take into account current market conditions, receivables in dispute, receivables aging and current payment patterns. Account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. At December 31, 2021, the allowance for doubtful accounts was \$509,644.

The Company maintains an allowance for discounts, contractual and discretionary deductions, and returns and markdowns ("retailer reserves"). At December 31, 2021, the allowance for retailer reserves was \$528,296.

Inventories

Inventories consist of finished goods and packaging and are recorded at the lower of cost or net realizable value, determined by average cost. Management performs periodic assessments to determine the existence of obsolete, slow moving and non-saleable inventories, and records necessary provisions to reduce such inventories to net realizable value. The Company recognizes all inventory reserves as a component of cost of revenues. At December 31, 2021, the reserve for excess and obsolete inventory was \$1,128,984.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the assets, which are as follows:

Leasehold improvements	Lesser of estimated useful life or life of the lease
Computer equipment, software and store displays	3 years
Office equipment and fixtures	3 - 10 years
Warehouse equipment	5 - 10 years

Major additions and improvements are capitalized, while costs for minor replacements, maintenance, and repairs that do not increase the useful life of an asset are expensed as incurred. Upon disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts.

Shipping and Handling Costs

Amounts invoiced to customers for shipping and handling are included in net revenues and cost of revenues. For the year ended December 31, 2021, shipping and handling charges billed to customers were approximately \$698,000. Actual shipping and handling costs to ship products to the Company's customers included in cost of revenue were approximately \$1,538,000 for the year ended December 31, 2021.

Advertising and Marketing

General advertising and marketing costs are expensed as incurred. The Company recorded approximately \$5,238,000 in advertising and marketing expense for the year ended December 31, 2021.

Income Taxes

The Company files U.S. Federal and various state income tax returns. Aloette Canada files income tax returns in the Canadian federal, and various providential jurisdictions. Foreign taxes were nominal for the year ended December 31, 2021.

The amount provided for income taxes is based upon the amounts of current and deferred taxes payable or refundable at the date of the financial statements as a result of all events recognized in the financial statement measured by the provisions of enacted tax laws.

Aloette Limited and CosMedix are treated as limited liability companies (LLC) for Federal and state income tax purposes. As such, Aloette Limited and CosMedix's federal income (losses) pass through to the individual member.

Management of the Company considers the likelihood of changes by taxing authorities in its income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur upon examination by tax authorities. This applies to positions taken or expected to be taken in a tax return. The Company does not believe its consolidated financial statements include any material uncertain tax positions. There have been no penalties or interest incurred by the Company during 2021. The Company is no longer subject to Federal and state income tax examinations by tax authorities for years prior to 2018.

Foreign Currency Translation and Transactions

The Company's primary operations are at the parent level which uses the U.S. dollar (USD) as its functional currency. The wholly-owned subsidiary in Canada uses the Canadian dollar as its individual functional currency. Accordingly, assets and liabilities for this subsidiary are translated into USD using exchange rates in effect at the end of each reporting period. Revenue and expenses for this subsidiary are translated using rates that approximate those in effect during the period. Gains and losses due to translations are recorded as a component of accumulated other comprehensive loss in Stockholders' equity. For the year ended December 31, 2021, gains resulting from foreign currency transactions totaled \$86,992.

Deferred Loan Costs

Deferred loan costs relate to the financing of the Company's senior credit facility (Note 7) and are being amortized over the life of the underlying debt. Deferred loan costs are included as a component of long-term debt in the accompanying consolidated balance sheet and were fully amortized at December 31, 2021. Amortization of deferred loan costs totaled \$26,274 in 2021 and is included in interest expense in the accompanying consolidated statement of income.

Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs related to loss contingencies are expensed as incurred.

COVID-19 Disruption

In March 2020, the World Health Organization (WHO) officially designated COVID-19 as a pandemic, and as a result, businesses across the country and the world have had to take steps to protect their employees and employees of companies with whom they do business. The associated business disruption has ranged from limited to significant, depending on the nature of the business being impacted. Management believes the primary impact to its business is the required modified operating hours of their retail partners. In addition, there will continue to be varying levels of disruption in the workforce, the supply chain, and the overall economy, which can indirectly affect the Company and its business matters including working capital, continued availability of credit, and overall traffic to the retail stores. While disruption is currently expected to be temporary, there is uncertainty around the duration. The pandemic is on-going as of the report date and while the Company expects this matter to impact results, the related impact to the Company's financial position, results of operations, and cash flows cannot be reasonably estimated at this time. There have been no adjustments to these consolidated financial statements related to these matters.

