

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

**FORM 10-K**

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE YEAR ENDED DECEMBER 31, 2022

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

Commission File Number 000-54892

**STARCO BRANDS, INC.**

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction  
of incorporation or organization)

27-1781753

(I.R.S. Employer  
Identification No.)

250 26<sup>th</sup> Street, Suite 200, Santa Monica, CA

(Address of principal executive offices)

90402

(Zip Code)

(323) 266-7111

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
<u>Class A Common Stock</u>	<u>STCB</u>	<u>OTC Markets Group OTCQB Tier</u>

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

None

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

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.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the 42,250,512 shares of voting and non-voting common equity held by non-affiliates computed by reference to the closing price \$0.69 on the OTC Market, at which the common equity was last sold as of the last business day of its most recently completed second fiscal quarter of June 30, 2022, was approximately \$29,152,853.

As of April 17, 2023, there were 469,468,966 shares of the registrant's Class A common stock outstanding. Subsequent to December 31, 2022, the registrant's "common stock" was renamed "Class A common stock." Throughout this report, any reference to common stock during fiscal year 2022 represents the same number of Class A common stock following February 9, 2023.

**DOCUMENTS INCORPORATED BY REFERENCE**

None.

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FORM 10-K  
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## PART I

### *Forward-Looking Statements*

This Annual Report contains forward-looking statements as that term is defined in the federal securities laws. The events described in forward-looking statements contained in this Annual Report may not occur. Generally these statements relate to business plans or strategies, projected or anticipated benefits or other consequences of our plans or strategies, projected or anticipated benefits from acquisitions to be made by us, or projections involving anticipated revenues, earnings or other aspects of our operating results. The words “may,” “will,” “expect,” “believe,” “anticipate,” “project,” “plan,” “intend,” “estimate,” and “continue,” and their opposites and similar expressions are intended to identify forward-looking statements. We caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, that may influence the accuracy of the statements and the projections upon which the statements are based. Factors which may affect our results include, but are not limited to, the risks and uncertainties discussed in Item 1A of this Annual Report (“Risk Factors”).

Any one or more of these uncertainties, risks and other influences could materially affect our results of operations and whether forward-looking statements made by us ultimately prove to be accurate. Our actual results, performance and achievements could differ materially from those expressed or implied in these forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether from new information, future events or otherwise.

### **Item 1. Business**

Starco Brands, Inc. (formerly Insynergy Products, Inc.), which we refer to as “the Company,” “our Company,” “STCB,” “we,” “us” or “our,” was incorporated in the State of Nevada on January 26, 2010 under the name Insynergy, Inc. On September 7, 2017, the Company filed an Amendment to the Articles of Incorporation to change the corporate name to Starco Brands, Inc. The Board determined the change of the Company’s name was in the best interests of the Company due to changes in our current and anticipated business operations at that time. In July 2017, the Company entered into a licensing agreement with The Starco Group (“TSG”), located in Los Angeles, California. TSG is a private label and branded aerosol and liquid fill manufacturer with manufacturing assets in the following verticals: DIY/Hardware, paints, coatings and adhesives, household, hair care, disinfectants, automotive, motorcycle, arts & crafts, personal care cosmetics, personal care FDA, sun care, food, cooking oils, beverages, and spirits and wine. Upon entering into the licensing agreement with TSG, the Company pivoted to commercializing novel consumer products manufactured by TSG.

In 2022, the Company embarked on a strategy to grow its consumer product line offerings through the acquisition of multiple subsidiaries with established behavior changing products and brands. With an increased product line and its existing partner relationships, the Company is expanding its verticals and consumer base.

### *Executive Overview*

In July 2017, our Board of Directors entered into a licensing agreement with TSG to pursue a new strategic marketing plan involving commercializing leading edge products with the intent to sell them through brick and mortar and online retailers. We are a company whose mission is to create behavior-changing products and brands. Our core competency is inventing brands, marketing, building trends, pushing awareness and social marketing. The licensing agreement with TSG provided STCB with certain products on an exclusive and royalty-free basis and other products on a non-exclusive and royalty basis, in the categories of food, household cleaning, air care, spirits and personal care.

The current CEO and owner of TSG, Ross Sklar, was named the CEO of STCB in August of 2017. Mr. Sklar has spent his career commercializing technology in industrial and consumer markets. Mr. Sklar has built teams of manufacturing personnel, research and development, and sales and marketing professionals over the last 20 years and has grown TSG into a successful and diversified manufacturer supplying a wide range of products to some of the largest retailers in the United States. As the Company continues to grow the number of products and brands under the STCB umbrella, it will continue to leverage its relationship with TSG to streamline its product manufacturing.

## *Product Development*

We have conducted extensive research and have identified specific channels to penetrate with a portfolio of novel technologies. We are now executing on this vision and, since our inception, have launched and /or served as the marketer of record for various product lines.

### *Winona®*

STCB is the marketer of record, but not the owner of record of, the Winona® Butter Flavor Popcorn Spray. STCB provides marketing services for Winona pursuant to a licensing agreement, and through its relationship with TSG and their marketing partner Deutsch Marketing, launched a new label in June 2019 for Winona throughout Walmart stores. Winona Popcorn Spray is also sold in H-E-B grocery stores. STCB also launched the Winona Popcorn Spray on Amazon through our strategic partner Pattern (formally iServe), who is a stockholder in STCB. Sales grew significantly in 2021 and 2022, the Company expects sales to continue to grow in this space as management plans to increase the Company's sales personnel in 2023 for this product line.

### *Whipshots™*

In December 2021, the Company launched a new product line consisting of vodka-infused, whipped-cream aerosols, under the brand name "Whipshots." The launch event was held at Art Basel in Miami and garnered over 1 billion impressions world-wide. The Company launched the product on whipshots.com with a limited quantity of cans to be sold each day for the month of December. Whipshots™ sold out every single day of the month. The Company launched brick and mortar retail distribution in the first quarter of 2022 and signed a distribution agreement with RNDC, one of the largest spirits distributors in the nation. The Company also announced a distribution deal with GoPuff and BevMo. Throughout 2022, STCB entered into Distribution Agreements with various distributors pursuant to which such distributors will act as the exclusive distributors of Whipshots™ in various geographic locations. Initially the Company introduced three flavors of Whipshots™ to the market – Vanilla, Mocha and Caramel. In November 2022 the Company introduced a new flavor, Peppermint, as a Limited Time seasonal item. The Company plans to continue to offer various additional Limited Time flavors in 2023. Whipshots™ is produced by Temperance Distilling Company, of which Sklar is a majority shareholder.

### *Breathe®*

The Breathe® Household cleaning aerosol line was an environmentally friendly line of household cleaning aerosol products. It was the world's first aerosol household cleaning line to be approved by the EPA's Safer Choice program. This line is biodegradable and is propelled by nitrogen, which makes up approximately 80% of the earth's breathable air. Breathe was named Partner of the Year by the EPA's Safer Choice Program and also achieved the Good Housekeeping Seal of approval.

STCB also launched the Breathe® Hand Sanitizer Spray in April 2020. The invention was created and patents were filed by Alim Enterprises, LLC, ("AE") an entity owned by Mr. Sklar. Originally the technology was developed for Blue Cross Laboratories, LLC, ("BCL") a personal care consumer products manufacturer owned by Mr. Sklar's TSG. The product was developed as a result of supply chain collapse during the Covid-19 outbreak and increased demand for hand sanitizers. The traditional packaging components used in manufacturing hand sanitizer became very difficult to procure. BCL, located in Santa Clarita, California, is an at scale manufacturer that started approximately 50 years ago with personal care products, including hand sanitizer. Due to the outbreak of Covid-19, many traditional component supply chains became overly stressed and BCL could not source enough bottles and caps. Through Mr. Sklar's AE, the concept of a spray hand sanitizer was invented.

The product was being manufactured by BOV Solutions, a division of TSG that is an at scale FDA, CFR210/211 manufacturer of aerosol and OTC products. The Breathe Hand Sanitizer Spray could only be made in an FDA facility that had at scale aerosol capabilities. The product was sold through BOV Solutions and TSG's existing distribution footprints in the United States. STCB launched the product in April 2020 via a press release in partnership with Dollar General, announcing its distribution in each of their 15,000+ stores. STCB also partnered with Wegmans, HLA and J Winkler. The product was distributed through The Home Depot, Lowes, American Pharmacy, AutoZone, The Farm Shop, Harris Teeter, UNFI, Kehe, Macy's, Smart & Final, Weeks and others.

Betterbilt Chemical's Kleen Out®

STCB was also the marketer of record, but not the owner of record of, Betterbilt Chemical's Kleen Out® branded drain opener and provided marketing services for Betterbilt pursuant to a marketing agreement. In December 2022, STCB and TSG mutually agreed to end the marketing agreement for Betterbilt Chemical's Kleen Out® drain opener.

*Material Events During 2021*

Whipshots™ and Whipshotz™ Trademarks

On September 8, 2021, Whipshots LLC, a Wyoming limited liability company ("Whipshots"), a wholly-owned subsidiary of STCB entered into an Intellectual Property Purchase Agreement effective August 24, 2021, with Penguins Fly, LLC, a Pennsylvania limited liability company ("Seller"). The Agreement provided that Seller would sell the trademarks "Whipshotz" and "Whipshots", the accompanying domain and social media handles of the same nomenclature, and certain intellectual property, documents, digital assets, customer data and other transferable rights under non-disclosure, non-compete, non-solicitation and confidentiality contracts benefiting the purchased intellectual property and documents (collectively, the "Acquired Assets") to Whipshots. The purchase price for the Acquired Assets will be payable to Seller, over the course of seven years, based on a sliding scale percentage of gross revenues actually received by us solely from our sale of Whipshots/Whipshotz Products. The payment are subject to a minimum amount in each contract year and a maximum aggregate amount.

Whipshots™ Licensing/Marketing

On September 14, 2021, Whipshots LLC entered into a License Agreement (the "Washpoppin License Agreement") with Washpoppin Inc., a New York corporation ("Licensor"). Pursuant to the Washpoppin License Agreement, Licensor licensed certain Licensed Property (as defined therein) of the recording artist professionally known as "Cardi B" (the "Artist") to us.

As part of the Washpoppin License Agreement, in exchange for royalty rates based on Net Sales (as defined therein) during each applicable contract period, the Licensor warrants to cause the Artist to attend certain in person events, media interviews, participate in the development of the Licensed Products (as defined therein), and promote the Licensed Products through social media posts on the Artist's social media platforms. We have committed to a minimum royalty payment under the Agreement of an aggregate of \$3,300,000 subject to Licensor's satisfaction of its obligations.

Distribution Agreements

In November of 2021, we entered into separate Distribution Agreements (each a "Distribution Agreement" and, collectively, the "Distribution Agreements") with each of (i) National Distributing Company, Inc., a Georgia corporation, (ii) Republic National Distributing Company, LLC, a Delaware limited liability company, and (iii) Young's Market Company, LLC, a Delaware limited liability company (each a "Distributor" and, collectively, the "Distributors") each with an effective date as of November 1, 2021. Pursuant to the Distribution Agreements, the Distributors will act as the exclusive distributor for STCB in the Territories set forth on Exhibit B for the Products set forth on Exhibit A, to each such Distribution Agreement, as amended from time to time. The foregoing Distribution Agreements cover 20 U.S. States and the District of Columbia.

Pursuant to the terms of the Distribution Agreements, the Distributors will serve as the exclusive distributors in such Territories for Whipshots™. The Distribution Agreements provide the Distributors rights to expand the Territories and Products covered under each such Distribution Agreement as we expand our product lines and distribution channels. The expansion of Territories and Products may be exercised under various rights, including rights of first refusal to serve as an exclusive distributor of new Products in new Territories. The Company has also agreed to grant the Distributors "most favored nations" pricing providing for the lowest price available across the United States and its territories and possessions (the "US Territory"), and to grant Distributors any volume or other discounts that are offered to any other distributor in the US Territory by us, provided such action is not a violation of applicable law.

### Broker Agreements

In November of 2021, we entered into separate Broker Agreements (each a “Broker Agreement” and, collectively, the “Broker Agreements”) with both Republic National Distributing Company, LLC, a Delaware limited liability company, and Young’s Market Company, LLC, a Delaware limited liability company (each a “Broker” and, collectively, the “Brokers”) each with an effective date as of November 1, 2021. Pursuant to the Broker Agreements, the Broker will act as the exclusive broker for us in the Territories set forth on Exhibit B for the Products set forth on Exhibit A, to each such Broker Agreement, as amended from time to time. Each Broker will receive a commission rate of 10%. The foregoing Broker Agreements cover 15 U.S. States.

In December 2021, the Company pursued financing via a Regulation A offering which was qualified on December 9, 2021. The Company engaged The Dalmore Group to assist as the broker dealer of record in this process, in which up to 56,818,181 shares of Class A common stock may be sold to the public at a per share price of \$1.00. The Regulation A offering terminated in December 2022 and no further sales of Class A common stock are being sold pursuant to that offering. During the offering period, the Company sold 151,250 shares of Class A common stock at \$1.00 per share.

### *Materials Events During 2022 and prior to the filing of this Annual Report on Form 10-K*

#### Acquisitions

In 2022, STCB embarked on a strategy to grow its consumer product line offerings through acquiring existing behavior changing products and brands.

On September 12, 2022, STCB, through its wholly-owned subsidiary Starco Merger Sub Inc. (“Merger Sub”), completed its acquisition (the “AOS Acquisition”) of The AOS Group Inc., a Delaware corporation (“AOS”). The AOS Acquisition consisted of Merger Sub merging with and into AOS, with AOS being the surviving corporation. AOS is a wholly-owned subsidiary of STCB. AOS is the maker of Art of Sport premium body and skincare products engineered to power and protect athletes and brings over the counter respiratory, sun care, women and children, pain management, performance supplements, food, beverage and apparel product lines under STCB auspices.

On December 29, 2022, STCB, through its wholly-owned subsidiary Starco Merger Sub II, Inc. (“Merger Sub”), completed its acquisition (the “Skylar Acquisition”) of Skylar Body, Inc., a Delaware corporation (“Skylar Inc.”) through the merger of Merger Sub with and into Skylar Inc. Immediately following the Skylar Acquisition Skylar Inc. merged with and into Skylar Body, LLC (“Skylar”) a wholly-owned subsidiary of STCB, with Skylar as the surviving entity. Skylar is a wholly-owned subsidiary of STCB. Skylar is the maker of fragrances that are hypoallergenic and safe for sensitive skin.

On February 15, 2023, STCB, through its wholly-owned subsidiary Starco Merger Sub I, Inc. (“Merger Sub”), completed its acquisition (the “Soylent Acquisition”) of Soylent Nutrition, Inc., a Delaware corporation (“Soylent”). The Soylent Acquisition consisted of Merger Sub merging with and into Soylent, with Soylent being the surviving corporation. Soylent is a wholly-owned subsidiary of STCB. Soylent is the maker of a wide range of plant-based “complete nutrition” and “functional food” products with a lineup of plant-based convenience shakes, powders and bars that contain proteins, healthy fats, functional amino acids and essential nutrients.

#### *Competition*

The household, personal care and beverage consumer products market in the U.S. is mature and highly competitive. Our competitive set has grown with our recent acquisitions and consists of consumer products companies, including large and well-established multinational companies as well as smaller regional and local companies. These competitors include Johnson & Johnson, The Procter & Gamble Company, Unilever, Diageo, CytoSport, Inc., Abbott Nutrition, Nestlé, Owyn, Clean Reserve, The 7 Virtues and others. Within each product category, most of our products compete with other widely advertised brands and store brand products.

