UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **July 21, 2023**
(December 29, 2022)

STARCO BRANDS, INC.
(Exact name of Company as specified in its charter)

Nevada	000-54892	27-1781753
(State or other jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification Number)

250 26th Street, Suite 200
Santa Monica, CA 90402
(Address of principal executive offices)

(323) 266-7111
(Registrant's Telephone Number)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock	STCB	OTC Markets Group OTCQB tier

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (See General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

Explanatory Note

This Amendment No. 1 on Form 8-K/A amends the Current Report on Form 8-K of Starco Brands, Inc. (the "Company") filed with the U.S. Securities and Exchange Commission on January 4, 2023 (the "Original Form 8-K"). The Original Form 8-K reported the Company's acquisition of Skylar Body, Inc. ("Skylar"). This Amendment No. 1 on Form 8-K/A is being filed by the Company solely to provide the disclosures required by Item 9.01 of Form 8-K that were omitted from the Original Form 8-K, including the required financial statements of Skylar and the required pro forma financial information. Except as otherwise provided herein, the disclosures made in the Original Form 8-K remain unchanged.

Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of Business Acquired:

In accordance with Item 9.01(a), the audited financial statements of Skylar of and for the years ended December 31, 2021 and 2020 are attached hereto as Exhibit 99.1 and are incorporated herein by reference.

In accordance with Item 9.01(a), the unaudited financial statements of Skylar for the nine months ended September 30, 2022 and 2021 are attached hereto as Exhibit 99.2 and are incorporated herein by reference.

(b) Pro Forma Financial Information:

In accordance with Item 9.01(b), the unaudited consolidated pro forma statement of operations and balance sheet for and as of the nine months ended September 30, 2022, and the unaudited consolidated pro forma statement of operations for the year ended December 31, 2021, giving effect to the Skylar Acquisition, are attached hereto as Exhibit 99.3 and are incorporated herein by reference.

(d) Exhibits.

The following exhibits are filed with this Current Report on Form 8-K:/A

Exhibit Number	Description
99.1	Audited financial statements of Skylar as of and for the year ended December 31, 2021 and 2020.
99.2	Unaudited financial statements of Skylar as of and for the nine months ended September 30, 2022 and 2021.
99.3	Unaudited consolidated pro forma statement of operations for the year ended December 31, 2021, and unaudited consolidated pro forma balance sheet and statement of operations as of and for the nine months ended September 30, 2022.
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Company has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

STARCO BRANDS, INC.

Dated: July 21, 2023

/s/ Kevin Zaccardi
Kevin Zaccardi
Chief Financial Officer

Exhibit 99.1

SKYLAR BODY, INC.
FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITORS REPORT

Independent Auditor's Report

Board of Directors and Stockholders
Skylar Body, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Skylar Body, Inc. (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of loss, changes in stockholders' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements (the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Company 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.

Substantial Doubt About the Entity's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company has suffered recurring losses from operations, has a net capital deficiency, and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

/s/ Macias Gini & O'Connell LLP

Irvine, California
July 21, 2023

SKYLAR BODY, INC.
BALANCE SHEETS

		December 31, 2021		December 31, 2020
ASSETS				
Current Assets:				
Cash and cash equivalents	$	1,683,489	$	5,465,729
Accounts receivable, net		429,494		18,646
Inventory		962,923		596,509
Prepaid expenses and other assets		365,476		262,595
Total Current Assets	$	3,441,382	$	6,343,479
Property and equipment, net		28,919		33,062
Intangibles, net		31,667		36,667
Total Assets	$	3,501,968	$	6,413,208
LIABILITIES AND STOCKHOLDERS' DEFICIT				
Current Liabilities:				
Accounts payable	$	951,061	$	679,462
Accrued liabilities		1,588,539		504,753
Total Current Liabilities	$	2,539,600	$	1,184,215
Notes payable		5,865,000		5,865,000
Total Liabilities	$	8,404,600	$	7,049,215
Commitments and Contingencies				
Stockholders' Deficit				
Preferred A, $.0001 par value; 8,221,919 shares authorized; 8,221,919 shares issued and outstanding, at December 31, 2021 and December 31 2020		822		822
Preferred Series 1, $.0001 par value; 8,487,519 shares authorized; 8,487,519 shares issued and outstanding, at December 31, 2021 and December 31 2020		849		849
Preferred Series 2, $.0001 par value; 2,242,014 shares authorized; 2,242,014 shares issued and outstanding, at December 31, 2021 and December 31 2020		224		224
Common stock, $.0001 par value; 40,947,757 shares authorized at December 31, 2021 and 2020; 16,179,874 and 10,819,875 shares issued and outstanding, at December 31, 2021 and 2020		1,618		1,082
Additional paid in capital		13,756,245		12,707,388
Accumulated deficit		(18,662,390)		(13,346,372)
Stockholders' Deficit	$	(4,902,632)	$	(636,007)
Total Liabilities and Stockholders' Deficit	$	3,501,968	$	6,413,208

The accompanying notes are an integral part of these financial statements.

SKYLAR BODY, INC.
STATEMENTS OF OPERATIONS

	For the Year Ended			
		December 31, 2021		December 31, 2020
Revenue	$	8,835,330	$	6,604,487
Cost of goods sold		3,177,968		1,277,283
Gross profit		5,657,362		5,327,204
Operating Expenses:				
Selling, general and administrative		4,103,337		3,679,236

Marketing and advertising	3,203,544	3,244,950
Compensation expense	2,790,556	2,269,001
Research and development	176,391	54,505
Total Operating Expenses	10,273,828	9,247,692
Loss from operations	(4,616,466)	(3,920,488)
Other expense:		
Interest (income) expense	718,006	241,989
Other income (expense)	(18,454)	3,215
Total Other Expense, net	699,552	245,204
Loss before provisions for income taxes	(5,316,018)	(4,165,692)
Provision for income taxes	-	-
Net Loss	$ (5,316,018)	$ (4,165,692)

The accompanying notes are an integral part of these financial statements.

SKYLAR BODY, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Preferred Stock		Common Stock		Additional	Accumulated	Stockholders'
	Shares	Amount	Shares	Amount	Paid-in Capital	Deficit	Equity (Deficit)
Balance at December 31, 2019	18,951,452	$ 1,895	5,358,833	$ 536	$ 11,689,041	$ (9,180,680)	$ 2,510,792
Stock based compensation	-	-	-	-	568,845	-	$ 568,845
RSUs vesting	-	-	5,333,333	533	471,902	-	$ 472,435
Option exercise	-	-	127,708	13	10,979	-	$ 10,992
Preferred stock issuance costs	-	-	-	-	(33,379)	-	$ (33,379)
Net loss	-	-	-	-	-	(4,165,692)	$ (4,165,692)
Balance at December 31, 2020	18,951,452	$ 1,895	10,819,874	$ 1,082	$ 12,707,388	$ (13,346,372)	$ (636,007)
Balance at December 31, 2020	18,951,452	$ 1,895	10,819,874	$ 1,082	$ 12,707,388	$ (13,346,372)	$ (636,007)
Stock based compensation	-	-	-	-	571,624	-	$ 571,624
RSUs vesting	-	-	5,333,333	533	471,902	-	$ 472,435
Option exercise	-	-	26,667	3	5,331	-	$ 5,334
Net loss	-	-	-	-	-	(5,316,018)	$ (5,316,018)
Balance at December 31, 2021	18,951,452	$ 1,895	16,179,874	$ 1,618	$ 13,756,245	$ (18,662,390)	$ (4,902,632)

The accompanying notes are an integral part of these financial statements.

SKYLAR BODY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

	For the Twelve Months Ended	
	December 31, 2021	December 31, 2020
Cash Flows Used In Operating Activities:		
Net loss	$ (5,316,018)	$ (4,165,692)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock based compensation	1,044,059	1,041,280
Depreciation	11,486	10,158
Amortization	5,000	5,000
Changes in operating assets and liabilities:		
Accounts Receivable	(410,848)	249,708
Prepaid Expenses and Other Assets	(102,881)	(115,785)
Inventory	(366,414)	335,690
Accounts Payable	271,599	(869,628)
Accrued liabilities	1,083,786	213,666

Net Cash Used In Operating Activities	(3,780,231)	(3,295,604)
Cash Flows Used In Investing Activities:		
Purchase of Property and Equipment	(7,343)	(5,391)
Net Cash Used In Investing Activities	(7,343)	(5,391)
Cash Flows From Financing Activities:		
Proceeds from exercise of stock options	5,334	10,992
Issuance of convertible debt	-	5,865,000
Preferred stock issuance costs	-	(33,379)
Net Cash Provided By Financing Activities	5,334	5,842,613
Net Increase (Decrease) In Cash	(3,782,240)	2,541,618
Cash – Beginning of Year	$ 5,465,729	$ 2,924,111
Cash – End of Year	$ 1,683,489	$ 5,465,729
Supplemental Cash Flow Information:		
Cash paid for:		
Interest paid	$ 37,341	$ -
Income Taxes	$ 800	$ 800

The accompanying notes are an integral part of these financial statements.

SKYLAR BODY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

Skylar Body, Inc. ("Skylar" or the "Company") was incorporated in the State of Delaware on November 2, 2017. Skylar is a maker of fragrances that are hypoallergenic and safe for sensitive skin. The Company has built a clean, beautiful, premium incredibly well-scented and recyclable fragrance brands for consumers. Skylar headquarters are in Los Angeles, California.