Deferral of Employment Tax Deposits and Payments

The Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) allows employers to defer the deposit and payment of the employer's share of Social Security taxes for the payroll tax deferral period, which began on March 27, 2020 and ended on December 31, 2020. During the deferral period, management elected to defer the employer share of Social Security taxes. At December 31, 2021, deferred tax deposits on the employer share of Social Security taxes totaled \$214,332, all of which is included in accrued expenses on the accompanying consolidated balance sheet.

CARES Act

The Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) allows for a refundable tax credit against certain employment taxes equal to 70% of qualified wages an eligible employer pays to employees during the period from January 1, 2021 to June 30, 2021. For each eligible employee, wages of up to \$10,000 per quarter can be counted to determine the amount of the credit. As of December 31, 2021, the Company had a receivable of \$216,830 related to the refundable tax credit and is included within other receivables in the accompanying consolidated balance sheet.

Laws and regulations concerning government programs, including the Employee Retention Credit (ERC) established by the CARES Act are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. The Company continues to explore additional ways it can benefit from provisions of the CARES Act, which may include ERC, assuming all qualifying factors have been met.

New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. Lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The standard is effective for nonpublic business entities for fiscal years beginning after December 15, 2021. The Company is currently evaluating the future impact of this standard on its consolidated financial statements.

Note 2: Revenue Recognition

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in ASC Topic 606. The transaction price represents the amount of consideration the Company expects to be entitled to, in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

The Company's revenue is derived from the sale of multi-brand cosmetic and skincare products globally through franchises, television shopping networks, direct marketing, retailers, e-tailers, distributors, and direct to consumer ("DTC").

Such revenues contain promises to transfer goods to customers and are accounted for as a single performance obligation. The goods sold by the Company are considered distinct on their own and accounted for separately. In addition, warranties provided to customers are considered as assurance-type warranties under Topic 606 due to the fact that such warranties primarily provide exchange of goods for replacement and do not offer additional services to the customers and consequently, they are not accounted as separate performance obligations but combined with the promised goods sold into a single performance obligation.

Revenue Recognition

Revenues from the sale of goods is recognized at a point in time when control of the goods is transferred to customers, which generally occurs upon delivery to customer's destination, or to shipping carriers.

Consideration is fixed at the individual unit level and agreed upon between the customer and the Company. The Company adjusts consideration for estimated returns, discounts, and allowances and is allocated entirely to a single performance obligation.

The Company has elected the practical expedient to not assess the existence of a financing component for contracts where the Company expects at inception that the period between payment by the customer and the transfer of promised goods or services to the customer will be one year or less.

Shipping and handling costs are accrued when the related revenue is recognized. The Company has made a policy election to exclude amounts collected from customers for all sales and other similar taxes from the transaction price.

Note 3: Inventories

Inventories consisted of the following as of December 31, 2021:

Finished goods	\$ 15,561,236
Raw materials	5,283,884
Phase out inventory	<u>3,026,139</u>
	23,871,259
Allowance for slow moving and obsolete inventories	<u>(1,128,984)</u>
Inventory, net	<u>\$ 22,742,275</u>

Note 4: Property and Equipment

Property and equipment consisted of the following at December 31, 2021:

Computer equipment and software	\$ 4,561,227
Store displays	4,055,942
Leasehold improvements	482,976
Furniture and fixtures	301,923
Warehouse equipment	227,865
Office and other equipment	66,580
Construction in progress	<u>8,615</u>
Total	9,705,128
Less: accumulated depreciation	<u>(7,740,243)</u>
Property and equipment, net	<u>\$ 1,964,885</u>

Depreciation expense for the year ended December 31, 2021 was \$1,662,988 and is included as a component of depreciation and amortization expense on the accompanying consolidated statement of income.

Note 5: Goodwill

Goodwill consisted of the following at December 31, 2021:

Goodwill	\$ 4,008,362
Accumulated amortization	<u>(3,607,533)</u>
Goodwill, net	<u>\$ 400,829</u>

Amortization expense related to goodwill during 2021 totaled \$400,837 and is included as a component of depreciation and amortization expense on the accompanying consolidated statement of income. The Company will fully amortize goodwill in 2022.