Competition in our product categories is based on a number of factors including price, quality and brand recognition. We benefit from the strength of our brands, a differentiated portfolio of quality branded and store brand products, as well as significant capital investment in our manufacturing facilities. We believe the strong recognition of the Whipshots brand and Soylent brand among U.S. consumers gives us a competitive advantage.

#### *Growth Strategy*

As long as the Company can raise capital, the Company plans to launch other products in spray foods and condiments, over the counter respiratory, air care, skin care, sun care, hair care, personal care, pain management, performance supplements, plant-based convenience shakes, powders and bars, apparel, fragrances, spirits and beverages over the next 36 months. Financing growth and launching of new products through our key subsidiaries is key to the Company's ability to raise further capital.

We will need to rely on sales of our Class A common stock and other sources of financing to raise additional capital. The purchasers and manner of any share issuance will be determined according to our financial needs and the available exemptions to the registration requirements of the Securities Act. The Company will utilize the marketing capabilities of Hearst Media with its co-branding arrangement on some of its products. This provides significant support for our current retail and online distribution. We also plan to raise capital in the future through a compliant offering.

We continue to strive towards becoming a leading brand owner and third-party marketer of cutting edge technologies in the consumer products marketplace whose success is expected to increase stockholder value. The Company will continue to evaluate this and other opportunities to further set its strategy for 2023 and beyond.

For more information and to view our products, you may visit our websites at [www.starcobrands.com](http://www.starcobrands.com), [www.breathcleaning.com](http://www.breathcleaning.com), [www.breathsanitizer.com](http://www.breathsanitizer.com), [www.whipshots.com](http://www.whipshots.com), [www.bingeworthyflavor.com](http://www.bingeworthyflavor.com), [www.artofsport.com](http://www.artofsport.com), [www.skylar.com](http://www.skylar.com) and [www.soylent.com](http://www.soylent.com).

#### *Offices*

Our principal executive offices are located at 250 26th Street, Suite 200, Santa Monica, California, 90402, and our telephone number is (323) 266-7111. Our website is [www.starcobrands.com](http://www.starcobrands.com) and the Company makes its SEC reports available on the website. Our internet website and the information contained therein or connected thereto are not intended to be incorporated by reference into this Annual Report.

#### *Employees*

STCB currently has no full-time employees but uses independent contractors and consultants and contributed services from related parties on an as needed basis. Skylar currently has 11 full-time employees. Soylent currently has 21 full-time employees. We believe that our employee relations are good.

#### **Item 1A. Risk Factors.**

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and, as such, are not required to provide the information under this Item; however, we have chosen to include the following risk factors.

The Company is still subject to all the same risks that all companies in its business, and all companies in the economy, are exposed to. These include risks relating to economic downturns, political and economic events, pandemics and government lockdowns and technological developments (such as cyber-attacks and the ability to prevent those attacks). Additionally, early-stage companies are inherently more risky than more developed companies. You should consider general risks as well as specific risks when deciding whether to invest.



**We are reliant on related parties for some of our revenues, manufacturing certain of our products, and much of our administrative activities.**

Starco Brands has no full-time employees and uses independent contractors and consultants, and uses contributed services from related parties on an as needed basis for a majority of the administration of Company operations, and as set forth in these Risk Factors, some of our revenues and manufacturing depend on the operations of related parties.

**We are highly dependent on the services of Ross Sklar, our Chief Executive Officer.**

We are highly dependent on the services of Ross Sklar, our Chief Executive Officer. Although Mr. Sklar spends significant time with the Company and is highly active in our management, he does not devote his full time and attention to the Company. Mr. Sklar also currently serves as Chief Executive Officer of The Starco Group (“TSG”) and is Chairman of Temperance Distilling Company (“Temperance”), among other positions and activities.

**We are effectively controlled by Ross Sklar. As a result, Mr. Sklar has the ability to prevent or cause a change in control or approve, prevent or influence certain actions by us.**

As of April 17, 2023, Mr. Sklar beneficially controls, directly or indirectly, shares of the Company’s Class A common stock representing approximately 81.9% of the outstanding voting power of the Class A common stock.

As a result of his stock ownership and various voting agreements, Mr. Sklar has the ability to exercise significant control and influence over our business, including almost all matters requiring stockholder approval (e.g., the election of directors, amendments to the Articles of Incorporation, and significant corporate transactions, such as a merger or other sale of our Company or its securities or assets) for the foreseeable future.

**We rely on related parties and our business could be adversely affected if relationships with such related parties change, are terminated, or are not renewed.**

The Company is dependent on The Starco Group which is owned by our CEO, Ross Sklar. There is no assurance that TSG will produce, supply or distribute sufficient quantities of those products needed by the Company. Difficulties in developing alternative sources of supply, if required, or failure of TSG to provide the products to the Company would have a material adverse effect on the Company’s business, financial condition, and result of operations.

**We have incurred significant net losses and have only recently begun generating profits. We cannot assure you that we will continue to achieve profitable operations.**

We have historically incurred significant net losses since inception. We generated net income of \$977,858 in the year ended December 31, 2022, had a net loss of \$2,325,074 for the year ended December 31, 2021, had net income of \$543,286 for the year ended December 31, 2020 and had net losses of \$139,964 and \$441,951 for the years ended December 31, 2019 and 2018, respectively. As of December 31, 2022, we had an accumulated deficit of \$17,578,219. We may not be able to maintain profitability, and may incur significant losses again in the future for a number of reasons, including unforeseen expenses, difficulties, complications, and delays, and other unknown events.

We cannot assure you that we will achieve sustainable operating profits as we continue to expand our brand and product offerings, further develop our marketing efforts, and otherwise implement our growth initiatives. Any failure to achieve and maintain profitability would have a materially adverse effect on our ability to implement our business plan, our results and operations, and our financial condition, and could cause the value of our Class A common stock to decline, resulting in a significant or complete loss of your investment.

**If we do not obtain adequate capital funding or improve our financial performance, we may not be able to continue as a going concern.**

The report of our independent registered public accounting firm for the year ended December 31, 2022 included herein contains an explanatory paragraph indicating that there is substantial doubt as to our ability to continue as a going concern as a result of recurring losses from operations. This report is dated April 17, 2023. Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States, which contemplate that we will continue to operate as a going concern. Our consolidated financial statements do not contain any adjustments that might result if we are unable to continue as a going concern. Our ability to continue as a going concern will be determined by our ability to continue generating revenues from our operations, which will enable us to fund our expansion plans and realize our business objectives. If we are unable to continue to grow our revenue and to and sustain profitability, we may not be able to continue as a going concern.

**Our success depends on our ability to uphold the reputation of our brands and our clients' brands, which will depend on the effectiveness of our marketing, our product quality, and our client experience.**

We believe that ours and our company-clients' brand image and brand awareness is vital to the success of our business. We also believe that maintaining and enhancing the image of ours and our clients' brands, particularly in new markets where we have limited brand recognition, is important to maintaining and expanding ours and our clients' customer base. As we execute our acquisition and growth strategy, our ability to successfully expand into new markets or to maintain the strength and distinctiveness of the image of ours and our clients' brands, our existing markets will be adversely impacted if we fail to connect with ours and our clients' target customers. Among other things, we rely on our marketing, strategy, and media partners, as well as social media platforms, such as Instagram and Twitter, to help implement our marketing strategies and promote ours and our clients' brands. Ours and our clients' brands and reputation may be adversely affected if we fail to achieve these objectives, if ours or our clients' public image was to be tarnished by negative publicity, if we fail to deliver innovative and high-quality products acceptable to our customers, or if we face a product recall. Negative publicity regarding the production methods of our manufacturer The Starco Group or those of the client-companies we work with could adversely affect our reputation and sales. Additionally, while we devote considerable efforts and resources to protecting our and our clients' intellectual property, if these efforts are not successful the value of our brand may be harmed. Any harm to our brand and reputation could have a material adverse effect on our financial condition.

**If we are unable to anticipate consumer preferences and successfully develop and introduce new, innovative and updated products, we may not be able to maintain or increase our sales or achieve profitability.**

Our success depends to a significant degree on our ability to timely identify and originate product trends as well as to anticipate and react to changing consumer demands. All of our products are subject to changing consumer preferences and we cannot predict such changes with any certainty. Product trends in the food, household cleaning, air care, spirits and personal care markets can change rapidly. We will need to anticipate, identify and respond quickly to changing trends and consumer demands in order to provide the products our customers seek and maintain the image of our brands. If we cannot identify changing trends in advance, fail to react to changing trends or misjudge the market for a trend, our sales could be adversely affected, and we may be faced with a substantial amount of unsold inventory or missed opportunities. As a result, we may be forced to mark down our merchandise in order to dispose of slow-moving inventory, which may result in lower profit margins, negatively impacting our financial condition and results of operations.

Even if we are successful in anticipating consumer demands, our ability to adequately react to and execute on those demands will in part depend upon our continued ability to develop and introduce high-quality products. If we fail to introduce products in the categories that consumers want, demand for our products could decline and our brand image could be negatively impacted. Our failure to effectively introduce new products and enter into new product categories that are accepted by consumers could result in excess inventory, inventory write-downs, decreases in gross margins and a decrease in net revenues, which could have a material adverse effect on our financial condition.

Our ability to anticipate consumer preferences also goes hand-in-hand with our ability to provide effective marketing services for our clients. If we are unable to predict what might be attractive to the target consumers of our client's products, our marketing efforts in connection with those products may be unsuccessful, which would negatively affect our reputation within the industry, and negatively affect our operating results.

**An economic downturn or economic uncertainty in the United States may adversely affect consumer discretionary spending and demand for our products.**

Our operating results are affected by the relative condition of the United States economy as many of our products may be considered discretionary items for consumers. In an economic downturn, our customers may reduce their spending and purchases due to job loss or fear of job loss, foreclosures, bankruptcies, higher consumer debt and interest rates, reduced access to credit, falling home prices, increased taxes, and/or lower consumer confidence. Consumer demand for our products may not reach our targets, or may decline, when there is an economic downturn or economic uncertainty. Current, recent past, and future conditions may also adversely affect our pricing and liquidation strategy; promotional activities, product liquidation, and decreased demand for consumer products could affect profitability and margins. Online customer traffic is difficult to forecast. As a consequence, sales, operating, and financial results for a particular period are difficult to predict, and, therefore, it is difficult to forecast expected results for future periods. Any of the foregoing factors could have a material adverse effect on our business, results of operations, and financial condition and could adversely affect our stock price.

Additionally, many of the effects and consequences of U.S. and global financial and economic conditions could potentially have a material adverse effect on our liquidity and capital resources, including the ability to raise additional capital, if needed, or could otherwise negatively affect our business and financial results. For example, global economic conditions may also adversely affect our suppliers' access to capital and liquidity with which to maintain their inventory, production levels, and product quality and to operate their businesses, all of which could adversely affect our supply chain. Market instability could make it more difficult for us and our suppliers to accurately forecast future product demand trends, which could cause us to carry too much or too little merchandise in various product categories.

Additionally, inflationary factors such as increases in the costs to purchase products, acquire mineral rights and overhead costs may adversely affect our operating results. A continued high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of gross margin and selling, general and administrative expenses as a percentage of revenues if the selling prices of our services do not increase with these increased costs.

**Our results of operations could be materially harmed if we are unable to accurately forecast demand for our products.**

To ensure adequate inventory supply, our manufacturers, TSG and Temperance, forecast inventory needs and estimate future demand for particular products on our behalf. Their ability to accurately forecast demand for our products could be affected by many factors, including an increase or decrease in demand for our products or for products of our competitors, their failure to accurately forecast acceptance of new products, product introductions by competitors, unanticipated changes in general market conditions, and weakening of economic conditions or consumer confidence in future economic conditions. Inventory levels in excess of customer demand may result in inventory write-downs or write-offs and the sale of excess inventory at discounted prices or in less preferred distribution channels, which could impair our brand image and have an adverse effect on gross margin, which ultimately impacts our revenues. In addition, if the manufacturers underestimate the demand for our products, they may not be able to produce products to meet our customer requirements, and this could result in delays in the shipment of our products and our ability to recognize revenue, lost sales, as well as damage to our reputation and distributor relationships.

In addition, our growth strategy has resulted in STCB acquiring three subsidiaries through mergers, in each case expanding our product line offerings. Each of AOS, Skylar and Soy lent bring a new demographic of consumer to the forefront of the STCB consumer products space, spanning premium body and skincare products, to hypoallergenic fragrances, and plant-based complete nutrition. If under our stewardship we are unable to accurately forecast the demand for these new product lines we may damage brand image for these new segments.

**We operate in a highly competitive market and the size and resources of some of our competitors may allow them to compete more effectively than we can, resulting in a loss of our market share and a decrease in our net revenue.**

The categories in which we operate are highly competitive, both in the U.S. and globally, as a limited number of large manufacturers compete for consumer acceptance, limited retail shelf space and e-commerce opportunities. Because of the highly competitive environment in which we operate as well as increasing retailer concentration, our retailer customers, including online retailers, frequently seek to obtain pricing concessions or better trade terms, resulting in either reduction of our margins or losses of distribution to lower cost competitors. Competition is based upon brand perceptions, product performance and innovation, customer service and price. Our ability to compete effectively may be affected by a number of factors, including:

- We face competition from large, established companies, including The Procter & Gamble Company, Unilever, Johnson & Johnson, Diageo and others, that have significantly greater financial, marketing, research and development and other resources and greater market share than we do, which provides them with greater scale and negotiating leverage with retailers;
- Our competitors may have lower production, sales and distribution costs, and higher profit margins, which may enable them to offer aggressive retail discounts and other promotional incentives; and
- Our competitors may be able to obtain exclusive distribution rights at particular retailers or favorable in-store placement.

In general, the greater capabilities of these large competitors in these areas enable them to better withstand periodic product campaign failures, and more general downturns in the industry, compete more effectively on the basis of price and production and more quickly develop or locate and license new products. In addition, new companies may enter the markets in which we expect to compete, further increasing competition in our industry.

**We rely on licensing agreements with The Starco Group and Temperance Distilling Company.**

We are party to a licensing agreement (the “TSG Licensing Agreement”) with TSG dated July 12, 2017. Pursuant to this agreement, STCB licenses to TSG the exclusive right to manufacture and sell STCB’s products, which it may sell under the brand names owned by STCB. In return, TSG pays STCB royalties based on TSG’s unit sales of the products licensed by STCB to TSG pursuant to the TSG Licensing Agreement. Most of the Company’s products are manufactured and sold by TSG pursuant to this Licensing Agreement. As such, we are reliant on the TSG Licensing Agreement with TSG for a significant portion of our business. In addition, due to the close relationship of the Company and TSG, the deal terms that the Company has procured under this TSG Licensing Agreement (relating to manufacturing and royalties the Company receives on product sales by TSG) are very favorable to the Company, and would be difficult to replicate with another third-party manufacturer. Further, if for some reason the Company wanted to switch to an alternative provider for the manufacturing and selling of Company products, the TSG Licensing Agreement grants TSG an exclusive right to the products of the Company, and therefore the Company would be unable to change to another manufacturer without the consent of TSG or a breach by TSG of the terms of the TSG Licensing Agreement. Under the terms of the TSG Licensing Agreement, the agreement expires December 31, 2028, but may be terminated by either party immediately upon the material breach of the TSG Licensing Agreement by the other party. If TSG were to assert a breach of the TSG Licensing Agreement by the Company, and was successful in terminating the TSG Licensing Agreement, it could have a material adverse effect on the Company and its operating results.