On December 29, 2022, Starco Brands, Inc. ("STCB"), through its wholly-owned subsidiary Starco Merger Sub II. Inc. ("First Merger Sub"), completed its acquisition (the "Skylar Acquisition") of Skylar Body, Inc. ("Skylar Inc."). The Skylar Acquisition consisted of First Merger Sub merging with and into Skylar Inc. ("First Merger") with Skylar being the surviving corporation, and immediately following the First Merger, and as part of the same overall transaction as the First Merger, Skylar Inc. merged with and into Second Merger Sub (the "Second Merger") with the Second Merger Sub being the surviving entity Skylar Body, LLC ("Skylar"). Skylar is a wholly-owned subsidiary of STCB.

Throughout this report, the terms "our," "we," "us," and the "Company" refer to Skylar.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

Basis of presentation

In the opinion of management, all adjustments necessary for the fair presentation of the financial statements have been included. Such adjustments are of a normal, recurring nature. The financial statements, and the accompanying notes, are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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. Significant estimates include the fair value of stock based compensation and allowance for receivables. Actual results could differ from those estimates.

Concentrations of Credit Risk and Significant Risks and Uncertainties

The COVID-19 pandemic and government steps to reduce the spread and address the impact of COVID-19 have impacted and may continue to impact our consumers' ability to purchase and our ability to manufacture and distribute our products. While we believe that, in the long-term, consumer demand for the products in our categories will continue to be strong, uncertainties continue surrounding the timing and duration of the pandemic and the recovery from it. We expect the ongoing economic impact, health concerns associated with COVID-19 and supply chain disruptions to continue to impact consumer behavior, shopping patterns and consumption preferences during 2023. Although the COVID-19 global pandemic did not have a material impact on the Company's performance in 2022, the Company cannot estimate its future impact.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents. Cash and cash equivalents held at financial institutions may at times exceed insured amounts. The Company believes it mitigates such risk by investing in or through, as well as maintaining cash balances, with major financial institutions. The Company had $1,683,489 and $5,465,729 cash equivalents as of December 31, 2021 and 2020, respectively.

Accounts Receivable

Revenues that have been recognized but payment has not been received are recorded as accounts receivable. Losses on receivables will be recognized when it is more likely than not that a receivable will not be collected. An allowance for estimated uncollectible amounts will be recognized to reduce the amount of receivables to its net realizable value. The allowance for uncollectible amounts is evaluated quarterly. The Company recorded allowances related to uncollectable amounts of $57,104 and $28,821 at December 31, 2021 and 2020, respectively.

Fair value of financial instruments

The Company follows paragraph 825-10-50-10 of the FASB Accounting Standards Codification for disclosures about fair value of its financial instruments and paragraph 820-10-35-37 of the FASB Accounting Standards Codification ("Paragraph 820-10-35-37") to measure the fair value of its financial instruments. Paragraph 820-10-35-37 establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America (U.S. GAAP) and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, Paragraph 820-10-35-37 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three (3) levels of fair value hierarchy defined by Paragraph 820-10-35-37 are described below:

Level 1: Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.

Level 2: Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

Level 3: Pricing inputs that are generally unobservable inputs and not corroborated by market data.

The carrying amount of the Company's consolidated financial assets and liabilities, such as cash, prepaid expenses and accrued expenses approximate their fair value because of the short maturity of those instruments.

Revenue recognition

Skylar earns its revenues through the sale of fragrances. Revenue from retail sales is recognized upon shipment to the retailer. Revenue from eCommerce sales, including Amazon Fulfilment by Amazon, is recognized upon shipment of merchandise and is measured based on the amount of consideration that we expect to receive, reduced by estimates for return allowances and promotional discounts. The Company estimates the amount of variable consideration to which it will be entitled and has concluded that variable consideration is not material regarding returns, allowances and estimates.

The Company applies the following five-step model in order to determine this amount: (i) identification of the promised goods in the contract; (ii) determination of whether the promised goods are performance obligations, including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

Stock-based Compensation

The Company accounts for stock-based compensation per the provisions of ASC 718, Share-based Compensation ("ASC 718"), which requires the use of the fair-value based method to determine compensation for all arrangements under which employees and others receive shares of stock or equity instruments (options and restricted stock units). The fair value of each option is estimated on the date of grant using a third-party valuation that uses a Black-Scholes model that makes assumptions for expected volatility, expected dividends, expected term, and the risk-free interest rate. The Company has not paid dividends historically and does not expect to pay them in the future. Expected volatilities are based on the volatility of comparable companies' common stock. The expected term of awards granted is derived using estimates based on the specific terms of each award. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for the period of the expected term. The grant date fair value of a restricted stock unit equals the estimated fair value of our common stock on the day of the grant date.

Preferred stock

In December 2017, the Company created new series of preferred stock entitled Preferred A stock, Preferred Series 1 stock and Preferred Series 2 stock. As of December 31, 2021 there were an aggregate 18,951,452 preferred shares authorized. The preferred shares have equal rights to liquidation preference before the shares of common stock.

The Company shall not declare, pay or set aside any dividends to preferred shareholders. If the Company declares a common stock dividend to common stockholders, preferred stockholders will have priority to receive a dividend in the amount at least equal to the amount of the dividend on shares of common stock. In the event of a liquidation event, Preferred A, Preferred Series 1 and Preferred Series 2 shares have liquidiation preference, followed by common stock. At all times, each share of Preferred Stock shall be convertible, at the option of the holder, into an equal number of fully paid and non-assessable shares of common stock.

The Company considered relevant guidance when accounting for the issuance of preferred stock and determined that the shares of preferred stock meet the criteria for equity classification.

Intangible Assets

The Company assesses potential impairment of its long-lived assets whenever events or changes in circumstances indicate that an asset or asset group's carrying value may not be recoverable. Factors that are considered important that could trigger an impairment review include a current period operating or cash flow loss combined with a history of operating or cash flow losses and a projection or forecast that demonstrates continuing losses or insufficient income associated with the use of a long-lived asset or asset group. Other factors include a significant change in the manner of the use of the asset or a significant negative industry or economic trend. This evaluation is performed based on estimated undiscounted future cash flows from operating activities compared with the carrying value of the related assets. If the undiscounted future cash flows are less than the carrying value, an impairment loss is recognized, measured by the difference between the carrying value, and the estimated fair value of the assets, with such estimated fair values determined using the best information available and in accordance with FASB ASC Topic 820, Fair Value Measurements. There were no charges related to impairment during all periods presented.

Property and Equipment

Property and equipment is recorded at cost. Depreciation is computed using straight-line over the estimated useful lives of the related assets. Expenditures that enhance the useful lives of the assets are capitalized and depreciated. Maintenance and repairs are expensed as incurred. When properties are retired or otherwise disposed of, related costs and related accumulated depreciation are removed from the accounts. Depreciation expense was $11,486 and $10,158 for the years ended December 31, 2021 and 2020, respectively.

Inventory

Inventory consists of premium fragrances. Inventory is measured using the first-in, first-out method and stated at average cost as of December 31, 2021 and 2020. The value of inventories is reduced for excess and obsolete inventories. The Company monitors inventory to identify events that would require impairment due to obsolete inventory and adjust the value of inventory when required. We recorded no inventory impairment losses for the years ended December 31, 2021 and 2020.

Research and Development

Research and development activities are directed toward the development of new products and processes as well as improvements in existing products and processes. These costs, which primarily include salaries, contract services and supplies, are expensed as incurred. The Company expensed $176,391 and $54,505 for research and development costs for the years ended December 31, 2021 and 2020, respectively.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets, including tax loss and credit carry forwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company utilizes ASC 740, "Income Taxes," which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. The Company accounts for income taxes using the asset and liability method to compute the differences between the tax basis of assets and liabilities and the related financial amounts, using currently enacted tax rates. A valuation allowance is recorded when it is "more likely-than-not" that a deferred tax asset will not be realized.

For uncertain tax positions that meet a "more likely than not" threshold, the Company recognizes the benefit of uncertain tax positions in the consolidated financial statements. The Company's practice is to recognize interest and penalties, if any, related to uncertain tax positions in income tax expense in the consolidated statements of operations.

Recent accounting pronouncements

In June 2022, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2022-03, Fair Value Measurement (Topic 820) ("ASU 2022-03"). The amendments in ASU 2022-03 clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. The amendments in this Update also require additional disclosures for equity securities subject to contractual sale restrictions. The provisions in this Update are effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company does not expect to early adopt this ASU. The Company is currently evaluating the impact of adopting this guidance on the condensed consolidated balance sheets, results of operations and financial condition.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which will supersede the existing lease guidance. The core principle of the guidance is that an entity should recognize the rights and obligations that arise from leases as assets and liabilities on the statement of financial position including leases that are classified as operating leases under existing GAAP. Further, the guidance requires additional disclosures, both qualitative and quantitative, to supplement the amounts recorded in the financial statements so that users can better understand the nature of the entity's leasing activities. For all non-public entities, this guidance is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted. The Company plans to adopt this standard on January 1, 2022 using a modified retrospective approach.

The Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

NOTE 3 – **GOING CONCERN**

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has an accumulated deficit of $18.7 million at December 31, 2021 including the impact of net loss of $5.3 million for the year ended December 31, 2021. Net cash used in operating activities was $3.8 million for the year ended December 31, 2021. The Company's ability to continue with this trend is unknown. The Company's ability to raise additional capital through the future issuances of common stock and/or debt financing is unknown. The obtainment of additional financing and the successful development of the Company's contemplated plan of operations, to the attainment of profitable operations are necessary for the Company to continue operations. These conditions and the ability to successfully resolve these factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements of the Company do not include any adjustments that may result from the outcome of these aforementioned uncertainties. As discussed in Note 1, on December 29, 2022, the Company and its equity holders entered into a merger agreement with Starco Brands, Inc., a Nevada corporation and certain of STCB's subsidiaries. As a result of the transaction, the Company became a wholly-owned subsidiary of STCB.