Note 6: Intangible Assets

A summary of intangible assets as of December 31, 2021 is as follows:

	Estimated Useful Life	Cost	Accumulated Amortization	Net Book Value
Cosmedix customer list	15 years	\$ 3,167,064	(3,111,152)	\$ 55,912
Regulatory registration cost	1 to 3 years	838,473	(559,317)	279,156
Trademarks	15 years	<u>2,013,503</u>	<u>(469,817)</u>	<u>1,543,686</u>
Total intangible assets, net		<u>\$ 6,019,040</u>	<u>\$ (4,140,286)</u>	<u>\$ 1,878,754</u>

Amortization expense related to intangible assets totaled \$497,383 for the year ended December 31, 2021 and is included as a component of depreciation and amortization expense in the accompanying consolidated statement of income.

Estimated future amortization expense related to intangible assets is as follows:

For the Year Ending December 31,

2022	\$ 341,557
2023	261,979
2024	134,234
2025	134,234
2026	134,234
Thereafter	<u>872,516</u>
	<u>\$ 1,878,754</u>

Note 7: Debt

Line of Credit

The Company has an asset based revolving credit facility not to exceed \$15,000,000. Interest is payable monthly at a rate based on the Bloomberg Short-Term Bank Yield (BSBY) Rate plus an applicable margin (2.18% as of December 31, 2021). While amounts outstanding under the credit facility do not mature until December 1, 2026, the related borrowings are reflected as current maturities in the consolidated balance sheet as a result of the credit facility requiring that lock box receipts automatically pay down the credit facility and additional borrowings be funded through additional draws against the credit facility. As of December 31, 2021, the Company had \$4,291,000 outstanding borrowings and \$4,185,713 available for borrowing under the revolving credit facility.

Notes Payable

Notes payable at December 31, 2021 consisted of the following:

Note payable to a financial institution, secured by certain Company assets; monthly principal payments of \$130,000 plus interest at BSBY Rate plus an applicable margin (2.18% as of December 31, 2021) through December 2026.	\$ 7,800,000
Subordinated notes payable to related parties; with monthly interest payments of \$20,833, bearing interest at 8% through December 2031, subject to certain acceleration clauses.	1,250,000
Unsecured note payable to a related party; monthly principal and interest payments of \$16,666.66, through June 30, 2022	100,000
Notes payable to insurance companies for premium assignment. Payable at various monthly payments, including interest of 5.01% maturing within the next twelve months. Secured by interest in the related policies, including all return premiums, dividend payments, and certain loss payments with reference to the corresponding policies.	162,156
Less unamortized deferred loan cost	<u>-</u>
	9,312,156
Less current portion	<u>(1,822,156)</u>
Total notes payable, net of current portion	<u>\$ 7,490,000</u>

The annual maturities of the notes payable are as follows:

For the Year Ending December 31,

2022	\$ 1,822,156
2023	1,560,000
2024	1,560,000
2025	1,560,000
2026	1,560,000
Thereafter	<u>1,250,000</u>
	<u>\$ 9,312,156</u>

Under the above loan agreement, the Company has financial and non-financial covenants which are measured periodically. The Company was not in compliance with certain financial and non-financial covenants at December 31, 2021. Subsequent to year end, the Company received a waiver from the financial institution for the covenant violations for the year ended December 31, 2021.

Payroll Protection Program Loan

In March 2021, the Company received \$2,667,175 related to its filings under the Paycheck Protection Program (PPP) and the CARES Act. The PPP Loan Program allows for forgiveness applications to be filed. During 2021, the Company was granted full forgiveness on all outstanding borrowings under the PPP Loan Program, including all applicable interest. Forgiveness of the principal borrowings is included as a component of other income in the accompanying statement of income for the year ended December 31, 2021.