We are party to a licensing agreement with Temperance Distilling Company (the “TDC Agreement”), dated January 24, 2022. In the TDC Agreement, STCB licenses to Temperance the right to manufacture and sell products using the brand name Whipshots. In return, Temperance agrees to pay STCB royalties based on net unit sales of products licensed by STCB to Temperance. At this time, Temperance is the sole manufacturer for Whipshots products, thus we are reliant on the TDC Agreement for all royalties related to the Whipshots products.

**Certain of our products rely on a single manufacturer.**

Whipshots, a significant contributor to our revenue for fiscal year 2022, is manufactured by Temperance. Temperance is responsible for the procurement of all raw materials and components required to manufacture Whipshots. Due to the unique nature of Whipshots, the Company is reliant on Temperance as the manufacturer of Whipshots and would not be able to easily find a comparable third-party manufacturer if needed. The operations of Temperance can be subject to additional risks beyond our control, including shipping delays, labor disputes, trade restrictions, tariffs and embargos, or any other change in local conditions. Temperance may experience a significant disruption in the supply or raw materials from current sources and, in the event of such a disruption, it may be unable to locate alternative materials suppliers of comparable quality at an acceptable price, or at all. There have occasionally been, and there may again in the future be, shipments of products by Temperance to the Company’s customers that fail to comply with our specifications or that fail to conform to our quality control standards or those of our customers. Under these circumstances, we may incur substantial expense to remedy the problems and may be required to obtain replacement products. If we fail to remedy any such problem in a timely manner, we risk the loss of net revenue resulting from the inability to sell those products and related increased administrative and shipping costs. Additionally, if the unacceptability of our products is not discovered until after such products are purchased by our customers, our customers could lose confidence in our products or we could face a product recall. In such an event our brand reputation may be negatively impacted which could negatively impact our results of operations.

Notwithstanding our acquisitions, TSG remains a material manufacturer of a significant number of our products, including procuring raw materials for such products. As a result, the Company is still reliant to a meaningful degree on TSG for the production of Company products, and might not easily be able to find a comparable third-party manufacturer for such products. In addition, the operations of TSG can be subject to risks beyond our control, including shipping delays, labor disputes, trade restrictions, tariffs and embargos, or any other change in local conditions. TSG may experience a significant disruption in the supply of raw materials from current sources and, in the event of such a disruption, it may be unable to locate alternative materials suppliers of comparable quality at an acceptable price, or at all. There have occasionally been, and there may again in the future be, shipments of products by TSG to the Company's customers that fail to comply with our specifications or that fail to conform to our quality control standards or those of our customers. Under these circumstances, we may incur substantial expense to remedy the problems and may be required to obtain replacement products. If we fail to remedy any such problem in a timely manner, we risk the loss of net revenue resulting from the inability to sell those products and related increased administrative and shipping costs. Additionally, if the unacceptability of our products is not discovered until after such products are purchased by our customers, our customers could lose confidence in our products or we could face a product recall. In such an event our brand reputation may be negatively impacted which could negatively impact our results of operations.

**Our sales and gross margins may decline as a result of increasing product costs and may not keep up with inflation.**

Our business is subject to significant pressure on costs and pricing caused by many factors, including intense competition, constrained sourcing capacity and related inflationary pressure, pressure from consumers to reduce the prices we charge for our products, and changes in consumer demand. These factors may cause us to experience increased costs, reduce our prices to consumers or experience reduced sales in response to increased prices, any of which could cause our operating margin to decline if we are unable to offset these factors with reductions in operating costs and could have a material adverse effect on our financial conditions, operating results and cash flows.

In addition, the United States and the countries in which our products are produced or sold internationally have imposed and may impose additional quotas, duties, tariffs, or other restrictions or regulations, or may adversely adjust prevailing quota, duty or tariff levels. Countries impose, modify and remove tariffs and other trade restrictions in response to a diverse array of factors, including global and national economic and political conditions, which make it impossible for us to predict future developments regarding tariffs and other trade restrictions. Trade restrictions, including tariffs, quotas, embargoes, safeguards, and customs restrictions, could increase the cost or reduce the supply of products available to us or may require us to modify our supply chain organization or other current business practices, any of which could harm our business, financial condition and results of operations.

**Our operations are largely dependent on TSG's network of warehouses and distribution centers, and the loss of, or disruption in, such a warehouse and distribution center and other factors affecting the distribution of our products could have a material adverse effect on our business and operations.**

TSG manufactures a meaningful portion of the Company's products and sells those products to a variety of distributors, retailers and end users at wholesale or retail amounts. As such, our warehouse, fulfillment and distribution functions are handled by TSG. Our current fulfillment/distribution operations are substantially dependent on the continued retention of these facilities. Any significant interruption in the operation of a warehouse and fulfillment/distribution center due to natural disasters, accidents, system issues or failures, or other unforeseen causes that materially impair our ability to access or use such a facility, could delay or impair the ability to distribute products and fulfill online orders, which could cause sales to decline.

**Our margins may decline as a result of increasing freight costs.**

Freight costs are impacted by changes in fuel prices through surcharges, among other factors. Fuel prices and surcharges affect freight costs both on inbound freight from suppliers to the distribution center as well as outbound freight from the distribution center to stores/shops, supplier returns and third-party liquidators, and shipments of product to customers. The cost of transporting our products for distribution and sale is also subject to fluctuation due in large part to the price of oil. Our products must be transported by third parties over large geographical distances and an increase in the price of oil can significantly increase costs. Manufacturing delays or unexpected transportation delays can also cause us to rely more heavily on airfreight to achieve timely delivery to our customers, which significantly increases freight costs. Increases in fuel prices, surcharges, and other potential factors may increase freight costs. Since the Company receives a royalty on all of its product sales based on the total unit sales of the product minus costs, one of which is freight costs, these fluctuations may increase our cost of products and have an adverse effect on our margins, results of operations and financial condition.

**If we fail to adequately protect our intellectual property rights, competitors may manufacture and market similar products, which could adversely affect our market share and results of operations.**

All of our product sales are from products bearing proprietary trademarks and brand names. In addition, we own or license patents and patent applications for certain products we sell. We rely on trademark, trade secret, patent and copyright laws to protect our intellectual property rights. There is a risk that we will not be able to obtain and perfect or maintain our own intellectual property rights or, where appropriate, license intellectual property rights necessary to support new product introductions. In addition, even if such rights are protected in the U.S., the laws of some other countries in which our products are or may be sold do not protect intellectual property rights to the same extent as the laws of the U.S. Our intellectual property rights could be invalidated, circumvented or challenged in the future, and we could incur significant costs in connection with legal actions relating to such rights. As patents expire, we could face increased competition or decreased royalties, either of which could negatively impact our operating results. If other parties infringe our intellectual property rights, they may dilute the value of our brands in the marketplace, which could diminish the value that consumers associate with our brands and harm our sales.

**We may be subject to liability if we infringe upon the intellectual property rights of third parties.**

We may be subject to liability if we infringe upon the intellectual property rights of third parties. If we were to be found liable for any such infringement, we could be required to pay substantial damages and could be subject to injunctions preventing further infringement. Such infringement claims could harm our brand image.

**Our business involves the potential for product liability and other claims against us, which could affect our results of operations and financial condition and result in product recalls or withdrawals.**

We face exposure to claims arising out of alleged defects in our products, including for property damage, bodily injury or other adverse effects. We do not currently maintain product liability insurance, which puts us at a greater risk of harm to our business operations should we receive a monetary judgment against us in relation to a product liability lawsuit. We intend on obtaining product liability insurance in the future. However, even with product liability insurance, we would not be covered against all types of claims, particularly claims other than those involving personal injury or property damage or claims that exceed the amount of insurance coverage. Further, we may not be able to maintain such insurance in sufficient amounts, on desirable terms, or at all, in the future. In addition to the risk of monetary judgments not covered by insurance, product liability claims could result in negative publicity that could harm our products' reputation and in certain cases require a product recall. Product recalls or product liability claims, and any subsequent remedial actions, could have a material adverse effect on our business, reputation, brand value, results of operations and financial condition.

**Our failure to comply with trade and other regulations could lead to investigations or actions by government regulators and negative publicity.**

The labeling, distribution, importation, marketing and sale of our products are subject to extensive regulation by various federal agencies, including the Federal Trade Commission, Consumer Product Safety Commission, the Food and Drug Administration ("FDA") and state attorneys general in the U.S., as well as by various other federal, state, provincial, local and international regulatory authorities in the locations in which our products are distributed or sold. If we fail to comply with those regulations, we could become subject to significant penalties or claims or be required to recall products, which could negatively impact our results of operations and disrupt our ability to conduct our business, as well as damage our brand image with consumers. In addition, the adoption of new regulations or changes in the interpretation of existing regulations may result in significant unanticipated compliance costs or discontinuation of product sales and may impair the marketing of our products, resulting in significant loss of net revenues.

Should we choose to pursue international sales, we will be subject to compliance with the U.S. Foreign Corrupt Practices Act, or FCPA, and other anti-bribery laws applicable to our operations. Although we have policies and procedures to address compliance with the FCPA and similar laws, there can be no assurance that all of our employees, agents and other partners will not take actions in violations of our policies. Any such violation could subject us to sanctions or other penalties that could negatively affect our reputation, business and operating results.

**Our future success depends on our key executive officers and our ability to attract, retain, and motivate qualified personnel.**

Our future success largely depends upon the continued services of our executive officers and management team, especially our Chief Executive Officer, Ross Sklar. If one or more of our executive officers are unable or unwilling to continue in their present positions, we may not be able to replace them readily, if at all. Additionally, we may incur additional expenses to recruit and retain new executive officers. If any of our executive officers joins a competitor or forms a competing company, we may lose some or all of our customers. Finally, we do not maintain “key person” life insurance on any of our executive officers. Because of these factors, the loss of the services of any of these key persons could adversely affect our business, financial condition, and results of operations, and thereby an investment in our stock.

In addition, our continuing ability to attract and retain highly qualified personnel, especially employees with experience in branding and marketing, will also be critical to our success because we will need to hire and retain additional personnel as our business grows. There can be no assurance that we will be able to attract or retain highly qualified personnel. We face significant competition for skilled personnel in our industries. This competition may make it more difficult and expensive to attract, hire, and retain qualified managers and employees. Because of these factors, we may not be able to effectively manage or grow our business, which could adversely affect our financial condition or business. As a result, the value of your investment could be significantly reduced or completely lost.

**If the technology-based systems that give our customers the ability to shop with us online do not function effectively, our operating results could be materially adversely affected.**

A portion of our customers shop with us through our e-commerce websites, which currently sells certain of our *Skylar and Soylent* products. While many of our products are sold in retail stores, increasingly, customers are using tablets and smart phones to shop online, and we do plan on increasing our product offerings on ecommerce websites in the future. Any failure on our part to provide an attractive, effective, reliable, user-friendly e-commerce platform that offers a wide assortment of merchandise with rapid delivery options and that continually meet the changing expectations of online shoppers could place us at a competitive disadvantage, result in the loss of sales, harm our reputation with customers, and could have a material adverse impact on our business and results of operations.

**Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.**

In the ordinary course of our business, we collect and store sensitive data, including intellectual property, our proprietary business information, and financial and other personally identifiable information of our customers and employees. The secure processing, maintenance, and transmission of this information is critical to our operations and business strategy. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance, or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost, or stolen. Advanced attacks are multi-staged, unfold over time, and utilize a range of attack vectors with military-grade cyber weapons and proven techniques, such as spear phishing and social engineering, leaving organizations and users at high risk of being compromised. The vast majority of data breaches, whether conducted by a cyber attacker from inside or outside of the organization, involve the misappropriation of digital identities and user credentials. These credentials are used to gain legitimate access to sensitive systems and high-value personal and corporate data. Many large, well-known organizations have been subject to cyber-attacks that exploited the identity vector, demonstrating that even organizations with significant resources and security expertise have challenges securing their identities. Any such access, disclosure, or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, a disruption of our operations, damage to our reputation, or a loss of confidence in our business, any of which could adversely affect our business, revenues, and competitive position.

**Organizations face growing regulatory and compliance requirements.**

New and evolving regulations and compliance standards for cyber security, data protection, privacy, and internal IT controls are often created in response to the tide of cyber-attacks and will increasingly impact organizations. Existing regulatory standards require that organizations implement internal controls for user access to applications and data. In addition, data breaches are driving a new wave of regulation with stricter enforcement and higher penalties. Regulatory and policy-driven obligations require expensive and time-consuming compliance measures. The fear of non-compliance, failed audits, and material findings has pushed organizations to spend more to ensure they are in compliance, often resulting in costly, one-off implementations to mitigate potential fines or reputational damage. Any substantial costs associated with failing to meet regulatory requirements, combined with the risk of fallout from security breaches, could have a material adverse effect on our business and brand.

**Acquisition opportunities may present themselves that in hindsight did not achieve the positive results anticipated by our management.**

From time to time, acquisition opportunities have, and may in the future, become available to us. Those opportunities may involve the acquisition of specific assets, like intellectual property or inventory, or may involve the assumption of the business operations of another entity. If the performance of our recent acquisitions, AOS, Skylar or Soylent, do not produce positive results, the dilution to stockholders from the share issuances and any interest rate on debt held by such subsidiary, may prove detrimental to our financial results and the performance of your particular shares.

Our goal with any future acquisition is that any acquisition should be able to contribute neutral to positive net income to the company after integration. To effect these future acquisitions, we will likely be required to obtain lender financing or issue additional shares of stock in exchange for the shares of the target entity. If the performance of the acquired assets or entity does not produce positive results for the company, the terms of the acquisition, whether it is interest rate on debt, or additional dilution of stockholders, may prove detrimental to the financial results of the company, or the performance of your particular shares.

**The novel coronavirus (COVID-19) pandemic, or other pandemics, may have an impact on our business, financial condition and results of operations.**

In December 2019, a novel strain of coronavirus, or COVID-19, was reported and spread across the globe, including the United States, and in March 2020 was declared to be a pandemic by the World Health Organization. Efforts to contain the spread of COVID-19 intensified and the United States, Europe and Asia implemented severe travel restrictions, social distancing and government imposed lockdowns. The impacts of the outbreak continue to evolve.

The ongoing and/or indirect impacts of the COVID-19 pandemic could further affect general economic conditions, our business and results of operations. Future developments would dictate the type and level of these potential impacts, which are highly uncertain and are difficult to predict.

If a future pandemic or health epidemic was to arise, if there is a resurgence of the COVID-19 pandemic or if there are other lingering effects of the pandemic, that could adversely impact our business and results of operations in a number of ways, including but not limited to:

- A shutdown, disruption or less than full utilization of one or more of our manufacturers, warehouse or distributors' facilities, or disruption in our supply chain or customer base, including but not limited to, as a result of illness, government restrictions or other workforce disruptions;



- The failure of third parties on which we rely, including but not limited to those that supply our raw materials and other necessary operating materials, manufacturers and independent contractors, to meet their obligations to us, or significant disruptions in their ability to do so;
- New or escalated government or regulatory responses in markets where we manufacture, sell or distribute our products, or in the markets of third parties on which we rely, could prevent or disrupt our business operations;
- Significant reductions or volatility in demand for one or more of our products, which may be caused by, among other things: the temporary inability of consumers to purchase our products due to illness, quarantine or other travel restrictions, or financial hardship; or other pandemic related restrictions impacting consumer behavior;
- An inability to respond to or capitalize on increased demand, including challenges and increased costs associated with adding capacity with our manufacturers;
- A change in demand for or availability of our products as a result of retailers, distributors or carriers modifying their inventory, fulfillment or shipping practices; and
- The unknown duration and magnitude of a pandemic and all of its related impacts.