NOTE 4 – **PROPERTY AND EQUIPMENT**

Property and equipment, net consist of the following:

		December 31, 2021
Computer equipment	$	57,681
Furniture and fixtures		2,160
Property and equipment, gross		59,841
Less: Accumulated depreciation		(30,922)
Property and equipment, net	$	28,919

		December 31, 2020
Computer equipment	$	50,388
Furniture and fixtures		2,160
Property and equipment, gross		52,548
Less: Accumulated depreciation		(19,486)
Property and equipment, net	$	33,062

Depreciation expense for the year ended December 31, 2021 and 2020 was $11,486 and $10,158, respectively.

NOTE 5 – INVENTORY

Inventories by major class are as follows:

		December 31, 2021		December 31, 2020
Raw materials	$	504,350	$	93,340
Finished goods		458,573		503,169
Total inventory	$	962,923	$	596,509

NOTE 6 – INTANGIBLE ASSETS

Intangible assets, net consist of the following:

	December 31, 2021					
		Gross Carrying Amount		Accumulated Amortization		Net
Domain name	$	50,000	$	18,333	$	31,667

	December 31, 2020					
		Gross Carrying Amount		Accumulated Amortization		Net
Domain name	$	50,000	$	13,333	$	36,667

Amortization expense for the year ended December 31, 2021 and 2020 was $5,000 and $5,000, respectively.

As of December 31, 2021, future expected amortization expense of Intangible assets is as follows:

Fiscal Period:		
2022	$	5,000
2023		5,000
2024		5,000
2025		5,000
2026		5,000
Thereafter		6,667
Total amortization remaining	$	31,667

NOTE 7 – DEBT

Convertible Notes

On April 24, 2020 the Company issued $5,865,000 of Convertible Notes to various parties. The Convertible Notes hold an interest rate of 6% with all interest accrued being deferred until the payout date, where it will be added to the principal amount. The Convertible Notes mature 18 months from the date of issuance. The Convertible Notes contain a provision where they will receive a discounted conversion equaling 80% of the next equity price per share, with the discount reaching 75% of the next equity price per share if the total consideration received is less than $8,000,000.

On August 20, 2020 the Company entered into the Convertible Notes First Amendment, whereby, the discounted conversion price is equal to 80% of the next equity price per share, regardless of the total consideration received.

On November 10, 2021 the Company entered into the Convertible Notes Second Amendment, whereby, the maturity date of the Convertible Notes was extended to February 10, 2022, including a clause whereby the convertible notes maturity date would be extended until a transfer of control occurs, which occurred on December 29, 2022, the date of the Skylar Acquisition.

As of December 31, 2021 and December 31, 2020, the convertible notes had accrued interest in the amount of 608,411 and 241,992, respectively. Accrued interest is included in accrued liabilities on the balance sheet.

On December 29, 2022, as part of the Skylar acquisition by Starco Brands, Inc. (see Note 13), the Company converted all $5,865,000 of convertible notes and $1,007,149 of accrued interest into shares of the Company's Common Stock.

During the year ended December 31, 2021 and 2020 the Company incurred interest expense in the amount of $366,419 and $241,992 on the convertible notes.

Revolving Line of Credit

On November 30, 2021 the Company entered into a $2,000,000 Revolving Line of Credit Loan and Security Agreement ("Line of Credit") with Silicon Valley Bank. Interest is due monthly and accrues at a floating rate per annum equal to the greater of (i) 3.75%, or (ii) the prime Wall Street Journal plus the prime rate margin of 0.50%, with a default interest rate of 5%. The Line of Credit matures one year from the effective date. The Line of Credit was not funded until February 2022. In addition to issuing the Line of Credit, Silicon Valley Bank was issued 19,520 warrants to purchase Skylar's common stock at an exercise price of $0.20 per share as part of the transaction. The warrants are accounted for as equity and expensed over the expected life of the warrants.

On May 12, 2022 the Company and Silicon Valley Bank, entered into a Default Waiver and First Amendment to the Line of Credit Agreement ("Line of Credit First Amendment") as the Company did not meet certain revenue covenants within the Line of Credit agreement. In the Line of Credit First Amendment, Silicon Valley Bank waived its default rights and remedies against the Company and implemented new cash covenants to replace the revenue covenants.

On November 10, 2022, the Company and Silicon Valley Bank, entered into a Forbearance Agreement due to the Company going into default on the Line of Credit First Amendment, due to the Company not being able to meet certain cash covenants, namely maintaining unrestricted and unencumbered cash and cash equivalents with Silicon Valley Bank of at least $1,500,000. Silicon Valley Bank agreed to forbear from exercising its default rights until the earliest occurs (i) another event of default occurs, (ii) November 29, 2022, or (iii) noncompliance with forbearance terms.

On November 28, 2022, the Company and Silicon Valley Bank, entered into a Loan Forbearance and Second Amendment to the Line of Credit Agreement ("Line of Credit Second Amendment"), whereby, the maturity date was extended to January 13, 2023. Additionally, the forbearance terms were amended and Silicon Valley Bank agreed to forbear from exercising its default rights until the earliest occurs (i) another event of default occurs, (ii) January 13, 2023, or (iii) noncompliance with forbearance terms.

On December 16, 2022, the Company and Silicon Valley Bank, entered into a Third Amendment to the Line of Credit Agreement, whereby, the forbearance terms outlined in the Line of Credit Second Amendment were replaced with a $15,000 forbearance fee.

On December 29, 2022, the Company paid off the entire $2,000,000 principal and $12,071 of accrued interest on the Line of Credit with cash received as part of the Skylar Acquisition by Starco Brands, Inc. (see Note 13).

During the year ended December 31, 2021 and 2020 the Company did not incur any interest expense on the Line of Credit.

NOTE 8 – STOCK OPTIONS

The Company enters into agreements with employees and consultants for services to be performed. As consideration for the services to be performed, the Company grants employees stock options to purchase common stock. The stock options have one to four year vesting terms depending on the agreement. The stock options are valued using 409A valuations under an hybrid options pricing model using the assumptions of a risk-free interest rate consistent with the U.S. treasury yield at the time of valuation, expected volatility of 50.00%, 0.00% dividend rate and an expected term of 1.5 years.

A summary of the status of the Company's outstanding stock options and changes during the periods is presented below:

	Shares available to purchase with options	Weighted Average Exercise Price	Grant Date Fair Value
Outstanding, December 31, 2019	1,387,357	$ 0.18	$ 249,724
Issued	496,389	0.20	99,278
Exercised	(127,708)	0.20	25,542
Forfeited	(52,292)	0.20	10,458
Expired	-	-	-
Outstanding, December 31, 2020	1,703,746	$ 0.19	$ 340,749
Issued	118,552	0.20	23,710
Exercised	(26,666)	0.20	5,333
Forfeited	(28,334)	0.20	5,667
Expired		-	-
Outstanding, December 31, 2021	1,767,298	$ 0.20	$ 353,460
Exercisable, December 31, 2021	1,070,716	$ 0.20	$ 214,143

The compensation expense attributed to the issuance of the stock options is recognized over the expected life of the options.

Total expense related to the stock options was $83,881 and $60,629 for the year ended December 31, 2021 and 2020, respectively, and is recorded as part of compensation expense.

The aggregate intrinsic value is $230,471 for total outstanding and exercisable options, which was based on our estimated fair value of the common stock of $0.20 as of December 31, 2021, which is the aggregate fair value of the common stock that would have been received by the option holders had all option holders exercised their options as of that date, net of the aggregate exercise price.

NOTE 9 – STOCKHOLDER'S EQUITY

As of December 31, 2021 and 2020, the Company has 16 and 14 common stock stockholders who hold 16,179,874 and 10,819,875 shares of common stock, respectively.

As of December 31, 2021 and 2020, the Company has 10 Preferred A stockholders who hold 8,221,919 shares of Preferred A.

As of December 31, 2021 and 2020, the Company has 10 Preferred Series 1 stockholder who holds 8,487,519 shares of Preferred Series 1.

As of December 31, 2021 and 2020, the Company has 1 Preferred Series 2 stockholders who hold 2,242,014 shares of Preferred Series 2.

During the years ended December 31, 2021 and 2020, the Company did not pay any dividends or distribute any capital to stockholders.

NOTE 10 – RELATED PARTY TRANSACTIONS

For the years ended December 31, 2021 and 2020, the Company did not participate in any related party transactions with any director, officer, affiliate of the Company, any owner of record or beneficial ownership of more than 5% of any class of its voting securities.

NOTE 11 – COMMITMENTS & CONTINGENCIES

Legal

There are no material pending legal proceedings in which the Company is a party or in which any director, officer or affiliate of the Company, any owner of record or beneficially of more than 5% of any class of its voting securities, or security holder is a party adverse to us or has a material interest adverse to the Company.

NOTE 12 – INCOME TAXES

The Company accounts for income taxes under ASC 740 – Income Taxes ("ASC 740"), which provides for an asset and liability approach of accounting for income taxes. Under this approach, deferred tax assets and liabilities are recognized based on anticipated future tax consequences, using currently enacted tax laws, attributed to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts calculated for income tax purposes.

The components of the Company's tax rates for the years ended December 31, 2021 and 2020 consist of the following:

	2021	2020

	2021	2020
U.S. federal statutory rate	(21.0%)	(21.0%)
Effects of:		
State taxes, net of federal benefit	(7.0%)	(7.0%)
Permanent differences	2.3%	0.4%
Valuation allowance	25.7%	(27.6%)
Effective rate	0.0%	0.0%

Significant components of the Company's deferred tax assets as of December 31, 2021 and 2020 are summarized below.