Note 8: Stock Incentive Plan

Under the Company's 2014 Stock Incentive Plan (the Incentive Plan) the Board was authorized to grant options to acquire up to 69,380 shares of nonvoting common stock to employees, directors and consultants. In 2020, the Incentive Plan was amended by the Board to reduce the number of shares available to be granted from 69,380 to 35,818. The Incentive Plan permits the awards of incentive (ISO) and nonqualified stock options (NQSO) and performance shares, restricted stock and restricted stock units (collectively, grants)

Stock options and performances shares vest over a specific period, or upon the achievement of certain performance obligations and milestones, as defined in their respective grant agreements. Stock options have a maximum contractual term of 10 years. Unless otherwise determined by the Board, restricted stock and restricted stock units become vested and nonforfeitable on the fifth anniversary of the date of the grant.

Unless otherwise determined by the Board, the exercise price per share of the ISO and NQSO granted shall be 100% of the fair value on the date of the grant. If the optionee owns more than 10% of the voting shares of all classes of stock of the Company, the exercise price shall be at least 110% of the fair value at date of grant.

Management of the Company estimates the fair market value of the grant using the Lattice Exercise Behavior valuation model. The volatility assumptions used is based on an estimate of volatility of similar companies, the expected term is based on managements' estimate of when the grants will be exercised, and the risk-free interest rate is based on the U.S. Treasury yield curve on the date of the grant. Forfeitures are estimated at the time of the grant and adjusted, if necessary, in subsequent periods if actual forfeitures differ from those estimates. No compensation expense related to the Incentive Plan was recorded for 2021.

The underlying assumptions utilized for stock options granted during the year ended December 31, 2021 was as follows:

Risk free rates	0.07%
Expected dividends	N/A
Expected volatility of restricted stock	100%
Expected volatility of options	40%
Expected life in years	10
Service period in years	4

Stock-based grant activity under the Incentive Plan for the year ended December 31, 2021 is summarized as follows:

	Restricted Stock	Stock Options	Total	Weighted Average Exercise Price of Stock Options
Outstanding at December 31, 2020	-	23,243	23,243	71.00
Granted	-	1,928	1,928	207.75
Restricted stock issued upon vesting	-	-	-	-
Stock options exercised	-	-	-	-
Forfeited upon cancellation	-	(371)	(371)	269.97
Outstanding at December 31, 2021	-	24,800	24,800	\$ 78.65

As of December 31, 2021, the weighted average remaining contractual life of the outstanding stock options was 4.9. Restricted stock is considered issued and reflected in the outstanding common stock as of the date they become vested.

A summary of the Company's nonvested shares as of December 31, 2021, and changes during the year then ended is as follows:

	Restricted Stock	Stock Options	Total	Weighted Average Grant Date Calculated Value
Nonvested at December 31, 2020	-	4,604	4,604	61.08
Granted	-	1,928	1,928	50.88
Vested	-	(3,731)	(3,731)	36.82
Forfeited	-	(371)	(371)	96.76
Nonvested at December 31, 2021	-	2,430	2,430	\$ 57.52

As of December 31, 2021, there were 22,370 options exercisable with weighted average exercise price of \$67.10.

Note 9: Related Party Transactions

As of December 31, 2021, fees owed to a shareholder in the amount of \$885,000 are included in accrued management fees in the accompanying consolidated balance sheet. Interest accrues at a rate of 8% per annum to be paid quarterly on outstanding management fees until all management fees have been repaid. Interest expense related to these management fees totaled \$70,800 for the year ended December 31, 2021. The outstanding accrued management fees, other than respect to such current interest payments, may be paid from time to time at the discretion of the Company's Board of Directors. The Company's management does not believe any of the accrued management fees will be paid during 2022, and therefore have classified the outstanding balance as a long-term liability in the accompanying consolidated balance sheet.

In accordance with a lease agreement with a related party of Aloette Canada for warehouse space in Canada, the related party received lease payments of approximately \$80,000 for the year ended December 31, 2021. The lease expired in April 2019 and is currently operating on a month-to-month basis.

The Company entered into an agreement with LYS Beauty (LYS) to provide indirect and direct operations management, general administration, human resources, strategic planning, information technology, supply chain, procurement, accounting and finance, and other support services. As consideration for the indirect services, the Company received a management fee of \$224,202. Additionally, the Company made advances to LYS that are non-interest bearing and due on demand. As of December 31, 2021 \$177,190 is due from LYS and is included within other receivables within the accompanying consolidated balance sheet.