These and other impacts of a pandemic have and could have the effect of heightening many of the other risk factors disclosed in this Annual Report on Form 10-K. The ultimate impact depends on the severity and duration of the pandemic and actions taken by governmental authorities and other third parties in response, each of which is uncertain and difficult to predict. Any of these disruptions could adversely impact our business and results of operations.

**We have reported material weaknesses in internal controls in the past.**

We have reported material weaknesses in internal controls over financial reporting as of December 31, 2022, and we cannot provide any assurances that additional material weaknesses will not be identified in the future or that we can effectively remediate our reported weaknesses. If our internal controls over financial reporting or disclosure controls and procedures are not effective, there may be errors in our financial statements that could require a restatement, or our filings may not be timely, and investors may lose confidence in our reported financial information.

Section 404 of Sarbanes-Oxley requires us to evaluate the effectiveness of our internal control over financial reporting every quarter and as of the end of each year, and to include a management report assessing the effectiveness of our internal controls over financial reporting in each Annual Report on Form 10-K. Our management, including our Chief Executive Officer, and Chief Financial Officer, do not expect that our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Furthermore, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. Over time, controls may become inadequate because changes in the conditions or deterioration in the degree of compliance with policies or procedures may occur. Because the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

As a result, we cannot assure you that additional significant deficiencies or material weaknesses in our internal control over financial reporting will not be identified in the future or that we can effectively remediate our reported weaknesses. Any failure to maintain or implement required new or improved controls, or any difficulties we may encounter in their implementation, could result in significant deficiencies or material weaknesses, cause us to fail to timely meet our periodic reporting obligations, or result in material misstatements in our consolidated financial statements. Any such failure could also adversely affect the results of periodic management evaluations regarding disclosure controls and the effectiveness of our internal control over financial reporting required under Section 404 of Sarbanes-Oxley and the rules promulgated thereunder. The existence of material weaknesses could result in errors in our consolidated financial statements and subsequent restatements of our consolidated financial statements, cause us to fail to timely meet our reporting obligations and cause investors to lose confidence in our reported financial information.

**Item 1B. Unresolved Staff Comments.**

Not applicable.

**Item 2. Properties.**

Our principal offices are located at 250 26th Street, Suite 200, Santa Monica, California, 90402.

**Item 3. Legal Proceedings.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

## PART II

### **Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchase of Equity Securities.**

#### *Market Information*

Our Class A common stock is listed to trade on the OTC Markets Group OTCQB tier under the symbol “STCB.” Any over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-downs or commissions, and may not necessarily represent actual transactions.

Our Class A common stock shares are subject to Section 15(g) and Rule 15g-9 of the Securities and Exchange Act, commonly referred to as the “penny stock” rule. The rule defines penny stock to be any equity security that has a market price less than \$5.00 per share, subject to certain exceptions. These rules may restrict the ability of broker-dealers to trade or maintain a market in our Class A common stock and may affect the ability of stockholders to sell their shares. Broker-dealers who sell penny stocks to persons other than established customers and accredited investors must make a special suitability determination for the purchase of the security. Accredited investors, in general, include individuals with assets in excess of \$1,000,000 (not including their personal residence) or annual income exceeding \$200,000 or \$300,000 together with their spouse, and certain institutional investors. The rules require the broker-dealer to receive the purchaser’s written consent to the transaction prior to the purchase and require the broker-dealer to deliver a risk disclosure document relating to the penny stock prior to the first transaction. A broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative, and current quotations for the security. Finally, monthly statements must be sent to customers disclosing recent price information for the penny stocks.

On April 17, 2023, the closing price for our Class A common stock as reported on the OTCQB was \$0.12. As of such date, we had 469,468,966 shares of Class A common stock issued and outstanding. We had no shares of Class B common stock or Preferred Stock outstanding.

#### *Holder*

As of April 17, 2023, we had 309 stockholders of record, which does not include stockholders who hold shares in “street accounts” of securities brokers.

#### *Dividends*

We have not paid cash or stock dividends and have no present plan to pay any dividends, intending instead to reinvest our earnings, if any. For the foreseeable future, we expect to retain any earnings to finance the operation and expansion of our business and the payment of any cash dividends on our Class A common stock is unlikely.

#### *Equity Compensation Plans.*

We currently do not have any equity compensation plans under which our equity securities are authorized for issuance.

#### *Recent Sales of Unregistered Securities.*

All sales of unregistered Class A common stock of the Company during fiscal year 2022 and through the date of this report were made in reliance upon Section 4(a)(2) of the Securities Act and are set forth below:

Date	Shares of Common Stock Issuable <sup>1</sup>	Cash Proceeds / Value in Kind from Shares Issuable	Recipient(s) of Shares
September 12, 2022	66,318,954	\$ 12,600,601	15 entities 18 individuals
December 29, 2022	96,446,442	\$ 19,289,300	15 entities 22 individuals
December 29, 2022	2,857,142	\$ 571,400	1 entity
February 15, 2023	196,525,715	\$ 68,784,000	21 entities 4 individuals

<sup>1</sup> Shares calculated are initial closing + indemnification holdback + contingent shares, since these were accounted for in the Form D offering/Cash proceeds calculations. If the contingent shares have been deemed unlikely to occur, they have been removed from the shares of Common Stock issuable.

On December 9, 2021, the Company's common stock offering under Regulation A+ ("Reg A") was qualified by the Securities and Exchange Commission (the "SEC") to raise capital for up to 56,818,181 shares at a price of \$1.00 per share, for a maximum of \$56,818,181. Of that amount, \$11,363,636 were qualified to be sold by selling stockholders. The Company closed on subscriptions from its Reg A share offering as of December 31, 2022 in the amount of 151,250 shares of common stock none of which were sold by existing shareholders.

All sales of unregistered warrants to purchase common stock of the Company were made in reliance upon Section 4(a)(2) of the Securities Act.

Date	Warrants to Purchase Shares of Common Stock	Consideration	Exercise Price	Recipient(s) of Shares
September 12, 2022	33,150,000	Consulting and Marketing Services	\$ 0.19	14 individuals
November 1, 2022	100,000	Consulting Services	\$ 0.20	1 individual
November 3, 2022	5,000,000	Consulting Services	\$ 0.19	1 entity
December 29, 2022	285,714	Funding Fee for Loan Origination	\$ 0.01	1 individual
March 3, 2023	114,286	Funding Fee for Loan Origination	\$ 0.01	1 individual

*Issuer Purchase of Securities.*

On June 13, 2021, the Company entered into Separation Agreements (the "Separation Agreements") with Sanford Lang ("Mr. Lang") and Martin Goldrod ("Mr. Goldrod") whereas, effective as of June 16, 2021, Mr. Lang and Mr. Goldrod each resigned from their positions as members of the Board of Directors in exchange for certain separation benefits (the "Separation Benefits"). As consideration for the Separation Benefits, and not in addition to same, the Company agreed to purchase an amount of the shares of the Company per month from Mr. Lang and Mr. Goldrod at a price per share that when aggregated with all shares purchased in each month would equal monthly Separation Benefit payments of \$7,950 to Mr. Lang and monthly Separation Benefit payments of \$3,000 to Mr. Goldrod (the "Repurchases"). The Repurchases made during the fourth quarter of fiscal year 2022 are set forth below.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
10/1/2022 - 10/31/2022	90,955	\$ 0.12	848,039	\$ 219,000
11/1/2022 - 11/30/2022	57,889	\$ 0.19	905,928	\$ 208,050
12/1/2022 - 12/31/2022	61,192	\$ 0.18	967,120	\$ 197,100

Item 6. [Reserved].

## Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of the consolidated results of operations and financial condition of Starco Brands, Inc. and subsidiaries as of December 31, 2022 and 2021 and for the years ended December 31, 2022 and 2021 should be read in conjunction with our financial statements and the notes to those financial statements that are included elsewhere in this Annual Report following Item 16 (“Form 10-K Summary”). References in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” to “us,” “we,” “our,” and similar terms refer to Starco Brands, Inc. This Annual Report contains forward-looking statements as that term is defined in the federal securities laws. The events described in forward-looking statements contained in this Annual Report may not occur. Generally these statements relate to business plans or strategies, projected or anticipated benefits or other consequences of our plans or strategies, projected or anticipated benefits from acquisitions that may be made by us, or projections involving anticipated revenues, earnings or other aspects of our operating results. The words “may,” “will,” “expect,” “believe,” “anticipate,” “project,” “plan,” “intend,” “estimate,” and “continue,” and their opposites and similar expressions, are intended to identify forward-looking statements. We caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, which may influence the accuracy of the statements and the projections upon which the statements are based. Factors that could cause our actual results of operations and financial condition to differ materially are set forth in Item 1A, “Risk Factors” section of this annual report on Form 10-K.

We caution that these factors could cause our actual results of operations and financial condition to differ materially from those expressed in any forward-looking statements we make and that investors should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of anticipated or unanticipated events or circumstances. New factors emerge from time to time, and it is not possible for us to predict all of such factors. Further, we cannot assess the impact of each such factor on our results of operations or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

### *Business Overview*

Starco Brands, Inc. (formerly Insynergy Products, Inc.), which we refer to as “the Company,” “our Company,” “STCB,” “we,” “us” or “our,” was incorporated in the State of Nevada on January 26, 2010 under the name Insynergy, Inc. On September 7, 2017, the Company filed an Amendment to the Articles of Incorporation to change the corporate name to Starco Brands, Inc. The Board determined the change of the Company’s name was in the best interests of the Company due to changes in our current and anticipated business operations at that time. In July 2017, the Company entered into a licensing agreement with The Starco Group (“TSG”), located in Los Angeles, California. TSG is a private label and branded aerosol and liquid fill manufacturer with manufacturing assets in the following verticals: DIY/Hardware, paints, coatings and adhesives, household, hair care, disinfectants, automotive, motorcycle, arts & crafts, personal care cosmetics, personal care FDA, sun care, food, cooking oils, beverages, and spirits and wine. Upon entering into the licensing agreement with TSG, the Company pivoted to commercializing novel consumer products manufactured by TSG.

In 2022, the Company embarked on a strategy to grow its consumer product line offerings through the acquisition of multiple subsidiaries with established behavior changing products and brands. With an increased product line and its existing partner relationships, the Company is expanding its verticals and consumer base.

### *Executive Overview*

In July 2017, our Board of Directors entered into a licensing agreement with TSG to pursue a new strategic marketing plan involving commercializing leading edge products with the intent to sell them through brick and mortar and online retailers. We are a company whose mission is to create behavior-changing products and brands. Our core competency is inventing brands, marketing, building trends, pushing awareness and social marketing. The licensing agreement with TSG provided STCB with certain products on an exclusive and royalty-free basis and other products on a non-exclusive and royalty basis, in the categories of food, household cleaning, air care, spirits and personal care.

The current CEO and owner of TSG, Ross Sklar, was named the CEO of STCB in August of 2017. Mr. Sklar has spent his career commercializing technology in industrial and consumer markets. Mr. Sklar has built teams of manufacturing personnel, research and development, and sales and marketing professionals over the last 20 years and has grown TSG into a successful and diversified manufacturer supplying a wide range of products to some of the largest retailers in the United States. As the Company continues to grow the number of products and brands under the STCB umbrella, it will continue to leverage its relationship with TSG to streamline its product manufacturing.

## Comparison of the year ended December 31, 2022 compared to the year ended December 31, 2021

	December 31, 2022	December 31, 2021	Change
Revenues	\$ 7,812,728	\$ 673,329	\$ 7,139,399
Cost of goods sold	776,127	-	776,127
Gross profit	7,036,601	673,329	6,363,272
Operating expenses:			
Compensation expense	1,175,267	285,837	889,430
Professional fees	1,822,927	460,363	1,362,564
Marketing, General and administrative	2,756,808	1,159,520	1,597,288
Marketing, related party	131,614	1,058,210	(926,596)
Total operating expense	5,886,616	2,963,930	2,922,686
Income (loss) from operations	1,149,985	(2,290,601)	
Other expense:			
Interest expense	68,721	30,973	37,748
Other expense	103,406	3,500	99,906
Total other expense	172,127	34,473	137,654
Income (loss) before provisions for income taxes	977,858	(2,325,074)	3,302,932
Provision for income taxes	-	-	-
Net income (loss)	977,858	(2,325,074)	3,302,932
Net income (loss) attributable to non-controlling interest	167,891	(73,909)	241,800
Net income (loss) attributable to Starco Brands	\$ 809,967	\$ (2,251,165)	\$ 3,061,132

Revenues

For the year ended December 31, 2022, the Company recorded revenues of \$7,812,728 compared to \$673,329 for the year ended December 31, 2021, an increase of \$7,139,299 or 1,060%. Royalty revenue represented 87% and 100%, or \$6.8 million and \$0.7 million, respectively, of all revenues with the remaining \$1.0 million and \$0 of revenue generated from product sales coming from our wholly owned subsidiary, AOS. This increase in the current period was largely due to growth in royalties from sales of Whipshots™ augmented by sales of AOS products from the date of its acquisition and partially offset by declines in sales of Breathe sanitizer and cleaning products during the period, which was not marketed during the same period last year, which consisted mainly of sales of breath cleansing products. The royalty rate that the Company paid varies on a per product basis of wholesale sales of our branded and non-corporate owned licensed products. Revenues are from our marketing licensing agreements with TSG and other affiliated companies for various products mentioned above. The increase in the current period is primarily due to initial volume sales of our Whipshots™, partially offset by declines in sales of Breathe cleaning and sanitizer products.

Operating Expenses

For the year ended December 31, 2022, compensation expense increased \$889,430, or 311% to \$1,175,267 compared to \$285,837 for the year ended December 31, 2021. The increase is a result of increases in spending on independent contractors and contributed services to support the launch and growth of Whipshots™.

For the year ended December 31, 2022, the Company incurred \$1,822,927 in professional fees compared to \$460,363 in the prior period, an increase of \$1,362,564, or 296%. Professional fees are mainly for accounting, auditing and legal services associated with our quarterly filings as a public company and advisory and valuation services. Professional fees are mainly for accounting, auditing and legal services associated with the acquisition of AOS, our merger activity, and our quarterly filings as a public company, and advisory and valuation services. The increase in 2022 is primarily due to an increase in banking, acquisition legal, and audit fees related to the acquisitions of AOS and Skylar, and to a lesser extent, corporate legal and audit fees.

For the year ended December 31, 2022, the Company incurred \$2,756,808 in marketing, general and administrative expense as compared to \$1,159,520 for the year ended December 31, 2021, an increase of \$1,598,288, or 138%. The increase can be attributed to an increase in spending on marketing, including initial license payments related to the promotional launch for Whipshots™. Additionally, the increase in spending can be attributed to an increase in stock-based compensation related to the warrants issued during the year ended December 31, 2022.

For the year ended December 31, 2022, the Company incurred \$131,614 in Marketing, related party expenses as compared to \$1,058,210 for the year ended December 31, 2022, a decrease of \$926,596. The decrease for the period can be attributed to our no longer classifying marketing expense from a third-party firm as related party once our EVP of marketing joined the Company full time in February 2022 and ceased being affiliated with the third-party firm.

#### Other Income and Expense

For the year ended December 31, 2022, we had total other expense of \$172,127 compared to other income of \$34,473 for the year ended December 31, 2021. For the year ended December 31, 2022, the Company had interest expense of \$68,721 and merger related and other expenses of \$103,406. For the year ended December 31, 2021, the Company had interest expense of \$30,973 and a non-cash loss on assets of \$3,500, without any offset from subleasing income or gains on extinguishment of debt.