	2021	2020
Deferred tax assets:		
Net operating losses	3,973,000	3,093,000
Stock-based compensation	583,000	291,000
Accounts receivable allowance	16,000	8,000
Inventory reserve	36,000	29,000
Tax credit carryforwards	5,000	-
Total deferred tax asset	4,613,000	3,421,000
Less valuation allowance	(4,613000)	(3,421,000)
Net deferred income tax asset	$ -	$ -

As of December 31, 2021 the Company had approximately $14 million and $11 million of federal and state net operating loss carry forwards, respectively. Future utilization of the federal net operating loss carry forwards is subject to certain limitations under Section 382 of the Internal Revenue Code. The federal and state net operating losses expire between 16 and 20 years beginning 2037. Approximately $11 million and $9 million of these federal and state net operating losses, respectively, can be carried forward indefinitely.

The Company provides for a valuation allowance when it is more likely than not that it will not realize a portion of the deferred tax assets. The Company has established a valuation allowance against the net deferred tax asset due to the uncertainty that enough taxable income will be generated in those taxing jurisdictions to utilize the assets. Therefore, we have not reflected any benefit of such deferred tax assets in the accompanying financial statements. Our valuation allowance increased by approximately $1,192,000 and $1,054,000 for the years ended December 31, 2021 and 2020, respectively. Deferred tax assets were calculated using the Company's combined effective tax rate, which it estimated to be 28%. The effective rate is reduced to 0% for 2021 and 2020, respectively, due to the full valuation allowance on its net deferred tax assets.

The Company is subject to U.S. federal, state and foreign income tax examinations by tax authorities for all tax years since inception due to the Company's net carryover of unused operating losses. The Company may be subject to income tax examinations for the various taxing authorities which vary by jurisdiction. The Company is currently not under examination in any jurisdiction.

The Company recognizes any interest and penalties related to any uncertain tax positions through its income tax expense.

NOTE 13 – SUBSEQUENT EVENTS

On December 29, 2022, the Company and its equity holders entered into a merger agreement with Starco Brands, Inc., a Nevada corporation, and certain of STCB's subsidiaries (the Skylar Acquisition). As a result of the merger transactions, the Company became a wholly-owned subsidiary of STCB.

During the period from January 1, 2022 to December 29, 2022, the Company issued employees 1,599,664 options to buy shares of Common Stock at $0.20 per share for services to be provided to the Company. The options vest over a term of one to four years.

The Company entered into line of credit amendments, default waivers and loan forbearance agreements with Silicon Valley Bank as the Company was in default on the line of credit covenants, refer to Note 7 – Debt for more information.

SKYLAR BODY, INC.
CONDENSED FINANCIAL STATEMENTS AS OF SEPTEMBER 30 2022 AND 2021

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SKYLAR BODY, INC.
CONDENSED BALANCE SHEETS
(unaudited)

		September 30, 2022		December 31, 2021
ASSETS				
Current Assets:				
Cash and cash equivalents	$	963,124	$	1,683,489
Accounts receivable, net		546,466		429,494
Prepaid expenses and other assets		528,031		365,476
Inventory		2,276,405		962,923
Total Current Assets	$	4,314,026	$	3,441,382
Property and equipment, net		29,316		28,919
Intangibles, net		95,416		31,667
Total Assets	$	4,438,758	$	3,501,968
LIABILITIES AND STOCKHOLDERS' DEFICIT				
Current Liabilities:				
Accounts payable	$	1,517,822	$	951,061
Accrued liabilities		2,106,177		1,588,539
Total Current Liabilities	$	3,623,999	$	2,539,600
Notes payable		7,865,000		5,865,000
Total Liabilities	$	11,488,999	$	8,404,600
Commitments and Contingencies				
Stockholders' Deficit:				
Preferred A, $.0001 par value; 8,221,919 shares authorized; 8,222,919 shares issued and outstanding, at September 30, 2022 and December 31 2021, respectively		822		822
Preferred Series 1, $.0001 par value; 8,487,519 shares authorized; 8,847,519 shares issued and outstanding, at September 30, 2022 and December 31 2021, respectively		849		849
Preferred Series 2, $.0001 par value; 2,242,014 shares authorized; 2,242,014 shares issued and outstanding, at September 30, 2022 and December 31 2021		224		224
Common Stock, $.0001 par value; 40,947,757 shares authorized; 15,960,163 and 16,179,874 shares issued and outstanding, at September 30, 2022 and December 31 2021, respectively		1,596		1,618
Additional paid in capital		14,582,205		13,756,245
Accumulated deficit		(21,635,937)		(18,662,390)
Stockholders' Deficit	$	(7,050,241)	$	(4,902,632)
Total Liabilities and Stockholders' Deficit	$	4,438,758	$	3,501,968

The accompanying notes are an integral part of these unaudited condensed financial statements.

SKYLAR BODY, INC.
CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Nine Months Ended	
	9/30/2022	9/30/2021
Revenue	$ 7,775,695	$ 5,826,641
Cost of goods sold	1,970,365	1,681,670
Gross profit	$ 5,805,330	$ 4,144,971
Operating Expenses:		
Selling, general and administrative	$ 3,825,708	$ 2,776,126
Marketing and advertising	2,851,401	1,995,395
Compensation expense	1,695,422	2,092,505
Research and development	121,899	116,988
Total Operating Expenses	8,494,430	6,981,014
Loss from operations	(2,689,100)	(2,836,043)
Other Income (Expense):		
Interest (income) expense	288,653	506,723
Other expense	(4,206)	(17,901)
Total Other (Income) Expense, net	284,447	488,822
Loss before provisions for income taxes	$ (2,973,547)	$ (3,324,865)
Provision for income taxes	-	-
Net Loss	$ (2,973,547)	$ (3,324,865)

The accompanying notes are an integral part of these unaudited condensed financial statements.

SKYLAR BODY, INC.
CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Unaudited)

	Preferred Stock		Common Stock				
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Stockholders' Equity (Deficit)
Balance at December 31, 2020	18,951,452	1,895	10,819,875	1,082	12,707,388	(13,346,372)	(636,007)
Stock based compensation	-	-	-	-	428,718	-	428,718
RSUs vesting	-	-	4,000,000	400	353,927	-	354,327
Option exercise	-	-	20,000	2	3,998	-	4,000
Net loss	-	-	-	-	-	(3,324,865)	(3,324,865)
Balance at September 31, 2021	18,951,452	1,895	14,839,875	1,484	13,494,031	(16,671,237)	(3,173,827)
Balance at December 31, 2021	18,951,452	1,895	16,179,874	1,618	13,756,245	(18,662,390)	(4,902,632)
Stock based compensation	-	-	-	-	822,152	-	822,152
Option exercise	-	-	219,272	22	38,883	-	38,905
Treasury stock repurchase	-	-	(438,983)	(44)	(35,075)	-	(35,119)
Net loss	-	-	-	-	-	(2,973,547)	(2,973,547)
Balance at September 31, 2022	18,951,452	$ 1,895	15,960,163	$ 1,596	$ 14,582,205	$ (21,635,937)	$ (7,050,241)

The accompanying notes are an integral part of these unaudited condensed financial statements.

SKYLAR BODY, INC.
CONDENSED STATEMENTS OF CASH FLOWS

	For the Nine Months Ended	
	9/30/2022	9/30/2021
Cash Flows Used In Operating Activities:		
Net loss	$ (2,973,547)	$ (3,324,865)
Adjustments to reconcile net loss to net cash used in operating activities:		

Stock based compensation	822,152	783,045
Depreciation	9,861	8,520
Amortization	3,751	3,750
Changes in operating assets and liabilities:		
Accounts Receivable	(116,972)	(1,088,569)
Prepaid Expenses and Other Assets	(162,555)	(461,936)
Inventory	(1,313,482)	(737,660)
Accounts Payable	566,761	543,388
Accrued liabilities	517,638	624,540
Net Cash Used In Operating Activities	(2,646,393)	(3,649,787)
Cash Flows From Investing Activities:		
Purchase of Property and Equipment	(10,258)	(5,741)
Purchase of Intangible Assets	(67,500)	
Net Cash Used In Investing Activities	(77,758)	(5,741)
Cash Flows From Financing Activities:		
Proceeds from exercise of stock options	38,905	4,000
Line of credit advances	2,000,000	-
Treasury stock repurchase	(35,119)	-
Net Cash Provided By Financing Activities	1,964,881	4,000
Net Decrease In Cash	(720,365)	(3,651,528)
Cash – Beginning of Period	$ 1,683,489	$ 5,465,729
Cash – End of Period	$ 963,124	$ 1,814,201
Supplemental Cash Flow Information:		
Cash paid for:		
Interest paid	$ 61,774	$ -
Income Taxes	$ 800	$ 800

The accompanying notes are an integral part of these unaudited condensed financial statements.

SKYLAR BODY, INC.
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

Skylar Body, Inc. ("Skylar" or the "Company") was incorporated in the State of Delaware on November 2, 2017. Skylar is a maker of fragrances that are hypoallergenic and safe for sensitive skin. The Company has built a clean, beautiful, premium incredibly well-scented and recyclable fragrance brands for consumers. Skylar headquarters are in Los Angeles, California.