Note 10: Income Taxes

For the year ended December 31, 2021, the components of the provision for income taxes are as follows:

Current provision:

Federal	\$ 654,057
State	<u>99,239</u>
Total current provision	<u>753,296</u>

Deferred provision:

Federal	248,487
State	<u>63,638</u>
Total deferred provision	<u>312,125</u>
Total provision for income taxes	<u>\$ 1,065,421</u>

The difference between the Federal statutory rate and the Company's effective rate is primarily due to the change in valuation allowance and other permanent differences.

The components of deferred income taxes at December 31, 2021 are as follows:

Deferred tax assets:	
Allowance for doubtful accounts	\$ 109,948
Net operating loss carryforwards	1,456,489
Intangible assets	188,340
Inventory	342,849
Accrued expenses	<u>510,864</u>
Total deferred tax assets	<u>2,608,490</u>
Deferred tax liabilities:	
Property, equipment, and lease rights	(351,957)
Other	<u>(43,449)</u>
Total deferred tax liabilities	<u>(395,406)</u>
Valuation allowance	<u>(1,456,489)</u>
Net deferred tax asset	<u>\$ 756,595</u>

At December 31, 2021, the Company had certain state net operating loss carryforwards of \$25,439,918 which are subject to various carryforward limitations by jurisdiction. The utilization of such net operating loss carryforwards and realization of tax benefits in future years depends predominately upon generating future taxable income. The Company has provided a valuation allowance of \$1,456,489 to reduce the state deferred tax assets for the year ended December 31, 2021 to the amount that the Company believes will more likely than not be realized as a tax benefit. Management considers the scheduled reversals of deferred income taxes, projected future taxable income and tax planning strategies in making this assessment.

Note 11: Concentrations

Concentration of Suppliers

For the year ended December 31, 2021, two vendors accounted for approximately 39% of the Company's purchases. At December 31, 2021, one vendor balance totaled approximately 16% of the consolidated accounts payable balance.

Concentration of Revenue

During 2021, approximately 15% of the Company's revenue was derived from one customer. At December 31, 2021, approximately 19% of the consolidated accounts receivable was due from one customer.

Note 12: Employee Benefit Plan

The Company sponsors an employee retirement plan covering substantially all of the Company's employees. Employees can contribute up to certain maximum limitations established by the Internal Revenue Service. The Company provides a match of up to 6% of a participant's compensation at 50%. Matching contributions were approximately \$191,000 for the year ended December 31, 2021.

Aloette Canada provides a defined contribution retirement plan for all employees with at least one year of service. Under the terms of the Canadian plan, Aloette Canada has the option to contribute a discretionary amount dependent upon the employee's compensation ranging from 2% to 10% with a maximum contribution equal to the annual average industrial wage. The Company made matching contributions of approximately \$19,000 for the year ended December 31, 2021.

Note 13: Commitments and Contingencies

Operating Leases

The Company leases its office space, warehouses, and office equipment under noncancelable lease agreements expiring at various times through May 2026.

Future minimum rental payments under the operating leases at December 31, 2021 are as follows:

For the Year Ending December 31,

2022	\$ 863,111
2023	867,543
2024	893,625
2025	525,880
2026	<u>209,939</u>
	<u>\$ 3,360,098</u>

Rent expense for the year ended December 31, 2021 was approximately \$1,035,000. Rent expense is recognized on a basis which approximates straight-line over the terms of the respective leases.

Litigation

The Company has legal proceedings arising from the normal course of business. The Company believes the ultimate outcome of the proceedings will not have a material adverse impact on the Company's financial position, results of operations, or cash flows.

Contingencies

The Company conducts business in various states in which they have not filed sales tax returns. As of December 31, 2021, the Company has recorded an estimate of the potential exposure for taxes with related interest and penalties of approximately \$737,000 which is included as a component of accrued expenses in the consolidated balance sheet. Actual amounts could differ from estimates.

Note 14: Subsequent Events

Subsequent Events

The Company evaluated subsequent events between the balance sheet date of December 31, 2021 and the date of the report, the date the consolidated financial statements were available for issuance, and has concluded that all events requiring recognition or disclosure have been incorporated into these consolidated financial statements.