#### Net Income (Loss)

For the year ended December 31, 2022, the Company recorded a net income of \$977,858 as compared to net loss of \$2,325,074 for the year ended December 31, 2021. The change from a net loss to net income is primarily the result of the increase in our royalty revenues partially offset by increased marketing and general expenses.

#### Liquidity and Capital Resources

As reflected in the accompanying consolidated financial statements, the Company has an accumulated deficit of \$17,578,219 at December 31, 2022. We received net cash of \$2,223,392 from financing activities for the year ended December 31, 2022, due primarily to \$2,472,500 of loan advances from Ross Sklar, our CEO and \$151,250 of equity investments from unaffiliated parties, less share repurchases of \$131,400 and other repayment activity. This compared to net cash received from financing activities of \$1,518,421, primarily from related party advances of \$1,447,272 and \$600,000 of equity investments from unaffiliated parties for the year ended December 31, 2021. A majority of our financing activity consisted of payments to and from related parties.

Our net cash provided by operating activities was \$377,777 for the year ended December 31, 2022. Operating expenses for 2022 totaling \$5,886,616 include items such as marketing and administrative costs, consultant compensation, insurance, legal and other professional fees, compliance and website maintenance.

On January 24, 2020, STCB executed a promissory note for \$100,000 with Ross Sklar, CEO. The note bears interest at 4% per annum, compounds monthly, is unsecured, and matures two years from the original date of issuance. This loan was subsequently amended to mature on July 19, 2023. On June 28, 2021, STCB executed an additional promissory note with Ross Sklar in the principal amount of \$100,000 with the same terms as the January 24, 2020 note and a maturity date of June 28, 2023. On September 17, 2021, STCB executed a third promissory note with Ross Sklar in the principal amount of \$500,000 with the same terms as the prior notes and a maturity date of September 17, 2023. On December 13, 2021, STCB executed a fourth promissory note with Ross Sklar in the principal amount of \$500,000 with the same terms as the prior notes and a maturity date of December 12, 2023. As of December 31, 2021, there was \$1,200,000 of principal and \$8,626 of accrued interest due on these notes. On February 14, 2022, STCB executed a fifth promissory note with Ross Sklar in the principal amount of \$472,500 with the same terms as the prior notes and a maturity date of February 14, 2024. This note is also convertible into the Company's common stock at the lender's option and a conversion price of \$0.29 per share. On December 29, 2022, STCB executed a sixth promissory note with Ross Sklar in the principal amount of \$2,000,000. This note bears interest at Prime + 4% per annum, compounds monthly, is secured, matures on August 1, 2023, and included warrants to purchase 285,714 shares of the Company's common stock at a price of \$0.01 per share.

### Going Concern

The audited consolidated financial statements contained in this Annual Report on Form 10-K 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 approximately \$17.6 million at December 31, 2022 including the impact of its net income of approximately \$1.0 million for the year ended December 31, 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. On December 29, 2022, the Company issued Ross Sklar, CEO, a related party, a \$2,000,000 note payable due August 1, 2023 (see Note 7), in exchange for funds of \$2 million which were used as consideration to consummate the Skylar Acquisition. 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 consolidated financial statements of the Company do not include any adjustments that may result from the outcome of these aforementioned uncertainties.

### Working Capital Surplus

	December 31, 2022	December 31, 2021
Current assets	\$ 7,971,639	\$ 1,245,942
Current liabilities	7,690,876	2,811,233
Working capital surplus (deficiency)	\$ 280,763	\$ (1,565,291)

The increase in current assets is primarily due to the increase in cash on hand of \$1,141,508, as well as an increase in accounts receivable of \$2,381,466 and an increase in inventory of \$3,033,653. In 2021, the Company had no inventory. The increase in current liabilities is primarily a result of the increase in accounts payable of \$2,652,908 and an increase in notes payable to related party of \$3,055,713.

### Cash Flows

	Year Ended December 31,	
	2022	2021
Net cash provided by (used in) operating activities	\$ 377,777	\$ (1,837,240)
Net cash used in investing activities	(1,459,661)	(115,640)
Net cash provided by financing activities	2,223,392	1,518,421
Increase (decrease) in cash	\$ 1,141,508	\$ (434,459)

### Operating Activities

Net cash provided by operating activities was \$377,777 for the year ended December 31, 2022 and was primarily due to an increase of accounts receivable of \$1,932,956, which was partially offset by an increase of other payables and accrued liabilities of \$772,074 and a decrease of prepaid expenses and other assets of \$700,061.

Net cash used in operating activities was \$1,837,240 for the year ended December 31, 2021 and was primarily due to the net loss of \$2,325,074.

### Investing Activities

Net cash used in investing activities was \$1,459,661 for the year ended December 31, 2022 and was primarily due to cash paid in acquisition of business, net of \$1,459,661.

Net cash used in investing activities was \$115,640 for the year ended December 31, 2021 and was primarily due to the purchase of intangibles of \$20,000 and payments on note receivable from related party of \$95,640.

### Financing Activities

For the year ended December 31, 2022, net cash provided by financing activities was \$2,223,392, which includes \$2,472,500 from advances from related parties and \$150,494 from the proceeds of common stock.

For the year ended December 31, 2021, net cash provided by financing activities was \$1,518,421, which includes \$1,447,272 from advances from related parties and \$600,000 from the proceeds of common stock.

### *Off-Balance Sheet Arrangements*

We have not entered into any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources and would be considered material to investors.

### *Effects of Inflation*

Inflationary factors such as increases in the costs to acquire goods and overhead costs may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of gross margin and selling, general and administrative expenses as a percentage of revenues if the selling prices of our services do not increase with these increased costs.

### *Critical Accounting Policies and Estimates*

Our Consolidated Financial Statements have been prepared in conformity with US GAAP. The preparation of our Consolidated Financial Statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs, expense and related disclosures. These estimates and assumptions are often based on historical experience and judgements that we believe to be reasonable under the circumstances at the time made. However, all such estimates and assumptions are inherently uncertain and unpredictable, and actual results may differ. It is possible that other professionals, applying their own judgement to the same facts and circumstances, could develop and support alternative estimates and assumptions that could result in material changes to our operating results and financial condition. We evaluate our estimates and assumptions on an ongoing basis.

We consider our critical accounting estimates to include the assumptions and estimates associated with timing for revenue recognition, testing goodwill for impairment, recoverability of long-lived assets, income taxes, fair value of contributed services, and assumptions used in the Black-Scholes valuation methods, such as expected volatility, risk-free interest rate and expected dividend rate. Our significant accounting policies are more fully described in the notes to our Consolidated Financial Statements. We believe that the following accounting policies and estimates are critical to our business operations and understanding our financial results.

#### ***Acquisition Accounting***

We account for acquisitions in accordance with the acquisition method of accounting pursuant to ASC 805, *Business Combinations*. Accordingly, for each acquisition, we record the fair value of the assets acquired and liabilities assumed as of the acquisition date, and recognize the excess of the consideration paid over the fair value of the net assets acquired as goodwill. For each acquisition, the fair value of assets acquired and liabilities assumed is determined based on assumptions that reasonable market participants would use to value the assets in the principal (or most advantageous) market.



In determining the fair value of the assets acquired and the liabilities assumed in connection with acquisitions, management engages third-party valuation experts. Management is responsible for these internal and third-party valuations and appraisals.

### ***Revenue Recognition***

STCB and its subsidiaries currently earn a majority of their revenue as royalties from the licensing agreements it has with TSG, a related entity, and other related parties. STCB licenses the right for TSG to manufacture and sell certain Starco Brands products. The amount of the licensing revenue received varies depending upon the product and the royalty percentage is determined beforehand in each agreement. The Company recognizes its revenue under these licensing agreements only when sales are made by TSG or other related parties to a third party.

AOS, one of STCB's wholly owned subsidiaries, earns its revenues through the sale of premium body and skincare products. Revenue from retail sales is recognized at shipment to the retailer. Revenue from eCommerce sales, including Amazon Fulfillment by Amazon ("Amazon FBA"), is recognized upon shipment of merchandise.

Skylar, one of STCB's wholly owned subsidiaries, 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 Fulfillment by Amazon ("Amazon FBA"), is recognized upon shipment of merchandise.

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.

The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the licensee transferring goods or services to the customer. Once a contract is determined to be within the scope of ASC 606 at contract inception, the Company reviews the contract to determine which performance obligations the Company's licensee must deliver and which of these performance obligations are distinct. The Company recognizes as revenues the amount of the transaction price that is allocated to the respective performance obligation when the performance obligation is satisfied or as it is satisfied. Generally, the Company's licensee's performance obligations are transferred to customers at a point in time, typically upon delivery.

### ***Goodwill Impairment***

Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date, our estimates are inherently uncertain and subject to refinement.

We review goodwill for impairment at least annually or more frequently if indicators of impairment exist. Our goodwill impairment test may require the use of qualitative judgements and fair-value techniques, which are inherently subjective. Impairment loss, if any, is recorded when the fair value of goodwill is less than its carrying value for each reporting unit.

No impairment losses related to goodwill were recognized for the years ended December 31, 2022 and 2021.

### ***Recoverability of Long-Lived Assets***

We review intangible assets, property, equipment and software with finite lives for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset or asset group to future undiscounted cash flows that the asset or asset group is expected to generate. If assets are determined to be impaired, the impairment loss to be recognized equals the amount by which the carrying value of the asset or group of assets exceeds its fair value. Significant estimates include but are not limited to future expected cash flows, replacement cost and discount rates. There were no impairment losses related to long-lived assets for the years ended December 31, 2022 and 2021.

### ***Income Taxes***

The Company follows Section 740-10-30 of the FASB Accounting Standards Codification, which requires 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. Under this method, deferred tax assets and liabilities are based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the fiscal year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the fiscal 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 the Statements of Income in the period that includes the enactment date.

The Company adopted section 740-10-25 of the FASB Accounting Standards Codification (“Section 740-10-25”) with regards to uncertainty income taxes. Section 740-10-25 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under Section 740-10-25, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent (50%) likelihood of being realized upon ultimate settlement. Section 740-10-25 also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. The Company had no material adjustments to its liabilities for unrecognized income tax benefits according to the provisions of Section 740-10-25.

### ***Contributed Services***

The Company uses contributed services from related parties on an as needed basis for a portion of Company operations. Depending on the amount of time related parties spend working on STCB, the Company allocates a percentage of the related parties’ salaries to be accounted for as contributed services expense.

### ***Recent Accounting Pronouncements***

The Company has implemented all new accounting pronouncements that are in effect. These pronouncements did not have any material impact on the consolidated financial statements unless otherwise disclosed, and 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 consolidated financial position or results of operations.

### **Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

Not applicable.

### **Item 8. Financial Statements and Supplementary Data.**

The financial statements required by this Item 8 of this Annual Report are included in this Annual Report following Item 16 (“Form 10-K Summary”). As a smaller reporting company, we are not required to provide supplementary financial information.

## **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

### *Changes in Registrant's Certifying Accountant*

On March 8, 2022, our Board of Directors received formal notice that our independent auditors, Haynie & Company (“Haynie”), had made the decision to resign as our independent accountants effective March 8, 2022. On March 11, 2022, the Board of Directors voted unanimously to accept the resignation.

Haynie audited the financial statements of the Company for the two years ended December 31, 2020 and 2019, respectively. The report of Haynie on such financial statements, dated April 15, 2021, did not contain an adverse opinion or disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope or accounting principles.

For the two fiscal years and subsequent interim periods through the date of Haynie’s resignation, there had been no disagreements with the former accountants on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement, if not resolved to the satisfaction of Haynie, would have caused them to make reference thereto in their report on the financial statements.

During the two fiscal years and the interim period to the date of Haynie’s resignation, there had been no reportable events, as that term is defined in Item 304(a)(1)(v) of Regulation S-B.

During the Company’s fiscal year 2020 and 2021, and since then, Haynie has not advised the Company that any of the following exist or are applicable:

- (1) That the internal controls necessary for the Company to develop reliable financial statements do not exist, that information has come to their attention that has led them to no longer be able to rely on management’s representations, or that has made them unwilling to be associated with the financial statements prepared by management.
- (2) That the Company needs to expand significantly the scope of its audit, or that information has come to their attention that if further investigated may materially impact the fairness or reliability of a previously issued audit report or the underlying financial statements or any other financial presentation, or cause them to be unwilling to rely on management’s representations or be associated with the Company’s financial statements for the foregoing reasons or any other reason, or
- (3) That they have advised the Company that information has come to their attention that they have concluded materially impacts the fairness or reliability of either a previously issued audit report or the underlying financial statements for the foregoing reasons or any other reason.

We have provided Haynie a copy of the disclosure made in response to Item 4.01 on our Current Report on Form 8-K, filed with the SEC on March 15, 2022 and requested that Haynie provide a letter addressed to the Securities & Exchange Commission confirming their agreement with the disclosure contained herein. Pursuant to our request, Haynie provided the letter which is attached as Exhibit 16.1 thereto.

### **New Independent Accountants**

On March 11, 2020, Macias Gini & O’Connell LLP (“MGO”), Certified Public Accountants of Irvine, California, were appointed by the Company to audit our financial statements for the year ended December 31, 2021. During the two fiscal years and the subsequent interim periods preceding their appointment as independent accountants, neither the Company nor anyone on its behalf consulted MGO regarding (1) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company’s consolidated financial statements, and MGO did not provide either a written report or oral advice to the Company that was an important factor considered by the Company in reaching a decision as to any accounting, auditing, or financial reporting issue, (2) any matter that was either the subject of a disagreement with Haynie on accounting principles or practices, financial statement disclosure or auditing scope or procedures, which, if not resolved to the satisfaction of Haynie, would have caused Haynie to make reference to the matter in their report, or a “reportable event” as described in Item 304(a)(1)(v) of Regulation S-K of the SEC’s rules and regulations.

## Item 9A. Controls and Procedures.

### *Evaluation of Disclosure Controls and Procedures*

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act), that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures. In designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we are required to perform an evaluation of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Exchange Act, as of December 31, 2022.

Management has completed such evaluation and has concluded that our disclosure controls and procedures were not effective to provide reasonable assurance that information required to be disclosed by us in reports we file or submit under the Exchange Act is appropriate to allow timely decisions regarding required disclosures. As a result of the material weakness in internal controls over financial reporting described below, we concluded that our disclosure controls and procedures as of December 31, 2022 were not effective.

### *Management's Annual Report on Internal Control Over Financial Reporting*

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed under the supervision of our principal executive and principal financial officer and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external reporting purposes in accordance with GAAP.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

### *Material Weaknesses in Internal Control over Financial Reporting*

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2022 based on the framework established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has determined that our internal control over financial reporting as of December 31, 2022 was not effective.

A material weakness, as defined in the standards established by the Sarbanes-Oxley is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

The ineffectiveness of our internal control over financial reporting was due to the following material weaknesses, which we had previously reported as of December 31, 2021, and which have not yet been remediated:

- Lack of an audit committee
- Lack of corporate documentation
- Fulfillment of the Chief Executive Officer and Chief Financial Officer roles by the same person

### *Management's Plan to Remediate the Material Weaknesses*

During the year ended December 31, 2022, Management has been implementing and continues to implement measures designed to ensure that control deficiencies contributing to the material weakness are remediated, such that these controls are designed, implemented, and operating effectively. The remediation actions include:

- The full time Controller hired in 2022 will expand on controls implemented around segregation of duties for cash transactions and continue to strengthen corporate documentation and controls, and the overall financial reporting process,
- Formal appointment of a Chief Financial Officer in the first half of 2023, who will be overseeing the financial reporting process and implementation of enhanced controls and governance,
- Engagement of separate external financial consulting firms to continue to enhance financial reporting, financial operations, internal controls/ segregation of duties; as well as improve tax analysis and reporting,
- Management plans to begin a search in 2023 to expand the Board of Directors to include a member qualified to sit on an Audit Committee.