On December 29, 2022, Starco Brands, Inc. ("STCB"), through its wholly-owned subsidiary Starco Merger Sub II. Inc. ("First Merger Sub"), completed its acquisition (the "Skylar Acquisition") of Skylar Body, Inc. ("Skylar Inc."). The Skylar Acquisition consisted of First Merger Sub merging with and into Skylar Inc. ("First Merger") with Skylar being the surviving corporation, and immediately following the First Merger, and as part of the same overall transaction as the First Merger, Skylar Inc. merged with and into Second Merger Sub (the "Second Merger") with the Second Merger Sub being the surviving entity Skylar Body, LLC ("Skylar"). Skylar is a wholly-owned subsidiary of STCB.

Throughout this report, the terms "our," "we," "us," and the "Company" refer to Skylar.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

Basis of presentation

In the opinion of management, all adjustments necessary for the fair presentation of the condensed financial statements have been included. Such adjustments are of a normal, recurring nature. The condensed financial statements, and the accompanying notes, are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and do not contain certain information included in the Company's audited financial statements for the year ended December 31, 2021. Therefore, the interim condensed consolidated financial statements should be read in conjunction with that Annual Report on Form 10-K.

Use of estimates

The preparation of the condensed financial statements in conformity with generally accepted accounting principles 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 condensed financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the fair value of stock based compensation and allowance for receivables. Actual results could differ from those estimates.

Concentrations of Credit Risk and Significant Risks and Uncertainties

The COVID-19 pandemic and government steps to reduce the spread and address the impact of COVID-19 have impacted and may continue to impact our consumers' ability to purchase and our ability to manufacture and distribute our products. While we believe that, in the long-term, consumer demand for the products in our categories will continue to be strong, uncertainties continue surrounding the timing and duration of the pandemic and the recovery from it. We expect the ongoing economic impact, health concerns associated with COVID-19 and supply chain disruptions to continue to impact consumer behavior, shopping patterns and consumption preferences during 2023. Although the COVID-19 global pandemic did not have a material impact on the Company's performance in during the nine months ended September 30, 2022 and 2021, the

Company cannot estimate its future impact.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents. Cash and cash equivalents held at financial institutions may at times exceed insured amounts. The Company believes it mitigates such risk by investing in or through, as well as maintaining cash balances, with major financial institutions. The Company had $963,124 and $1,683,489 cash equivalents as of September 30, 2022 and December 31, 2021, respectively.

Accounts Receivable

Revenues that have been recognized but payment has not been received are recorded as accounts receivable. Losses on receivables will be recognized when it is more likely than not that a receivable will not be collected. An allowance for estimated uncollectible amounts will be recognized to reduce the amount of receivables to its net realizable value. The allowance for uncollectible amounts is evaluated quarterly. The Company recorded allowances related to uncollectable amounts of $94,606 and $57,104 at September 30, 2022 and December 31, 2021, respectively.

Fair value of financial instruments

The Company follows paragraph 825-10-50-10 of the FASB Accounting Standards Codification for disclosures about fair value of its financial instruments and paragraph 820-10-35-37 of the FASB Accounting Standards Codification ("Paragraph 820-10-35-37") to measure the fair value of its financial instruments. Paragraph 820-10-35-37 establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America (U.S. GAAP) and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, Paragraph 820-10-35-37 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three (3) levels of fair value hierarchy defined by Paragraph 820-10-35-37 are described below:

Level 1: Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.

Level 2: Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

Level 3: Pricing inputs that are generally unobservable inputs and not corroborated by market data.

The carrying amount of the Company's consolidated financial assets and liabilities, such as cash, prepaid expenses and accrued expenses approximate their fair value because of the short maturity of those instruments.

Revenue recognition

Skylar earns its revenues through the sale of fragrances. Revenue from retail sales is recognized at shipment to the retailer. Revenue from eCommerce sales, including Amazon Fulfilment by Amazon, is recognized upon shipment of merchandise and is measured based on the amount of consideration that we expect to receive, reduced by estimates for return allowances and promotional discounts. The Company estimates the amount of variable consideration to which it will be entitled and has concluded that variable consideration is not material regarding returns, allowances and estimates.

The Company applies the following five-step model in order to determine this amount: (i) identification of the promised goods in the contract; (ii) determination of whether the promised goods are performance obligations, including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

Stock-based Compensation

The Company accounts for stock-based compensation per the provisions of ASC 718, Share-based Compensation ("ASC 718"), which requires the use of the fair-value based method to determine compensation for all arrangements under which employees and others receive shares of stock or equity instruments (options and restricted stock units). The fair value of each option is estimated on the date of grant using the third-party valuation that uses a Black-Scholes model that makes assumptions for expected volatility, expected dividends, expected term, and the risk-free interest rate. The Company has not paid dividends historically and does not expect to pay them in the future. Expected volatilities are based on the volatility of comparable companies' common stock. The expected term of awards granted is derived using estimates based on the specific terms of each award. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for the period of the expected term. The grant date fair value of a restricted stock unit equals the estimated fair value of our common stock on the day of the grant date.

Preferred stock

In December 2017, the Company created new series of preferred stock entitled Preferred A stock, Preferred Series 1 stock and Preferred Series 2 stock. As of December 31, 2021 there were an aggregate 18,951,452 preferred shares authorize. The preferred shares have equal rights to liquidation preference before the shares of common stock.

The Company shall not declare, pay or set aside any dividends to preferred shareholders. If the Company declares a common stock dividend to common stockholders, preferred stockholders will have priority to receive a dividend in the amount at least equal to the amount of the dividend on shares of common stock. In the event of a liquidation event, Preferred A, Preferred Series 1 and Preferred Series 2 shares have first right, followed by common stock. At all times, each share of Preferred Stock shall be convertible, at the option of the holder, into an equal number of fully paid and non-assessable shares of common stock.

The Company considered relevant guidance when accounting for the issuance of preferred stock and determined that the shares of preferred stock meet the criteria for equity classification.

Intangible Assets

The Company assesses potential impairment of its long-lived assets whenever events or changes in circumstances indicate that an asset or asset group's carrying value may not be recoverable. Factors that are considered important that could trigger an impairment review include a current period operating or cash flow loss combined with a history of operating or cash flow losses and a projection or forecast that demonstrates continuing losses or insufficient income associated with the use of a long-lived asset or asset group. Other factors include a significant change in the manner of the use of the asset or a significant negative industry or economic trend. This evaluation is performed based on estimated undiscounted future cash flows from operating activities compared with the carrying value of the related assets. If the undiscounted future cash flows are less than the carrying value, an impairment loss is recognized, measured by the difference between the carrying value, and the estimated fair value of the assets, with such estimated fair values determined using the best information available and in accordance with FASB ASC Topic 820, Fair Value Measurements. There were no charges related to impairment during all periods presented.

Property and Equipment

Property and equipment is recorded at cost. Depreciation is computed using straight-line over the estimated useful lives of the related assets. Expenditures that enhance the useful lives of the assets are capitalized and depreciated. Maintenance and repairs are expensed as incurred. When properties are retired or otherwise disposed of, related costs and related accumulated depreciation are removed from the accounts. Depreciation expense was $9,861 and $8,520 for the nine months ended September 30, 2022 and 2021, respectively.

Inventory

Inventory consists of premium fragrances. Inventory is measured using the first-in, first-out method and stated at average cost as of September 30, 2022 and December 31, 2021. The value of inventories is reduced for excess and obsolete inventories. The Company monitors inventory to identify events that would require impairment due to obsolete inventory and adjust the value of inventory when required. We recorded no inventory impairment losses for the nine months ended September 30, 2022 and 2021.

Research and Development

Research and development activities are directed toward the development of new products and processes as well as improvements in existing products and processes. These costs, which primarily include salaries, contract services and supplies, are expensed as incurred. The Company expensed $121,889 and $ 116,988 for research and development costs for the nine months ended September 30, 2022 and 2021, respectively.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets, including tax loss and credit carry forwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company utilizes ASC 740, “Income Taxes,” which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. The Company accounts for income taxes using the asset and liability method to compute the differences between the tax basis of assets and liabilities and the related financial amounts, using currently enacted tax rates. A valuation allowance is recorded when it is “more likely-than-not” that a deferred tax asset will not be realized.

For uncertain tax positions that meet a “more likely than not” threshold, the Company recognizes the benefit of uncertain tax positions in the consolidated financial statements. The Company’s practice is to recognize interest and penalties, if any, related to uncertain tax positions in income tax expense in the consolidated statements of operations.

The Company has incurred losses during all periods being presented. As such, the Company has not provided for federal income taxes during the periods presented. Additionally, the company has recorded a valuation allowance in the full amount of any potential deferred tax asset since realization of any future tax benefits has been determined by our management to be less likely than not. Moreover, there are no deferred income taxes related to state and local level income taxes at September 30, 2022 and September 30, 2021.

Recent accounting pronouncements

Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which will supersede the existing lease guidance. The core principle of the guidance is that an entity should recognize the rights and obligations that arise from leases as assets and liabilities on the statement of financial position including leases that are classified as operating leases under existing GAAP. Further, the guidance requires additional disclosures, both qualitative and quantitative, to supplement the amounts recorded in the financial statements so that users can better understand the nature of the entity’s leasing activities. For all non-public entities, this guidance is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted. The Company adopted this standard on January 1, 2022 using a modified retrospective approach, the adoption did not have a material effect on the Company.

Issued

In June 2022, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2022-03, Fair Value Measurement (Topic 820) (“ASU 2022-03”). The amendments in ASU 2022-03 clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. The amendments in this Update also require additional disclosures for equity securities subject to contractual sale restrictions. The provisions in this Update are effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company does not expect to early adopt this ASU. The Company is currently evaluating the impact of adopting this guidance on the consolidated balance sheets, results of operations and financial condition.

The Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

NOTE 3 – GOING CONCERN

The accompanying condensed financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has an accumulated deficit of $21.6 million at September 30, 2022 including the impact of its net loss of $3.0 million for the nine months ended September 30, 2022. Net cash used in operating activities was $2.6 million for the nine months ended September 30, 2022. The Company’s ability to continue with this trend is unknown. The Company’s ability to raise additional capital through the future issuances of common stock and/or debt financing is unknown. The obtainment of additional financing and the successful development of the Company’s contemplated plan of operations, to the attainment of profitable operations are necessary for the Company to continue operations. These conditions and the ability to successfully resolve these factors raise substantial doubt about the Company’s ability to continue as a going concern. The condensed financial statements of the Company do not include any adjustments that may result from the outcome of these aforementioned uncertainties. In consideration of the going concern, on December 29, 2022, the Company and its equity holders entered into a merger agreement with Starco Brands, Inc., a Nevada corporation, and certain of STCB’s subsidiaries (the Skylar Acquisition). As a result of the transaction, the Company became a wholly-owned subsidiary of Starco.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment, net consist of the following:

		September 30, 2022
Computer equipment	$	67,939
Furniture and fixtures		2,160
Property and equipment, gross		70,099
Less: Accumulated depreciation		(40,783)
Property and equipment, net	$	29,316

		December 31, 2021
Computer equipment	$	57,681
Furniture and fixtures		2,160
Property and equipment, gross		59,841
Less: Accumulated depreciation		(30,922)
Property and equipment, net	$	28,919

Depreciation expense for the nine months ended September 30, 2022 and 2021 was $9,861 and $8,520, respectively.

NOTE 5 – INVENTORY

Inventories by major class are as follows:

		September 30, 2022		December 31, 2021
Raw materials	$	1,481,940	$	504,350
Finished goods		794,463		458,573
Total inventory	$	2,276,403	$	962,923

NOTE 6 – INTANGIBLE ASSETS

Intangible assets, net consist of the following:

	September 30, 2022					
		Gross Carrying Amount		Accumulated Amortization		Net
Domain name	$	50,000	$	22,084	$	27,916
Formulas	$	67,500	$	-	$	67,500
Total intangible assets	$	117,500	$	22,084	$	95,416

	December 31, 2021					
		Gross Carrying Amount		Accumulated Amortization		Net
Domain name	$	50,000	$	18,333	$	31,667
Total intangible assets	$	50,000	$	18,333	$	31,667

Amortization expense for the nine months ended September 30, 2022 and 2021 was $3,751 and $3,750, respectively.

As of September 30, 2022, future expected amortization expense of Intangible assets is as follows:

Fiscal Period:		
Remainder of 2022	$	1,249
2023		5,000
2024		5,000
2025		5,000
2026		5,000
Thereafter		6,667
Total amortization remaining	$	27,916

NOTE 7 – DEBT

Convertible Notes

On April 24, 2020 the Company issued $5,865,000 of Convertible Notes to various parties. The Convertible Notes hold an interest rate of 6% with all interest accrued being deferred until the payout date, where it will be added to the principal amount. The Convertible Notes mature 18 months from the date of issuance. The Convertible Notes contain a provision where they will receive a discounted conversion equaling 80% of the next equity price per share, with the discount reaching 75% of the next equity price per share if the total consideration received is less than $8,000,000.

On August 20, 2020 the Company entered into the Convertible Notes First Amendment, whereby, the discounted conversion price is equal to 80% of the next equity price per share, regardless of the total consideration received.

On November 10, 2021 the Company entered into the Convertible Notes Second Amendment, whereby, the maturity date of the Convertible Notes was extended to February 10, 2022, including a clause whereby the convertible notes maturity date would be extended until a transfer of control occurs, which occurred on December 29, 2022, the date of the Skylar Acquisition.

As of September 30, 2022 and December 31, 2021, the convertible notes had accrued interest in the amount of 897,155 and 608,411, respectively. Accrued interest is included in accrued liabilities on the balance sheet.

On December 29, 2022, as part of the Skylar Acquisition by Starco Brands, Inc. (see Note 13), the Company converted all $5,865,000 of convertible notes and $1,007,149 of accrued interest into the Company's equity.

During the nine months ended September 30, 2022 and 2021 the Company incurred interest expense in the amount of $350,518 and $272,340 on the convertible notes.

Revolving Line of Credit

On November 30, 2021 the Company entered into a $2,000,000 Revolving Line of Credit Loan and Security Agreement ("Line of Credit") with Silicon Valley Bank. Interest is due monthly and accrues at a floating rate per annum equal to the greater of (i) 3.75%, or (ii) the prime Wall Street Journal plus the prime rate margin of 0.50%, with a default interest rate of 5%. The Line of Credit matures one year from the effective date. The Line of Credit was not funded until February 2022. In addition to issuing the Line of Credit, Silicon Valley Bank was issued 19,520 warrants to purchase Skylar's common stock at an exercise price of $0.20 per share as part of the transaction The warrants are accounted for as equity and expensed over the expected life of the warrants.

On May 12, 2022 the Company and Silicon Valley Bank, entered into a Default Waiver and First Amendment to the Line of Credit Agreement ("Line of Credit First Amendment") as the Company did not meet certain revenue covenants within the Line of Credit agreement. In the Line of Credit First Amendment, Silicon Valley Bank waived its default rights and remedies against the Company and implemented new cash covenants to replace the revenue covenants.

On November 10, 2022, the Company and Silicon Valley Bank, entered into a Forbearance Agreement due to the Company going into default on the Line of Credit First Amendment, due to the Company not being able to meet certain cash covenants, namely maintaining unrestricted and unencumbered cash and cash equivalents with Silicon Valley Bank of at least $1,500,000. Silicon Valley Bank agreed to forbear from exercising its default rights until the earliest occurs (i) another event of default occurs, (ii) November 29, 2022, or (iii) noncompliance with forbearance terms.

On November 28, 2022, the Company and Silicon Valley Bank, entered into a Loan Forbearance and Second Amendment to the Line of Credit Agreement ("Line of Credit Second Amendment"), whereby, the maturity date was extended to January 13, 2023. Additionally, the forbearance terms were amended and Silicon Valley Bank agreed to forbear from exercising its default rights until the earliest occurs (i) another event of default occurs, (ii) January 13, 2023, or (iii) noncompliance with forbearance terms.

On December 16, 2022, the Company and Silicon Valley Bank, entered into a Third Amendment to the Line of Credit Agreement, whereby, the forbearance terms outlined in the Line of Credit Second Amendment were replaced with a $15,000 forbearance fee.

On December 29, 2022, as part of the Skylar Acquisition by Starco Brands, Inc. (see Note 13), the Company paid off the entire $2,000,000 principal and $12,071 of accrued interest on the Line of Credit.

During the year nine months ended September 30, 2022 and September 30, 2021 the Company incurred interest expense of $61,774 and $0 on the Line of Credit.

NOTE 8 – STOCK OPTIONS

The Company enters into agreements with employees and consultants for services to be performed. As consideration for the services to be performed, the Company grants employees stock options to purchase common stock. The stock options have one to four year vesting terms depending on the agreement. The stock options are valued using 409A valuations.

	Shares available to purchase with options	Weighted Average Exercise Price	Grant Date Fair Value
Outstanding, December 31, 2020	1,703,746	$ 0.19	$ 340,749
Issued	118,552	0.20	23,710
Exercised	(26,666)	0.20	5,333
Forfeited	(28,334)	0.20	5,667
Expired		-	-
Outstanding, September 30, 2021	1,703,746	$ 0.19	$ 340,749
Outstanding, December 31, 2021	1,767,298	$ 0.20	$ 353,460
Issued	1,599,664	0.20	319,933
Exercised	-	-	-
Forfeited	-	-	-
Expired		-	-
Outstanding, September 30, 2022	3,366,962	$ 0.20	$ 673,392
Exercisable, September 30, 2022	2,138,119	$ 0.20	$ 427,624

The compensation expense attributed to the issuance of the stock warrants is recognized as they are vested.

Total compensation expense related to the stock options was $415,775 and $87,981 for the nine months ended September 30, 2022 and 2021, respectively, and is recorded as part of compensation expense.

The aggregate intrinsic value is $353,460 for total outstanding and exercisable options, which was based on our estimated fair value of the common stock of $0.20 as of September 30, 2022, which is the aggregate fair value of the common stock that would have been received by the option holders had all option holders exercised their options as of that date, net of the aggregate exercise price.

NOTE 9 – STOCKHOLDER'S EQUITY

As of September 30, 2022 and 2021, the Company has 16 common stock stockholders who hold 15,960,162 and 14,839,874 shares of common stock, respectively.

As of September 30, 2022 and 2021, the Company has 10 Preferred A stockholders who hold 8,221,919 shares of Series A Preferred.

As of September 30, 2022 and 2021, the Company has 1 Preferred Series 1 stockholder who holds 8,487,519 shares of Preferred Series 2

In the nine months ended September 30, 2022, the Company repurchased an aggregate of 438,983 shares of Common Stock at an average price of $0.13 per share.

As of September 30, 2022 and 2021, the Company has 15 Preferred Series 2 stockholders who hold 2,242,014 shares of Preferred Series 2

During the six months ended June 30, 2022 and 2021, the Company did not pay any dividends or distribute any capital to stockholders.

NOTE 10 – RELATED PARTY TRANSACTIONS

For the nine months ended September 30, 2022 and 2021, the Company did not participate in any related party transactions with any director, officer, affiliate of the Company, any owner of record or beneficial ownership of more than 5% of any class of its voting securities.