Supplemental Information

Report on Supplemental Information

To the Stockholders of
Astral Brands, Inc. and Subsidiaries

Our audit as of and for the year ended December 31, 2021 was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The comparative supplemental information listed in the accompanying table of contents is presented for purposes of additional analysis, it is not a required part of the 2021 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The comparative information has been subjected to the auditing procedures applied in the 2021 audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2021 consolidated information is fairly stated in all material respects in relation to the consolidated financial statements as a whole. The 2020 supplemental information listed in the accompanying table of contents, which is shown for comparative purposes, was compiled by us in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the 2020 consolidated financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these comparative financial statements.

Bennett Thrasher LLP

July 14, 2022

Astral Brands, Inc. and Subsidiaries

Consolidated Balance Sheets December 31, 2021 and 2020

	2021 (Audited)	2020 (Unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 103,216	\$ 299,479
Accounts receivable, net	6,676,787	9,169,990
Other receivables	420,917	520,821
Inventories, net	22,742,275	19,616,219
Prepaid expenses and other current assets	313,095	1,379,643
Total current assets	30,256,290	30,986,152
Property and equipment, net	1,964,885	2,232,814
Non-current assets:		
Goodwill, net	400,829	801,665
Other intangible assets, net	1,878,754	2,131,631
Deferred income taxes	756,595	1,068,720
Total non-current assets	3,036,178	4,002,016
Total assets	<u>\$ 35,257,353</u>	<u>\$ 37,220,982</u>
Liabilities and Stockholders' Equity:		
Current liabilities:		
Accounts payable	\$ 7,349,858	\$ 8,492,417
Accrued expenses	1,234,394	2,584,880
Current portion of long-term debt	1,822,156	1,641,370
Income taxes payable	750,889	821,772
Line of credit	4,291,100	3,049,775
Total current liabilities	15,448,397	16,590,214
Non-current liabilities:		
Long-term debt, net of current portion and deferred loan costs	7,490,000	7,973,577
Accrued management fees	885,000	885,000
Deferred rent, net of current portion	219,174	205,268
Total liabilities	24,042,571	25,654,059
Stockholders' equity:		
Common stock	-	-
Additional paid-in capital	25,037,855	26,487,856
Accumulated deficit	(12,242,973)	(13,470,164)
Accumulated other comprehensive loss	(1,580,100)	(1,450,769)
Total stockholders' equity	11,214,782	11,566,923
Total liabilities and stockholders' equity	<u>\$ 35,257,353</u>	<u>\$ 37,220,982</u>

See accompanying notes to the consolidated financial statements.

Astral Brands, Inc. and Subsidiaries

Consolidated Statements of Income For the Years Ended December 31, 2021 and 2020

	2021 (Audited)	2020 (Unaudited)
Revenues, net	\$ 58,880,434	\$ 64,069,488
Cost of revenues	<u>27,215,166</u>	<u>29,084,972</u>
Gross profit	<u>31,665,268</u>	<u>34,984,516</u>
Operating expenses:		
Selling, general and administrative	28,832,352	26,223,701
Depreciation and amortization	<u>2,561,208</u>	<u>2,151,946</u>
Total operating expenses	<u>31,393,560</u>	<u>28,375,647</u>
Operating income	<u>271,708</u>	<u>6,608,869</u>
Other income (expense):		
Interest expense, net	(681,879)	(1,017,952)
Related party management fee income	224,202	-
Gain (loss) on foreign currency transactions	86,992	(90,228)
Loss on disposal of property and equipment	-	(12,395)
Paycheck Protection Program loan forgiveness	2,667,175	3,203,094
Employee retention credit	<u>-</u>	<u>424,024</u>
Total other income	<u>2,296,490</u>	<u>2,506,543</u>
Income before income taxes	<u>2,568,198</u>	<u>9,115,412</u>
Income tax expense	<u>1,065,421</u>	<u>1,287,491</u>
Net income	<u>\$ 1,502,777</u>	<u>\$ 7,827,921</u>

See accompanying notes to the consolidated financial statements.