Management will continue to monitor and evaluate the effectiveness of our internal controls and procedures over financial reporting on an ongoing basis and is committed to taking further action and implementing additional enhancements or improvements, as necessary and as funds allow.

This Annual Report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that exempt smaller reporting companies from this requirement.

### *Changes in Internal Control Over Financial Reporting*

Other than described above there have been no changes in our internal control over financial reporting that occurred during our fourth quarter of 2022 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

### **Item 9B. Other Information.**

None.

### **Item 9C. Disclosures Regarding Foreign Jurisdictions that Prevent Inspections.**

Not applicable.

## **PART III**

### **Item 10. Directors, Executive Officers and Corporate Governance.**

#### *Directors and Executive Officers*

The following table sets forth the names and ages of our current directors and named executive officers. Our bylaws require that the total number of directors constituting our Board of Directors shall be not less than one (1) nor more than seven (7), to serve until the earlier occurrence of the election of his or her successor at the next meeting of stockholders, death, resignation or removal by the Board of Directors. Our executive officers are appointed by our Board of Directors and serve at its discretion. There are no family relationships among our directors, executive officers, or director nominees.

Name	Age	Position	Term of Director/Officer
Ross Sklar	47	President, CEO, Interim Chief Financial Officer, Chairman of the Board and Director	August 2015 until next annual meeting
Darin Brown	46	Executive Vice President, Director	June 2020 until next annual meeting
Demir Vangelov	49	Director	February 2022 until next annual meeting
David Dreyer	49	Executive Vice President of Marketing	June 2020 until next appointment of officers by the Board of Directors

Ross Sklar was appointed to fill a vacancy on our Board on August 13, 2015. Mr. Sklar is the founder and current Chief Executive Officer of The Starco Group, located in Los Angeles, California. On August 9, 2017, Mr. Sklar was appointed President and Chief Executive Officer of Starco Brands. He started The Starco Group in January 2010. The Starco Group is a diversified aerosol and liquid fill producer of private label and branded industrial and consumer products that manufactures for almost every consumer category. For over 15 years Mr. Sklar has developed technology in industrial and consumer markets. He holds a Bachelor's degree in Political Science from the University of Manitoba.

Darin Brown joined the Company as a Director on June 4, 2020, and was appointed as its Executive Vice President in July 2020. Mr. Brown has over 20 years of experience in chemical operations and consumer package goods distribution experience. He also currently serves as Executive Vice President of Operations for The Starco Group, which is a position he has held since February 2012. Mr. Brown has exceptional leadership experience, having overseen teams of over 200 people during his time at The Starco Group.

Demir Vangelov joined the Company as a Director on February 15, 2022 in connection with the SoyLent Acquisition. Mr. Vangelov has 15 years of experience in the food industry. He was a member of the board of directors and the Chief Executive Officer of SoyLent Nutrition, Inc., a privately held, plant-based food company. Mr. Vangelov joined SoyLent as its Chief Financial Officer in June 2018 and was promoted to Chief Executive Officer in February 2020, when he was also appointed to SoyLent's board. SoyLent was acquired by Starco Brands, Inc. in February 2023.

David Dreyer joined the Company as an Executive Vice President of Marketing on June 4, 2020 and was promoted to Chief Marketing Officer in February 2022. Dreyer brings over twenty years of experience working with Blue Chip Brands to the team at Starco Brands. Upon receiving his MS in Integrated Marketing from Northwestern University, Dreyer started his career with Honda and internet pioneer Stamps.com. Dreyer then migrated over to the agency side of the business, working for industry standouts Deutsch, TBWA/Chiat/Day, The Woo and Media Arts Lab. His roster of brands that he has worked with also speaks for itself, as Dreyer feels privileged to have worked with brands such as Apple, Pepsi, Pizza Hut, Dr. Pepper, Snapple, Infinity, The GRAMMY's, Jimmy Dean and TOMS. In his spare time, Dreyer is a Professor of Advertising at USC's Annenberg School for Communication, where he loves introducing students to the world of advertising and helping them find their footing in the industry.

#### *Involvement in Certain Legal Proceedings*

None of our officer nor directors, promoters or control persons have been involved in the past ten years in any of the following:

- (1) Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- (2) Any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- (3) Being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, or any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or
- (4) Being found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

*Compliance with Section 16(a) of the Exchange Act*

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and persons who own more than ten percent of our common stock, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock. Officers, directors and ten-percent or greater beneficial owners are required by SEC regulations to furnish us with copies of all Section 16(a) reports they file. Based upon a review of those forms and representations regarding the need for filing for the year ended December 31, 2022, we believe all necessary forms have been filed.

*Corporate Governance*

We do not have a standing nominating committee for directors, nor do we have an audit committee with an audit committee financial expert serving on that committee. Our entire Board of Directors, act as our nominating and audit committee.

*Code of Ethics*

The Company has not yet adopted a code of ethics as until recently it had an inconsequential number of employees at the parent and subsidiary levels. We intend to adopt a code of ethics in the future.

**Item 11. Executive Compensation.**

The following table provides information as to cash compensation of all executive officers of the Company, for each of the Company's last two fiscal years.

**SUMMARY COMPENSATION TABLE**

Name and principal position	Year	Salary (\$) <sup>(1)</sup>	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Ross Sklar, CEO, Interim CFO and Director	2022	\$ 10,000	\$ 1,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,000
	2021	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Darin Brown, VP, Director	2022	\$ 93,500	\$ 1,000	\$ 0	\$ 0	\$ 491,742	\$ 0	\$ 0	\$ 586,242
	2021	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Demir Vangelov, Director	2022	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
David Dreyer, VP	2022	\$ 262,500	\$ 1,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 263,500
	2021	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(1) The compensation reported in 2022 under Salary was payable to the officers under consulting compensation as 1099-NEC wages.

*Employment Agreements*

STCB has no formal employment agreements in place at this time.

*Director Compensation*

The Company does not have any arrangement for compensation of our directors for any services provided as director, including services for committee participation or for special assignments.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.***Securities Under Equity Compensation Plans*

The Company does not have any securities authorized for issuance under any equity compensation plans approved by our stockholders and any equity compensation plans not approved by our stockholders as of December 31, 2022.

*Beneficial Ownership*

The following table lists the beneficial ownership of our outstanding Class A common stock by our management and each person or group known to us to own beneficially more than 5% of our voting common stock. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Based on these rules, two or more persons may be deemed to be the beneficial owners of the same securities. Except as indicated by footnote, the persons named in the table below have sole voting power and investment power with respect to the shares of Class A common stock shown as beneficially owned by them. The percentage of beneficial ownership is based on 469,312,080 shares of common stock outstanding as of April 17, 2023.

<b>Title of Class</b>	<b>Name of Beneficial Owner</b>	<b>Amount of Beneficial Ownership</b>	<b>Percent of Class</b>
Class A common Stock	Ross Sklar	93,723,446	20.0%
Class A common Stock	David Dreyer	4,000,000	0.9%
Class A common Stock	Darin Brown	2,000,000	0.4%
Class A common Stock	Demir Vangelov	12,617,857 <sup>(1)</sup>	2.7%
Class A common Stock	GV 2016 GP, L.L.C.	57,535,013 <sup>(2)</sup>	12.3%
Class A common Stock	Andreessen Horowitz Fund IV, L.P.	46,278,004 <sup>(3)</sup>	9.9%
Class A common Stock	The Production Board, LLC	35,671,708 <sup>(4)</sup>	7.6%
Class A common Stock	Lightspeed Venture Partners XI, L.P.	30,979,630 <sup>(5)</sup>	6.6%
Class A common Stock	Upfront VI, L.P.	23,594,338 <sup>(6)</sup>	5.0%
	Directors and executive officers as a group (4 persons)	112,341,303	5.0%

- (1) Mr. Vangelov holds these shares indirectly through Hamilton Start, LLC. Mr. Vangelov's shares are subject to that certain Voting Agreement, by and among Starco Brands, Inc., Ross Sklar, and the stockholders of the Company listed on Schedule A thereto, dated February 15, 2023.
- (2) GV 2016 GP, L.L.C. holds these shares indirectly through GV 2016, L.P. Hamilton Start, LLC. GV 2016 GP, L.L.C.'s shares are subject to that certain Voting Agreement, by and among Starco Brands, Inc., Ross Sklar, and the stockholders of the Company listed on Schedule A thereto, dated February 15, 2023.
- (3) Andreessen Horowitz Fund IV, L.P.'s shares are subject to that certain Voting Agreement, by and among Starco Brands, Inc., Ross Sklar, and the stockholders of the Company listed on Schedule A thereto, dated February 15, 2023.
- (4) The Production Board, LLC's shares are subject to that certain Voting Agreement, by and among Starco Brands, Inc., Ross Sklar, and the stockholders of the Company listed on Schedule A thereto, dated February 15, 2023.
- (5) Lightspeed Venture Partners XI, L.P.'s shares are subject to that certain Voting Agreement, by and among Starco Brands, Inc., a Nevada corporation, and the stockholders listed on Schedule A thereto, dated September 12, 2022.
- (6) Upfront VI, L.P.'s shares are subject to that certain Voting Agreement, by and among Starco Brands, Inc. and the stockholders listed on Schedule A thereto, dated December 29, 2022.

**Item 13. Certain Relationships and Related Transactions, and Director Independence.***Related Party Transactions*

The following information summarizes transactions we have either engaged in for the past two fiscal years or propose to engage in, involving our executive officers, directors, more than 5% stockholders, or immediate family members of these persons. These transactions were negotiated between related parties without "arm's length" bargaining and, as a result, the terms of these transactions may be different than transactions negotiated between unrelated persons.

During the year ended December 31, 2017, Sanford Lang, STCB's former Chairman and CEO, advanced STCB \$289,821 to pay for general operating expenses. The advance required a monthly interest payment of \$2,545 and was due on demand. In June 2021, Sanford Lang and Martin Goldrod (former directors and executive officers of STCB) executed agreements with STCB whereby the advance from Mr. Lang and all other amounts owed to each were repaid and both Mr. Lang and Mr. Goldrod resigned from the Board of Directors. Further, for a period of 36 months beginning in July 2021, STCB will repurchase an aggregate of \$10,950 of shares each month from Mr. Lang and Mr. Goldrod, with the share price for each purchase to be set according to the volume weighted average price of trades in the stock over the last 10 days of the month. As of December 31, 2022 STCB has repurchased an aggregate of \$197,100 to Mr. Lang and Mr. Goldrod per the agreements and effected the corresponding share transfers.



As of December 31, 2021, STCB owed TSG \$72,843 for expenses paid by TSG on behalf of STCB for expenses to launch licensed brands. This obligation was satisfied in 2022 such that there is no further obligation for this matter. In addition, in 2022 STCB satisfied additional obligations to TSG and its subsidiaries totaling \$203,539 for expenses paid on behalf of STCB or funds advanced to the Company to pay for other operating expenses. TSG is owned by Ross Sklar, CEO. The Company did not incur any expenses paid by TSG on behalf of STCB during the year ended December 31, 2022.

On January 24, 2020, STCB executed a promissory note (“January 24, 2020”), for \$100,000 with Ross Sklar, CEO. The January 24, 2020 Note bore interest at 4% per annum, compounded monthly, was unsecured, and matured two years from the original date of issuance. On July 19, 2022, the Company and Mr. Sklar, agreed to amend and restate the January 24, 2020 Note. Mr. Sklar agreed to extend the term of the January 24, 2020 Note through the entry into a First Amended and Restated Promissory Note (the “Amended Note”) in exchange for the Company paying the accrued and unpaid interest under the January 24, 2020 Note, including during the period following maturity date of the January 24, 2020 Note (January 24, 2022 through July 19, 2022). In exchange for extending the term, Mr. Sklar waived the default interest rate of ten percent (10%) and agreed to interest accrual at the standard four percent (4%) rate during the period following maturity. The Amended Note carries a guaranteed 4% interest rate, matures on July 19, 2024, and has a 10% interest rate on a default of repayment at maturity. The Company, at its option, may prepay the Amended Note, in whole or in part, without prepayment penalty of any kind, and the obligations under the Amended Note will accelerate in full upon an Event of Default (as defined in the Amended Note).

On June 28, 2021, STCB executed an additional promissory note (“June 28, 2021 Note”), with Mr. Sklar in the principal amount of \$100,000 with the same terms as the January 24, 2020 Note and a maturity date of June 28, 2023. On September 17, 2021, STCB executed a third promissory note (“September 17, 2021 Note”), with Mr. Sklar in the principal amount of \$500,000 with the same terms as the January 24, 2020 Note and a maturity date of September 17, 2023. On December 13, 2021, STCB executed a fourth promissory note (“December 13, 2021 Note”), with Mr. Sklar in the principal amount of \$500,000 with the same terms as the January 24, 2020 Note and a maturity date of December 12, 2023.

On February 14, 2022, STCB executed a fifth promissory note (“February 14, 2022 Note”), in favor of Mr. Sklar, in the principal sum of \$472,500, in exchange for a cash advance in the amount of \$300,000 and payment of Company costs in the amount of \$172,500. As with the January 24, 2020 note between the Company and our CEO, the February 14, 2022 Note bears interest at 4% per annum, is unsecured, and matures two years from the original date of issuance. This note may also convert into shares of Company Class A common stock at the 10-day volume weighted average trading price of the Company Class A common stock for the 10-day period prior to the issuance of the Note, which was calculated as \$0.29 per share.

On December 29, 2022 STCB entered into a financing transaction with Mr. Sklar consisting of a secured promissory note (the “December 29, 2022 Note”), warrants (the “December 29, 2022 Warrants”) to purchase common stock of the Company (the “Common Stock”), and a security agreement (the “December 29, 2022 Security Agreement”) to secure the obligations under the December 29, 2022 Note (the foregoing agreements and transactions contemplated thereby, collectively, the “Financing”). The entry into the Financing was approved by the disinterested directors of the Company and was entered into to provide the Company with short-term liquidity to fund non-ordinary course business transactions and acquisitions.

The December 29, 2022 Note executed by STCB had a principal sum of \$2,000,000, and carries a floating interest rate comprised of the Wall Street Journal Prime Rate (re-assessed on the first day of each month) plus 4% (for a then current floating interest rate of 11.5%). The December 29, 2022 Note matures on August 1, 2023 and has a default interest rate equal to the then current interest rate plus 5%. The Company, at its option, may prepay the December 29, 2022 Note, in whole or in part, without prepayment penalty of any kind. In connection with the December 29, 2022 Note, the Company entered into the December 29, 2022 Security Agreement to secure the December 29, 2022 Note obligations and issued the December 29, 2022 Warrants as a funding fee to obtain the loaned funds.

The December 29, 2022 Security Agreement, by and between the Company and Sklar to provide security interests to Sklar to secure the obligations underlying the December 29, 2022 Note. A security interest in the Collateral (as defined in the Security Agreement) has been granted to Mr. Sklar to secure the repayment of all principal, interest, costs, expenses and other amounts now or hereafter due under the December 29, 2022 Note by the maturity date. Mr. Sklar is authorized to file financing statements to perfect the security interest in the Collateral without authentication by the Company.