NOTE 11 – COMMITMENTS & CONTINGENCIES

Legal

There are no material pending legal proceedings in which the Company is a party or in which any director, officer or affiliate of the Company, any owner of record or beneficially of more than 5% of any class of its voting securities, or security holder is a party adverse to us or has a material interest adverse to the Company.

NOTE 12 – SUBSEQUENT EVENTS

On December 29, 2022, the Company and its equity holders entered into a merger agreement with Starco Brands, Inc., a Nevada corporation, and certain of STCB's subsidiaries (the Skylar Acquisition). As a result of the transaction, the Company became a wholly-owned subsidiary of STCB.

EXHIBIT 99.3

STARCO BRANDS INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma condensed consolidated balance sheet as of September 30, 2022 and the unaudited pro forma condensed consolidated statement of operations for the nine months ended September 30, 2022 and the year ended December 31, 2021 are based on the historical consolidated financial statements of Starco Brands Inc., a Nevada corporation ("STCB" or the "Company") and Skylar Body, Inc. ("Skylar" and following the Acquisition, Skylar LLC, which will be referred to as Skylar), after giving retroactive effect to the Company's acquisition of Skylar effective December 29, 2022 (the "Acquisition"), and applying the assumptions and adjustments described in the accompanying notes to the unaudited pro forma condensed consolidated financial statements.

The unaudited pro forma condensed consolidated balance sheet as of September 30, 2022 is presented as if the Acquisition had occurred on September 30, 2022, and is derived from the unaudited condensed consolidated balance sheet of the Company at September 30, 2022 and the unaudited condensed balance sheet of Skylar at September 30, 2022 and gives effect to certain pro forma adjustments. The unaudited pro forma condensed consolidated statement of operations for the nine months ended September 30, 2022 is presented as if the Acquisition had occurred on January 1, 2022 and gives effect to certain pro forma adjustments and are derived from the unaudited condensed consolidated statement of operations of the Company for the nine months ended September 30, 2022 and the unaudited condensed consolidated statement of operations of Skylar for the nine months ended September 30, 2022; the unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2021 are derived from the audited historical statement of operations of the Company for the year ended December 31, 2021 and the audited historical statement of operations of Skylar for the year ended December 31, 2021 and are presented as if the Acquisition occurred on January 1, 2021 and gives effect to certain pro forma adjustments.

The unaudited pro forma condensed consolidated financial information is based on the assumptions set forth in the notes to such information. These adjustments are provisional and subject to further adjustment as additional information becomes available, additional analyses are performed, and as warranted by changes in current conditions and future expectations. The unaudited pro forma adjustments made in preparation of the unaudited pro forma information are based upon available information and assumptions that the Company considers to be reasonable and have been made solely for purposes of developing such unaudited pro forma condensed consolidated financial information for illustrative purposes in compliance with the disclosure requirements of the Securities and Exchange Commission ("SEC").

The unaudited pro forma adjustments have been made solely for information purposes. The actual results reported by the Company in periods following the Acquisition may differ significantly from that reflected in these unaudited pro forma condensed consolidated financial statements. As a result, the unaudited pro forma condensed consolidated information is not intended to represent and does not purport to be indicative of what the Company's financial condition or results of operations would have been had the acquisition been completed on the applicable dates of this unaudited pro forma condensed consolidated financial information. In addition, the unaudited pro forma condensed consolidated financial information does not purport to project the future financial condition and results of operations of the Company.

The unaudited pro forma condensed consolidated financial statements, including the notes thereto, should be read in conjunction with:

- the audited consolidated financial statements of the Company for the year ended December 31, 2022 and the related notes thereto, included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on April 18, 2023;
- the audited consolidated financial statements of the Company for the year ended December 31, 2021 and the related notes thereto, included in the Company's Annual Report on Form 10-K/A filed with the Securities and Exchange Commission on August 25, 2022;
- the unaudited condensed consolidated financial statements of the Company for the nine months ended September 30, 2022 and 2021 and the related notes thereto, included in the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 16, 2022;
- the audited financial statements of Skylar for the year ended December 31, 2021 filed as Exhibit 99.1 to this Current Report on Form 8-K/A; and
- the unaudited financial statements of Skylar for the nine months ended September 30, 2022 and 2021 filed as Exhibit 99.2 to this Current Report on Form 8-K/A.

The purchase price allocation takes into account the information management believes is reasonable. Nevertheless, the Company has one year from the Closing Date to make a final determination of purchase accounting allocations; and, accordingly, adjustments may be made to the foregoing allocations for the Acquisition.

STARCO BRANDS INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

	As of September 30, 2022				
	STCB	Skylar	Pro Forma Adjustments		Pro Forma Combined
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 470,362	$ 963,124	$ 39,345	(3)	$ 1,472,831
Accounts receivable, net, $1,360,457 from related party, respectively	1,968,619	546,466	-		2,515,085
Prepaid expenses and other assets	337,394	528,031	-		865,425
Inventory	2,559,234	2,276,405	-		4,835,639
Total Current Assets	5,335,609	4,314,026	39,345		9,688,980
Property and equipment, net	12,420	29,316	-		41,736
Operating lease right-of-use assets	79,632	-	-		79,632
Intangibles, net	37,166	95,416	8,648,000	(5)	8,780,582
Goodwill	9,898,731	-	15,616,312	(1)	25,515,043
Note receivable, related party	95,640	-	-		95,640
Total Assets	$ 15,459,198	$ 4,438,758	$ 24,303,657		$ 44,201,613
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)					
Current Liabilities:					
Accounts payable	$ 495,017	$ 1,517,822	$ -		$ 2,012,839
Other payables and accrued liabilities, $179,477 from related party, respectively	501,001	2,106,177	(1,891,803)	(7)	715,375
Stock payable	-	-	-		-
Treasury stock payable, current	131,400	-	-		131,400
Loans and advances payable, related party	600,000	-	-		600,000

Notes payable	92,334	-	-		92,334
Lease liability	81,223	-	-		81,223
Total Current Liabilities	1,900,975	3,623,999	(1,891,803)		3,633,171
Treasury stock payable, net of current portion	98,550	-	-		98,550
Loans payable, net of current portion, $1,264,954 from related party, respectively	1,357,288	7,865,000	(5,865,000)	(6)	3,357,288
Total Liabilities	$ 3,356,813	$ 11,488,999	$ (7,756,803)		$ 7,089,009
Commitments and Contingencies					
Stockholders' Deficit:					
Preferred stock, $.001 par value; 40,000,000 shares authorized; no shares issued and outstanding, at September 30, 2022	-	1,895	(1,895)	(1)	-
Common stock, $.001 par value; 300,000,000 shares authorized; 221,647,203 and 159,140,665 shares issued and outstanding, at September 30, 2022	221,647	1,596	66,866	(1), (2)	290,109
Additional paid in capital	28,738,630	14,582,205	4,673,568	(1), (2)	47,994,403
Treasury stock at cost	(394,200)	-	-		(394,200)
Equity consideration payable	1,897,727	-	5,685,984	(4)	7,583,711
Accumulated deficit	(18,355,366)	(21,635,937)	21,635,937	(1)	(18,355,366)
Total Starco Brands' Stockholders' Equity (Deficit)	12,108,438	(7,050,241)	32,060,460		37,118,657
Non-controlling interest	(6,053)	-	-		(6,053)
Total Stockholders' Equity (Deficit)	12,102,385	(7,050,241)	32,060,460		37,112,604
Total Liabilities and Stockholders' Equity (Deficit)	$ 15,459,198	$ 4,438,758	$ 24,303,657		$ 44,201,613

See the unaudited notes to the Pro Forma Condensed Consolidated Financial Statements

PROFORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

	For the Nine Months Ended September 30, 2022				
	STCB	SKYLAR	Pro Forma Adjustments		Pro Forma Combined
Revenue, $3,811,746 from related parties	$ 3,811,746	$ 7,775,695	$ -		$ 11,587,441
Cost of goods sold	343,994	1,970,365	-		2,314,359
Gross profit	$ 3,467,752	$ 5,805,330	$ -		$ 9,273,082
Operating Expenses:					
Compensation expense	$ 395,974	$ 1,695,422	$ -		$ 2,091,396
Professional fees	1,122,532	846,748	1,770,000	(8)	3,739,280
Marketing, General and administrative	1,677,991	5,952,260	-		7,630,251
Marketing, related party	131,614	-	-		131,614
Total Operating Expenses	3,328,111	8,494,430	1,770,000		13,592,541
Income (Loss) from operations	139,641	(2,689,100)	(1,770,000)		(4,319,459)
Other Income (Expense):					
Interest expense (income)	47,127	288,653	-		335,780
Other expense (income)	(8,161)	(4,206)	-		(12,367)
Total Other (Income) Expense	38,966	284,447	-		323,413
Income (loss) before provisions for income taxes	$ 100,675	$ (2,973,547)	$ (1,770,000)		$ (4,642,872)
Provision for income taxes	-	-	-		-
Net Income (Loss)	$ 100,675	$ (2,973,547)	$ (1,770,000)		$ (4,642,872)
Net (income) loss attributable to non-controlling interest	$ (67,856)	$ -	$ -		$ (67,856)
Net Income (Loss) attributable to Starco Brands	$ 32,819	$ (2,973,547)	$ (1,770,000)		$ (4,710,728)
Income (Loss) per share, basic	$ 0.00				$ (0.01)
Income (Loss) per share, diluted	$ 0.00				
Weighted Average Shares Outstanding - Basic	163,557,744				163,557,744
Weighted Average Shares Outstanding - Diluted	163,885,661				163,885,661

See the unaudited notes to the Pro Forma Condensed Consolidated Financial Statements