Plan: 41820

Astral Health & Beauty, Inc. Profit Sharing and 401(k) Plan
SUMMARY OF NET TRUST ASSETS
Total Plan Assets as of 12/31/2021

<u>Fund Name</u>	<u>Share Balance 12/31/2021</u>	<u>Historical Cost</u>
CRLN S MID CAP R6	3,286.192	\$86,198.55
AF BOND FD AMER R6	0.000	\$0.00
MFS TECHNOLOGY R6	3,260.534	\$207,649.80
HTFD CORE EQUITY R6	9,732.739	\$345,100.43
HTFD INTL OPPS R6	1,695.990	\$30,007.42
AB RELATIVE VALUE Z	622.918	\$4,093.80
JPM SMRTRET 2060 R6	2,961.686	\$63,074.74
TRP BLUE CHIP GRTH I	4,840.291	\$651,434.49
AF GLOBAL GROWTH R6	2,487.659	\$49,216.09
BLKRK HLTH SCI OPP K	276.408	\$20,503.09
AS UTILITY & TELE IS	772.590	\$16,331.03
INVS QUALITY INC R6	0.000	\$0.00
PIM DIVERS INC INST	592.769	\$6,633.94
AM CENT MD CP VAL R6	2,455.384	\$40,119.74
AM CENT SMCAP VAL R6	5,644.690	\$42,005.95
VRS SMALL CAP GRTH Y	2,174.028	\$179,314.75
AF NEW WORLD R6	319.763	\$21,681.41
PGIM HIGH YIELD R6	18,899.724	\$105,053.45
AB HIGH INCOME Z	0.000	\$0.00
AB DISC GRTH Z	20,798.167	\$266,296.24
INVS MS MID CAP R6	0.000	\$0.00
JPM SMRTRET INC R6	1,537.537	\$25,571.68
JPM SMRTRET 2020 R6	30,447.757	\$539,712.00
JPM SMRTRET 2025 R6	10,006.463	\$181,495.39
JPM SMRTRET 2030 R6	12,884.695	\$254,390.34
JPM SMRTRET 2035 R6	12,796.790	\$256,231.48
JPM SMRTRET 2040 R6	34,890.857	\$753,972.03
JPM SMRTRET 2045 R6	26,438.882	\$559,345.58
JPM SMRTRET 2050 R6	32,196.654	\$666,702.68
JPM SMRTRET 2055 R6	15,888.602	\$393,391.52
PIF MDCP S&P400 R6	557.754	\$10,871.37
PIF SMALL CAP INST	7,491.826	\$164,006.35
FID GOVT MMTT	56,018.090	\$56,018.09
FID 500 INDEX	142.203	\$17,715.81
FA TOTAL BOND Z	6,597.951	\$73,551.01
FA INTL CAP APP Z	944.044	\$24,886.17
FA MATERIALS Z	727.483	\$46,988.09
FA REAL ESTATE Z	2,075.212	\$44,689.97

OUTSTANDING LOAN BALANCE

Assets are presented at fair value with the exception to fully benefit responsive investment contracts which are presented at contra Auditor's Guide for financial statement presentation and disclosure information.

Run Date: 03/18/2022

<u>Price</u>	<u>Total Market Value</u>
\$24.39	\$80,150.22
\$13.39	\$0.00
\$72.89	\$237,660.32
\$50.23	\$488,875.48
\$20.15	\$34,174.20
\$6.74	\$4,198.47
\$22.78	\$67,467.21
\$178.23	\$862,685.06
\$24.53	\$61,022.28
\$80.02	\$22,118.17
\$21.05	\$16,263.02
\$11.40	\$0.00
\$11.06	\$6,556.03
\$17.99	\$44,172.36
\$11.11	\$62,712.51
\$79.00	\$171,748.21
\$85.97	\$27,490.03
\$5.49	\$103,759.48
\$7.96	\$0.00
\$14.71	\$305,941.04
\$31.86	\$0.00
\$16.59	\$25,507.74
\$17.22	\$524,310.38
\$18.56	\$185,719.95
\$20.39	\$262,718.93
\$21.21	\$271,419.92
\$23.04	\$803,885.35
\$23.09	\$610,473.79
\$23.29	\$749,860.07
\$27.82	\$442,020.91
\$24.36	\$13,586.89
\$30.26	\$226,702.65
\$1.00	\$56,018.09
\$165.32	\$23,509.00
\$11.05	\$72,907.36
\$31.87	\$30,086.68
\$108.84	\$79,179.25
\$25.84	\$53,623.48
	\$28,730.91

NET ASSETS 12/31/2021:

\$7,057,255.44

act value as in previous years. See Chapter 7 of the Fidelity