The December 29, 2022 Warrants, consist of warrants to purchase 285,714 shares of common stock at an exercise price of \$0.01 per share. The number of shares of common stock for which the December 29, 2022 Warrants are exercisable and the exercise price may be adjusted upon any event involving subdivisions, combinations, distributions, recapitalizations and like transactions. Pursuant to the December 29, 2022 Warrant, the warrant and the right to purchase securities upon the exercise of the December 29, 2022 Warrant will terminate on December 29, 2027. The December 29, 2022 Warrants are fully vested as of the date of grant and may be exercised through cash or cashless exercise.

As of December 31, 2022, there was \$3,672,500 of principal and \$6,960 of accrued interest due on these notes, respectively.

During the year ended December 31, 2022, the Company incurred \$131,614 of marketing expense from The Woo while David Dreyer, the EVP of Marketing, was also Managing Director at The Woo. Mr. Dreyer left the Woo in February 2022.

During the years ended December 31, 2022 and 2021, the Company recognized revenue of \$7,812,728 and \$673,329, respectively. There were \$2,107,015 of accounts receivable and accrued accounts receivable from TSG and Temperance as of December 31, 2022.

During the year ended December 31, 2021, the Company advanced \$95,640 to Temperance as a note and related to its initial production of Whipshots. The note carries no interest and is payable on demand.

#### *Voting Agreements*

On September 12, 2022, in connection with the closing of the AOS Acquisition, the Company entered into a Voting Agreement (the "AOS Voting Agreement") with certain stockholders. The AOS Voting Agreement generally requires that the stockholders subject to the AOS Voting Agreement vote or cause to be voted their shares of Class A common stock, and execute and deliver written consents and otherwise exercise all voting rights with respect to their shares of Class A common stock in the same manner as Mr. Sklar votes or gives his consent, provided that such manner does not adversely affect such stockholder in a manner different from the effect on other holders of Class A common stock. In addition, in connection with the AOS Voting Agreement, the stockholders delivered irrevocable proxies to Mr. Sklar. The AOS Voting Agreement terminates (a) automatically upon the listing of the Company's Class A common stock on the Nasdaq Stock Market or New York Stock Exchange, (b) with the written consent of each of the parties signatories thereto, (c) automatically in the event that Mr. Sklar owns less than 30% of the issued and outstanding common stock of the Company and is no longer the Company's chief executive officer, or (d) automatically in the event the Company voluntarily commences any bankruptcy or similar proceedings or has commenced against it any bankruptcy or similar proceedings that are not dismissed within 60 days of such commencement.

On November 7, 2022, STCB entered into a Voting Agreement with Sanford Lang (a former director of STCB), pursuant to which, among other things, Mr. Lang would vote his shares in the same manner as Mr. Sklar votes or gives his consent, provided that such manner does not adversely affect such stockholder in a manner different from the effect on other holders of Class A common stock. On that same date, STCB entered into a Voting Agreement with Martin Goldrod (a former director of STCB), pursuant to which, among other things, Mr. Goldrod would vote his shares in the same manner as Mr. Sklar votes or gives his consent, provided that such manner does not adversely affect such stockholder in a manner different from the effect on other holders of Class A common stock.

On December 29, 2022, in connection with the closing of the Skylar Acquisition, STCB entered into a Voting Agreement (the “Skylar Voting Agreement”) with certain former stockholders. The Skylar Voting Agreement generally requires that the stockholders subject to the Skylar Voting Agreement vote or cause to be voted their shares of Class A common stock, and execute and deliver written consents and otherwise exercise all voting rights with respect to their shares of Class A common stock in the same manner as Mr. Sklar votes or gives his consent, provided that such vote or action does not disproportionately or adversely affect the stockholder in a manner different from the effect on other holders of Class A common stock. In addition, in connection with the Skylar Voting Agreement, the stockholders delivered irrevocable proxies to Mr. Sklar. The Skylar Voting Agreement terminates (a) automatically upon the listing of the Class A common stock on the Nasdaq Stock Market or New York Stock Exchange, (b) with the written consent of each of the parties signatories thereto, (c) automatically in the event that both of the following conditions are met: (i) Mr. Sklar is no longer Starco’s chief executive officer and (ii) Sklar is no longer a member of the Board of Directors of STCB, or (d) automatically in the event Starco voluntarily commences any bankruptcy or similar proceedings or has commenced against it any bankruptcy or similar proceedings that are not dismissed within 60 days of such commencement.

On February 15, 2023 in connection with the closing of the Soylent Acquisition, STCB entered into a Voting Agreement (the “Soylent Voting Agreement”) with Mr. Sklar and certain other stockholders of STCB. The Soylent Voting Agreement generally requires that the stockholders (other than Mr. Sklar) for a period of one year vote or cause to be voted their shares of Class A common stock, and execute and deliver written consents and otherwise exercise all voting rights with respect to their shares of Class A common stock in the same manner as Mr. Sklar votes or gives his consent, provided that such vote or action does not disproportionately or adversely affect the other stockholders subject to the Soylent Voting Agreement in a manner different from the effect on other holders of Class A common stock. In addition, in connection with the Soylent Voting Agreement, the stockholders (other than Mr. Sklar) delivered irrevocable proxies to Mr. Sklar for one year. The Soylent Voting Agreement also requires the stockholders and Mr. Sklar for a period of two years to vote all shares such person has voting control over in favor of the election of (i) a Soylent stockholder director which shall initially be Demir Vangelov, (ii) Ross Sklar and (iii) such other person as may be designated by Mr. Sklar from time to time. The Soylent Voting Agreement contemplates standard preemptive rights to ensure anti-dilution protections for the parties for three (3) years. The Voting Agreement shall be effective for three (3) years from February 15, 2023 but terminates (a) automatically upon the listing of the Class A common stock on the Nasdaq Stock Market or New York Stock Exchange, (b) with the written consent of each of the parties signatories thereto, (c) automatically in the event that both of the following conditions are met: (i) Mr. Sklar is no longer STCB’s chief executive officer and (ii) Mr. Sklar owns less than 20% of the issued and outstanding Class A Common stock of Starco, or (d) automatically in the event Starco voluntarily commences any bankruptcy or similar proceedings or has commenced against it any bankruptcy or similar proceedings that are not dismissed within 60 days of such commencement.

Accounting for Mr. Sklar’s personal share holdings, and each of the referenced voting agreements, Mr. Sklar effectively controls approximately 82.0% of the total voting power of STCB.

#### *Director Independence*

At this time, the Company does not have a policy that its directors or a majority be independent of management. The Company currently has three directors. It is the intention of the Company to implement a policy in the future that a majority of the Board member be independent of the Company’s management as the members of the board of director’s increases following further implementation of the Company’s business plan.

#### **Item 14. Principal Accounting Fees and Services.**

##### *Audit Fees*

Macias Gini & O’Connell LLP (“MGO”) has served as our independent registered public accountants for the years ended December 31, 2022 and 2021. The following is a summary of the fees billed or expected to be billed to us by MGO for professional services rendered with respect to the fiscal years ended December 31, 2022 and 2021:

	<b>MGO</b>	
	<b>2022</b>	<b>2021</b>
Audit fees (1)	\$ 300,000	\$ 75,000
Audit-related fees (2)	155,000	-
Tax fees (3)		-
All other fees (4)		-
	<u>\$ 455,000</u>	<u>\$ 75,000</u>

- (1) Audit Fees consist of fees billed and expected to be billed for services rendered for the audit of our consolidated financial statements for the years ended December 31, 2022 and 2021, and the review of our condensed consolidated financial statements included in our Quarterly Reports on Form 10-Q.
- (2) Audit-related fees represent professional services rendered for assurance and related services by the accounting firm that are reasonably related to the performance of the audit or review of our consolidated financial statements that are not reported under “Audit Fees.”
- (3) Tax Fees consist of fees billed for professional services related to preparation of our U.S. federal and state income tax returns and tax advice.
- (4) All Other Fees consist of fees billed for products and services provided by our independent registered public accountants, other than those disclosed above.

##### *Pre-Approval Policies*

Our Board of Directors approves the engagement of the auditor before the firm renders audit and non-audit services. Since the Company does not have an audit committee, we do not rely on pre-approval policies and procedures.

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules.**

**EXHIBIT INDEX**

<b><u>Exhibit No.</u></b>	<b><u>Exhibit Description</u></b>
2.1 (*)†	<a href="#"><u>Agreement and Plan of Merger, by and among (i) Starco Brands, Inc., a Nevada corporation, (ii) Starco Merger Sub Inc., a Delaware corporation, (iii) The AOS Group Inc., a Delaware corporation, and (iv) Matthias Metternich, solely in his capacity as the Company Stockholder Representative of The AOS Group stockholders, dated September 12, 2022, filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Commission on September 15, 2022.</u></a>
2.2 (*)†	<a href="#"><u>Agreement and Plan of Merger, by and among (i) Starco Brands, Inc., a Nevada corporation, (ii) Starco Merger Sub II, Inc., a Delaware corporation, (iii) Skylar Body, LLC, a Delaware limited liability company, (iv) Skylar Body, Inc., a Delaware corporation, and (v) Shareholder Representative Services LLC, solely in its capacity as the representative of the Company Holders, dated December 29, 2022, filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Commission on January 4, 2023.</u></a>
2.3 (*)†	<a href="#"><u>Agreement and Plan of Merger, by and among Starco Brands, Inc., Starco Merger Sub I Inc., Soylent Nutrition, Inc., and Hamilton Start, LLC, solely in its capacity as stockholders' representative and solely for purposes of Article IX, Article X, Section 2.08 and Section 6.11 therein, dated February 14, 2023, filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Commission on February 21, 2023.</u></a>
3.1 (#)	<a href="#"><u>Amended and Restated Articles of Incorporation of Starco Brands, Inc.</u></a>
3.2 (*)	<a href="#"><u>Amended and Restated Bylaws of Starco Brands, Inc., filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on July 1, 2022.</u></a>
4.1 (*)†	<a href="#"><u>Registration Rights Agreement, by and between Starco Brands, Inc., a Nevada corporation, and the Investors listed on Schedule A thereto, dated September 12, 2022, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on September 15, 2022.</u></a>
4.2 (*)†	<a href="#"><u>Voting Agreement, by and among Starco Brands, Inc., a Nevada corporation, and the stockholders listed on Schedule A thereto, dated September 12, 2022, filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on September 15, 2022.</u></a>
4.3 (*)†	<a href="#"><u>Registration Rights Agreement, by and between Starco Brands, Inc., a Nevada corporation, and the Investors listed on Schedule A thereto, dated December 29, 2022, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on January 4, 2023.</u></a>
4.4 (*)	<a href="#"><u>Voting Agreement, by and among Starco Brands, Inc., a Nevada corporation, and the stockholders listed on Schedule A thereto, dated December 29, 2022, filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on January 4, 2023.</u></a>
4.5 (*)	<a href="#"><u>Registration Rights Agreement, by and between Starco Brands, Inc., and Hamilton Start, LLC in its capacity as Stockholder Representative on behalf of the Investors (as defined therein) dated February 15, 2023, filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on February 21, 2023.</u></a>

- 4.6 (\*) [Voting Agreement, by and among Starco Brands, Inc., Ross Sklar, and the stockholders of the Company listed on Schedule A thereto, dated February 15, 2023, filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on February 21, 2023.](#)
- 10.1 (\*) [Form of Indemnification Agreement by and between Starco Brands, Inc. and each of its current directors, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on February 21, 2023.](#)
- 10.2 (\*) (+) [Brand License Agreement, by and between Starco Brands, Inc. and The Starco Group, effective as of July 12, 2017, filed as Exhibit 6.2 to the Company's Regulation A+ offering statement filed with the Commission on August 31, 2021.](#)
- 10.3 (\*) (+) [License Agreement by and between Sklar Holdings, Inc., and Starco Brands, Inc. executed April 1, 2018, filed as Exhibit 99.2 to the Company's Current Report on Form 8-K filed with the Commission on February 19, 2021.](#)
- 10.4 (\*) (+) [License Agreement by and between Winona Pure, Inc. and Starco Brands, Inc. executed April 1, 2018, filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the Commission on February 19, 2021.](#)
- 10.5 (\*) (+) [License Agreement by and between Hearst Magazine Media, Inc. and Starco Brands, Inc. executed October 15, 2020, filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the Commission on November 20, 2020.](#)
- 10.6 (\*) (+) [License Agreement by and between Hearst Magazine Media, Inc. and Starco Brands, Inc. executed April 24, 2020, filed as Exhibit 99.2 to the Company's Current Report on Form 8-K filed with the Commission on November 20, 2020.](#)
- 10.7 (\*) [Memorandum of Understanding Regarding the Launch of Breathe Hand Sanitizer, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on June 12, 2020.](#)
- 10.8 (\*) (+) [License Agreement, by and between Whipshots LLC, Washpoppin Inc., and "Cardi B," dated as of September 14, 2021.](#)
- 10.9 (\*) (+) [Intellectual Property Purchase Agreement, by and between Whipshots LLC and PENGUINS FLY, LLC, dated as of August 24, 2021, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on September 14, 2021.](#)
- 10.10 (\*) [Form of Distribution Agreement, by and between Starco Brands, Inc. and "Distributor", filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on November 10, 2021.](#)
- 10.11 (\*) [Form of Broker Agreement, by and between Starco Brands, Inc. and "Broker", filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on November 10, 2021.](#)
- 10.12 (\*) [Separation Agreement dated June 13, 2021 between Starco Brands, Inc. and Sanford Lang, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K/A filed with the Commission on July 22, 2021.](#)
- 10.13 (\*) [Separation Agreement dated June 13, 2021 between Starco Brands, Inc. and Martin Goldrod, filed as Exhibit 10.2 to the Company's Current Report on Form 8-K/A filed with the Commission on July 22, 2021.](#)

- 10.14 (\*) [First Amended and Restated Promissory Note issued in favor of Ross Sklar, dated July 19, 2022, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on July 20, 2022.](#)
- 10.15 (\*) [Promissory Note issued in favor of Ross Sklar, dated June 28, 2021, filed as Exhibit 6.12 to the Company's Regulation A+ offering statement filed with the Commission on October 20, 2021.](#)
- 10.16 (\*) [Promissory Note issued in favor of Ross Sklar, dated September 17, 2021, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on September 23, 2021.](#)
- 10.17 (\*) [Promissory Note issued in favor of Ross Sklar, dated December 13, 2021, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on December 15, 2021.](#)
- 10.18 (\*) [Promissory Note issued in favor of Ross Sklar, dated February 14, 2021, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on February 22, 2022.](#)
- 10.19 (\*) [Secured Promissory Note issued in favor of Ross Sklar, dated December 29, 2022, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on January 5, 2023.](#)
- 10.20 (\*) [Secured Promissory Note issued in favor of Ross Sklar, dated March 3, 2023, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on March 9, 2023.](#)
- 10.21 (\*) [Security Agreement, by and between Starco Brands, Inc. and Ross Sklar, dated December 29, 2022, filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on January 5, 2023.](#)
- 10.22 (\*) [Security Agreement, by and between Starco Brands, Inc. and Ross Sklar, dated March 3, 2023, filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on March 9, 2023.](#)
- 10.23 (\*) [Warrant to Purchase Common Stock, issued to Ross Sklar, dated December 29, 2022, filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on January 5, 2023.](#)
- 10.24 (\*) [Warrant to Purchase Class A Common Stock, issued to Ross Sklar, dated March 3, 2023, filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on March 9, 2023.](#)
- 10.25 (#)(+) [License Agreement by and between Starco Brands, Inc. and Temperance Distilling Company, executed January 24, 2022.](#)
- 16.1 (\*) [Letter to SEC from Haynie & Company, dated March 14, 2022, filed as Exhibit 16.1 to the Company's Current Report on Form 8-K filed with the Commission on March 14, 2022.](#)
- 21.1 (#) [Subsidiaries of the Company.](#)
- 31.1 (#) [Certification of Chief Executive Officer required by Rule 13a-14\(a\) or Rule 15d-14\(a\).](#)
- 31.2 (#) [Certification of Chief Financial Officer required by Rule 13a-14\(a\) or Rule 15d-14\(a\).](#)
- 32.1 (#) [Certification of Chief Executive Officer required by Rule 13a-14\(b\) or Rule 15d-14\(b\) and 18 U.S.C. 1350.](#)

32.2 (#) [Certification of Chief Financial Officer required by Rule 13a-14\(b\) or Rule 15d-14\(b\) and 18 U.S.C. 1350.](#)

101.INS Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).