STARCO BRANDS INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2021

	For the Year Ended December 31, 2021			
	STCB	SKYLAR	Pro Forma Adjustments	Pro Forma Combined
Revenue, $673,329 from related parties	$ 673,329	$ 8,835,330	$ -	$ 9,508,659
Cost of goods sold	-	3,177,968	-	3,177,968
Gross profit	$ 673,329	$ 5,657,362	$ -	$ 6,330,691
Operating Expenses:				
Compensation expense	$ 285,837	$ 2,790,556	$ -	$ 3,076,393
Professional fees	460,363	777,678	-	1,238,041
Marketing, General and administrative	1,159,520	6,705,594	-	7,865,114
Marketing, related party	1,058,210	-	-	1,058,210
Total Operating Expenses	2,963,930	10,273,828	-	13,237,758
Income (Loss) from operations	(2,290,601)	(4,616,466)	-	(6,907,067)
Other Expense:				
Interest expense	30,973	718,006	-	748,979
Gain on forgiveness of debt	3,500	-	-	3,500
Other expense (income)	-	(18,454)	-	(18,454)
Total Other Expense	34,473	699,552	-	734,025
Income (Loss) before provisions for income taxes	$ (2,325,074)	$ (5,316,018)	$ -	$ (7,641,092)
Provision for income taxes	-	-	-	-
Net income (loss)	$ (2,325,074)	$ (5,316,018)	$ -	$ (7,641,092)
Net income (loss) attributable to non-controlling interest	$ (73,909)	$ -	$ -	$ (73,909)
Net Income (Loss) attributable to Starco Brands	$ (2,251,165)	$ (5,316,018)	$ -	$ (7,715,001)
Income (Loss) per share, basic	$ (0.01)			$ (0.01)
Weighted Average Shares Outstanding – Basic	159,140,665			159,140,665

See the unaudited notes to the Pro Forma Condensed Consolidated Financial Statements

STARCO BRANDS INC. AND SUBSIDIARIES
NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ACQUISITION OF SKYLAR

On December 29, 2022, STCB, through its wholly-owned subsidiaries First Merger Sub and Second Merger Sub, completed the Acquisition. In a two-step process, during the First Merger, First Merger Sub merged with and into Skylar and as part of the same overall transaction, during the Second Merger, Skylar Inc. merged with and into Second Merger Sub to result in Skylar LLC as the surviving entity. Skylar is a wholly owned subsidiary of STCB. Skylar is a maker of fragrances that are hypoallergenic and safe for sensitive skin. STCB acquired Skylar in its M&A strategy of acquiring technologies and brands that have the ability to scale and change behavior. The Acquisition was completed through a cash and stock deal, where the Company paid $2,000,000 in cash to settle Skylar debt and the Company's shares of common stock were issued at $0.20 per share, which amount is equal to the fair value of the stock on the acquisition date. As consideration for the Acquisition, the Company reserved an aggregate of 68,622,219 restricted shares of Company common stock to issue to the Skylar stockholders (such stockholders as of immediately prior to the closing of the Second Merger, the "Skylar Stockholders"), 11,573,660 restricted shares of Company common stock may be issued to the Skylar Stockholders after an 18-month indemnification period, and offsetting against these additional shares will be the sole recourse for any indemnity claims by the Company against the Skylar Stockholders. An additional 19,268,162 restricted shares of Company common stock may be issued to the Skylar Stockholders contingent upon Skylar meeting certain future sales metrics. Further, in the event that the Skylar Stockholders have any indemnity claims against the Company or Second Merger Sub, the Company shall satisfy any such indemnity claims solely by the issuance of additional shares of its Company common stock, which shall not exceed, in the aggregate, 11,573,660 additional shares of Company common stock. Notwithstanding the foregoing, under the terms of the merger agreement giving effect to the Acquisition, any Skylar Stockholder that is not an "accredited investor" as defined in Rule 501(a) of Regulation D promulgated under the Securities Act, will receive cash in lieu of shares of Company common stock at a value equal to $0.17 per share.

The 11,573,660 additional restricted shares of Company common stock to be issued after an 18-month indemnification period and the 19,268,162 earnout shares of Company common stock to be issued if certain future sales metrics are met, are deemed to be part of the consideration paid for the acquisition. The 11,573,660 additional shares of Company common stock that may be issued in the event of an indemnity claim against the Company are not deemed to be part of the consideration paid for the Acquisition as the Company does not expect any additional shares will be issued under the indemnity clause. Following the Acquisition, the Company's common stock was renamed Class A common stock.

As of March 31, 2023, the Company has paid $27,273 in cash to non-accredited investors.

The Company accounted for this transaction in accordance with the acquisition method of accounting for business combinations. Assets and liabilities of the acquired business were included in the Company's audited consolidated balance sheet as of December 31, 2022 and the unaudited condensed consolidated balance sheet as of March 31, 2023, based on the estimated fair value on the date of Acquisition as determined in a purchase price allocation using available information and making assumptions management believes are reasonable.

Per ASC Topic 805, "Business Combinations" ("ASC 805"), the measurement period is the period after the Acquisition date during which the acquirer may adjust the provisional amounts recognized for a business combination. The measurement period shall not exceed one year from the acquisition date. The Company has identified the acquisition date as December 29, 2022. Included in the issuance of these pro forma financial statements is a third-party valuation of the fair value of the assets acquired and the liabilities assumed for use in the purchase price allocation.

The following table shows the final allocation of the purchase price for the Company to the acquired identifiable assets, liabilities assumed and goodwill as of December 29, 2022, to be presented in the Company's unaudited pro forma condensed consolidated financial statements for the nine months ended September 30, 2022:

Consideration[1]	$	21,417,681
Assets acquired:		
Cash and cash equivalents		339,679
Accounts receivable		381,762
Prepaid and other assets		701,566
Inventory		2,508,287
PP&E, net		25,942
Intangibles		161,693
Customer relationships		2,091,000
Trade names and trademarks		6,557,000
Total assets acquired		12,766,929
Liabilities assumed:		
Accrued liabilities		540,036
Accounts payable		2,425,524
Total liabilities assumed		2,965,560
Net assets acquired		9,801,369
Goodwill[2 3]	$	11,616,312

The above purchase price allocation is not reflected in the unaudited pro forma condensed balance sheet at September 30, 2022 (see Note 4).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited pro forma condensed consolidated financial statements have been compiled in a manner consistent with the accounting policies adopted by the Company. The accounting policies of Skylar were not deemed to be materially different to those adopted by the Company. See the Company's audited financial statements as of December 31, 2021 and 2020.

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[1] Consideration consists of the following: $2,039,345 cash paid to sellers at the acquisition date, $13,120,924 of shares transferred to sellers at the acquisition date, $571,428 of shares transferred to pay sellers expenses, $2,314,732 of equity holdback to be paid to sellers at the end of the holdback period and $3,371,252 of contingent shares payable.

[2] Goodwill is the excess of the purchase price over the fair value of the underlying assets. In accordance with applicable accounting standards, goodwill is not amortized but instead is tested for impairment at least annually or more frequently if certain indicators are present. Goodwill and intangibles are not deductible for tax purposes.

[3] Goodwill represents expected synergies from the merger of operations and intangible assets that do not qualify for separate recognition. STCB and Skylar both produce human and skincare products. The acquisition of Skylar provides STCB potential sales synergies resulting from STCB's access to Skylar's current client-base to offer additional products and will allow Skylar to vertically integrate their current manufacturing process into their own. These items will be assigned a fair value upon the completion of the third-party valuation, and will be amortizable, which will affect the pro forma loss from operations and loss per share.

NOTE 3 – ACQUISITION-RELATED COSTS

In conjunction with the Acquisition, the Company incurred acquisition-related charges, related primarily to investment banking, legal, accounting and other professional services which are expensed as incurred.

NOTE 4 – PRO FORMA ADJUSTMENTS

The unaudited pro forma condensed consolidated financial statements are based upon the historical financial statements of the Company and Skylar and certain adjustments which the Company believes are reasonable to give effect to the Acquisition. These adjustments are based upon currently available information and certain assumptions, and therefore the actual impacts will likely differ from the pro forma adjustments. The unaudited pro forma condensed consolidated balance sheet at September 30, 2022 reflects the assets, liabilities and equity positions of the Company and Skylar as of September 30, 2022. This differs from the fair value of the assets and liabilities acquired by the Company on December 29, 2022 as discussed above in Note 1. However, the Company believes that the preliminary determination of the fair value of goodwill and other related assumptions utilized in preparing the unaudited pro forma condensed consolidated financial statements provide a reasonable basis for presenting the pro forma effects of the Acquisition.

The adjustments made in preparing the unaudited pro forma condensed consolidated financial statements are as follows:

(1) Reflects the estimated amount of goodwill purchased as part of the acquisition and the elimination of Skylar's equity.
(2) Reflects the fair value of the 68,461,762 common stock issued to the sellers of Skylar.
(3) Reflects the amount of cash paid to sellers of Skylar.
(4) Reflects the fair value of the equity held back to be paid following the 18-month indemnification period and consideration contingent upon Skylar Shareholders meeting future sales metrics.
(5) Reflects the estimated fair value of intangible assets purchased as part of the acquisition.
(6) Reflects the $5,865,000 convertible debt that was converted and paid off in full on the acquisition date and $2,000,000 of notes payable paid through the note payable from Ross Sklar.
(7) Reflects the $994,649 of accrued interest on the convertible debt and notes payable that was converted and paid off in full on the acquisition date.
(8) Reflects the expenses incurred, related to the Skylar acquisition, primarily from bankers, lawyers and accountants.