101.SCH Inline XBRL Taxonomy Extension Schema Document.

101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document.

101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document.

101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document.

101.PRE Inline XBRL Taxonomy Presentation Linkbase Document.

104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

(#) Filed herewith.

(\*) Incorporated by reference to the filing indicated.

In accordance with Item 601(a)(5) of Regulation S-K, certain schedules (or similar attachments) to this exhibit may have been omitted from this filing. The Registrant will provide a copy of any omitted schedule to the SEC or its staff upon request.

(+)

In accordance with Item 601(b)(10)(iv) of Regulation S-K, certain provisions or terms of the Agreement may have been redacted. The Registrant will provide an unredacted copy of the exhibit on a supplemental basis to the SEC or its staff upon request.

†

Certain of the exhibits and schedules to this exhibit have been omitted in accordance with Regulation S-K Item 601(b)(2). The Registrant agrees to furnish a copy of all omitted exhibits and schedules to the SEC upon its request.

(##) The certifications attached as Exhibits 32.1 and 32.2 that accompany this report, are not deemed filed with the SEC and are not to be incorporated by reference into any filing of Starco Brands, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this report irrespective of any general incorporation language contained in such filing.

**Item 16. Form 10-K Summary.**

Not applicable

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**STARCO BRANDS, INC.**

Dated: April 17, 2023

By: /s/ Ross Sklar  
Ross Sklar  
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
<u>/s/ Ross Sklar</u> Ross Sklar	Chief Executive Officer and Interim Chief Financial Officer (Principal Executive and Financial Officer)	April 17, 2023
<u>/s/ Darin Brown</u> Darin Brown	Director	April 17, 2023
<u>/s/ Demir Vangelov</u> Demir Vangelov	Director	April 17, 2023



ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

STARCO BRANDS, INC.  
CONSOLIDATED FINANCIAL STATEMENTS

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To Shareholders and Board of Directors  
Starco Brands, Inc.  
Santa Monica, Ca

### Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Starco Brands, Inc. (the "Company") as of December 31, 2022 and 2021, and the related consolidated statements of operations, stockholders' equity(deficit), and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has an accumulated deficit of approximately \$17.6 million at December 31, 2022 including the impact of its net income of approximately \$1.0 million for the year ended December 31, 2022. Net cash provided by operating activities was \$0.4 million for the year ended December 31, 2022. 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.

### Basis for Opinion

These financial statements are the responsibility of the entity's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

### *Evaluation of Acquisitions - Fair Value of Acquired Assets and Contingent Consideration*

The Company completed its acquisition of Skylar Body Inc. (“Skylar”) and the AOS Group Inc. (“AOS”) for aggregate consideration of approximately \$34.5 million. Based on the preliminary allocation of the purchase price of the acquisitions, the Company recognized approximately \$33 million of goodwill. The purchase price allocation to the assets acquired and liabilities assumed, including the residual amount allocated to goodwill, is based on preliminary information. The information that was available to the Company to allocate the consideration was affected by the proximity of the acquisition date to the Company’s fiscal year end date of December 31, 2022. In addition, the Company has contingent consideration arrangements arising from the acquisitions, which obligates the Company to provide equity consideration to the former shareholders of the acquired companies if specified future events or conditions are met. We identified the allocation of the purchase price and contingent consideration associated with the Skylar and AOS acquisition as a critical audit matter.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the financial statements. Our audit procedures for related-party transactions included the following, among others:

- We evaluated whether the purchase price allocation to the assets acquired and liabilities assumed, including the residual amount allocated to goodwill, were recorded appropriately.
- We tested the Company’s identification of the assets acquired and liabilities assumed by reading the acquisition agreement, performing audit procedures on such acquired balances and comparing the categories of such assets and liabilities which were recorded in the preliminary purchase price allocation to the acquisition agreement.
- We inquired of management of their understanding of key assumptions of certain revenue benchmarks along with indemnifications by the former shareholders related to contingent consideration.
- We evaluated the reasonableness of the key assumptions by comparing them to (1) internal communications to management and the Board of Directors and (2) information included in the Company’s external communications.
- We independently corroborated the reasonableness of the key assumptions.

### *Related Party Transactions including Revenue Recognition*

The Company has significant related party transactions involving revenue, loans payable, services contributed, and amounts paid by multiple related parties. The Company’s revenue is based upon royalty agreements with related parties that can be complex and vary based on the product. Auditing management’s identification of related parties and the related transactions including recognition of revenue can be complex and is based on a thorough understanding of the Company’s related party relationships, contracts, and business activities.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the financial statements. Our audit procedures for related-party transactions included the following, among others:

- Evaluating the completeness of related-party transactions by obtaining the Company’s list of related-party relationships and transactions.
- Making inquiries of executive officers, key members of management, and Board of Directors regarding related party transactions.
- Evaluating the Company’s related party revenues under ASC 606 and conducting audit procedures which included reviewing contracts and evaluating management’s assumptions used to determine the distinct performance obligations, and tracing to third party documentation, which the royalty revenue is based on.

Macias, Gini, and O’Connell LLP



We have served as the Company’s auditor since 2022  
Irvine, California  
April 17, 2023

**STARCO BRANDS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	1,480,371	338,863
Accounts receivable, net, \$2,107,015 and \$174,059 from related party, respectively	2,555,525	174,059
Prepaid expenses and other assets	902,090	733,020
Inventory	3,033,653	-
Total Current Assets	<u>7,971,639</u>	<u>1,245,942</u>
Property and equipment, net	25,873	-
Operating lease right-of-use assets	61,353	-
Intangibles, net	198,403	20,000
Goodwill	32,836,563	-
Note receivable, \$95,640 and \$95,640 from related party, respectively	95,640	95,640
Total Assets	<u>41,189,471</u>	<u>1,361,582</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Current Liabilities:		
Accounts payable	3,245,573	592,665
Other payables and accrued liabilities	1,135,803	800,775
Accrued interest, \$6,960 and \$202,023 from related party, respectively	6,960	202,023
Stock payable	-	654,166
Treasury stock payable, current	131,400	131,400
Loans and advances payable, related party	-	376,382
Notes payable, \$3,047,533 and - from related party, respectively	3,109,535	53,822
Lease liability	61,605	-
Total Current Liabilities	<u>7,690,876</u>	<u>2,811,233</u>
Treasury stock payable, net of current portion	65,700	197,100
Loans payable, net of current portion, \$572,500 and \$1,100,000 from related party, respectively	572,500	1,100,000
Total Liabilities	<u>8,329,076</u>	<u>4,108,333</u>
Commitments and Contingencies (Note 6)		
Stockholders' Deficit:		
Preferred stock, \$.001 par value; 40,000,000 shares authorized; no shares issued and outstanding, at December 31, 2022 and December 31, 2021, respectively	-	-
Common stock, \$.001 par value; 300,000,000 shares authorized; 291,433,430 and 159,140,665 shares issued and outstanding, at December 31, 2022 and December 31, 2021, respectively	291,433	159,141
Additional paid in capital	43,332,886	15,950,403
Treasury stock at cost	(394,200)	(394,200)
Equity consideration payable	7,114,513	-
Accumulated deficit	(17,578,219)	(18,388,186)
Total Starco Brands' Stockholders' Equity (Deficit)	<u>32,766,413</u>	<u>(2,672,842)</u>
Non-controlling interest	93,982	(73,909)
Total Stockholders' Equity (Deficit)	<u>32,860,395</u>	<u>(2,746,751)</u>
Total Liabilities and Stockholders' Equity (Deficit)	<u>41,189,471</u>	<u>1,361,582</u>

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

**STARCO BRANDS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	<b>For the Year Ended</b>	
	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Revenue, \$6,786,051 and \$673,329 from related parties, respectively, net	\$ 7,812,728	\$ 673,329
Cost of goods sold	776,127	-
Gross profit	\$ 7,036,601	\$ 673,329
Operating Expenses:		
Compensation expense	\$ 1,175,267	\$ 285,837
Professional fees	1,822,927	460,363
Marketing, General and administrative	2,756,808	1,159,520
Marketing, related party	131,614	1,058,210
Total Operating Expenses	5,886,616	2,963,930
Income (Loss) from operations	1,149,985	(2,290,601)
Other Expense:		
Interest expense	68,721	30,973
Other expense	103,406	3,500
Total Other Expense	172,127	34,473
Income (Loss) before provisions for income taxes	\$ 977,858	\$ (2,325,074)
Provision for income taxes	-	-
Net income (loss)	\$ 977,858	\$ (2,325,074)
Net income (loss) attributable to non-controlling interest	\$ 167,891	\$ (73,909)
Net Income (Loss) attributable to Starco Brands	\$ 809,967	\$ (2,251,165)
Income (Loss) per share, basic	\$ 0.00	\$ (0.01)
Income (Loss) per share, diluted	\$ 0.00	\$ (0.01)
Weighted Average Shares Outstanding - Basic	178,679,069	159,140,665
Weighted Average Shares Outstanding - Diluted	192,927,018	159,140,665

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

**STARCO BRANDS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**

	Preferred Stock		Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Non- controlling Interest	Equity Consideration Payable	Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount						
<b>Balance at December 31, 2020</b>	-	\$ -	159,140,665	\$ 159,141	\$ 15,723,705	\$ -	\$ (16,137,021)	\$ -	\$ -	\$ (254,175)
Estimated fair value of contributed services	-	-	-	-	214,243	-	-	-	-	214,243
Estimated fair value of warrants issued	-	-	-	-	12,455	-	-	-	-	12,455
Treasury stock	-	-	-	-	-	(394,200)	-	-	-	(394,200)
Net loss	-	-	-	-	-	-	(2,251,165)	(73,909)	-	(2,325,074)
<b>Balance at December 31, 2021</b>	<u>-</u>	<u>\$ -</u>	<u>159,140,665</u>	<u>\$ 159,141</u>	<u>\$ 15,950,403</u>	<u>\$ (394,200)</u>	<u>\$ (18,388,186)</u>	<u>\$ (73,909)</u>	<u>\$ -</u>	<u>\$ (2,746,175)</u>
Estimated fair value of contributed services	-	-	1,611,960	1,611	736,179	-	-	-	-	737,790
Estimated fair value of warrants issued	-	-	-	-	582,360	-	-	-	-	582,360
Issuance of shares for cash	-	-	151,250	151	150,343	-	-	-	-	150,494
Recognition of deferred offering costs	-	-	-	-	(135,434)	-	-	-	-	(135,434)
Issuance of shares related to stock payable	-	-	728,570	729	600,000	-	-	-	-	600,729
Issuance of shares related to AOS acquisition	-	-	61,339,223	61,339	11,635,800	-	-	-	-	11,697,138
Equity payable related to AOS acquisition	-	-	-	-	-	-	-	-	946,149	946,149
Issuance of shares related to Skylar acquisition	-	-	68,461,762	68,462	13,663,235	-	-	-	-	13,731,697
Equity payable related to Skylar acquisition	-	-	-	-	-	-	-	-	6,168,364	6,168,364
Investment in Company	-	-	-	-	150,000	-	-	-	-	150,000
Net income	-	-	-	-	-	-	809,967	167,891	-	977,858
<b>Balance at December 31, 2022</b>	<u>-</u>	<u>\$ -</u>	<u>291,433,430</u>	<u>\$ 291,433</u>	<u>\$ 43,332,886</u>	<u>\$ (394,200)</u>	<u>\$ (17,578,219)</u>	<u>\$ 93,982</u>	<u>\$ 7,114,513</u>	<u>\$ 32,860,395</u>

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

**STARCO BRANDS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>For the Year Ended</b>	
	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Cash Flows From Provided by Operating Activities:</b>		
Net income (loss)	\$ 977,858	\$ (2,325,074)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Loss on disposal of asset	-	3,500
Common stock payable for services	183,669	54,166
Contributed services	554,123	214,243
Stock based compensation	529,400	12,455
Depreciation	16,692	-
Amortization of intangible assets	600	-
Amortization of debt discount	493	-
Changes in operating assets and liabilities:		
Accounts receivable, related party	(1,932,956)	(128,543)
Accounts receivable	87,016	-
Prepaid expenses and other assets	700,061	(713,103)
Inventory	131,082	-
Operating lease right of use asset	24,149	-
Accounts payable	98,661	385,000
Other payables and accrued liabilities, related party	(195,063)	122,571
Other payables and accrued liabilities	(772,074)	537,545
Operating lease liability	(25,934)	-
<b>Net Cash Used In Operating Activities</b>	<b>377,777</b>	<b>(1,837,240)</b>
<b>Cash Flows From Investing Activities:</b>		
Cash Paid in Acquisition of Business, net of cash paid	(1,459,661)	-
Purchases of intangibles	-	(20,000)
Notes receivable, related party	-	(95,640)
<b>Net Cash Provided by (Used) In Investing Activities</b>	<b>(1,459,661)</b>	<b>(115,640)</b>
<b>Cash Flows From Financing Activities:</b>		
Advances / loans from related parties	2,472,500	1,447,272
(Repayment of advances)/borrowings from related parties	(276,382)	(516,973)
Proceeds from notes payable	92,334	80,291
Payments on notes payable	(84,154)	(26,469)
Proceeds from issuance of common stock	150,494	600,000
Repurchase of common stock	(131,400)	(65,700)
<b>Net Cash Provided By Financing Activities</b>	<b>2,223,392</b>	<b>1,518,421</b>
<b>Net Increase (Decrease) In Cash</b>	<b>1,141,508</b>	<b>(434,459)</b>
Cash - Beginning of Period	338,863	773,322
Cash - End of Period	<u>\$ 1,480,371</u>	<u>\$ 338,863</u>
<b>Supplemental Cash Flow Information:</b>		
Cash paid for:		
Interest paid	\$ 70,766	\$ 33,380
Income taxes	\$ -	\$ -
Noncash operating and financing activities:		
Treasury stock payable	\$ -	\$ 328,500
Non-cash issuance of stock payable	\$ 600,729	\$ -
Reclass of offering costs to additional paid-in capital	\$ 135,434	\$ -
Reclass of investment in Company to additional paid-in capital	\$ 150,000	\$ -
Estimated fair value of shares issued in acquisitions	\$ 25,428,836	\$ -
Estimated fair value of shares payable to be issued from acquisitions	\$ 7,114,513	\$ -
Debt discount on notes payable issued with warrants	\$ 52,960	\$ -

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

**STARCO BRANDS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS**

Starco Brands, Inc. (STCB) was incorporated in the State of Nevada on January 26, 2010, under the name Insynergy, Inc. On September 7, 2017, STCB filed an Amendment to the Articles of Incorporation to change the corporate name to Starco Brands, Inc. The Board determined the change of STCB's name was in the best interests of the Company due to changes in its current and anticipated business operations. In July 2017, STCB entered into a licensing agreement with The Starco Group ("TSG"), located in Los Angeles, California. The companies pivoted to commercializing novel consumer products manufactured by TSG. TSG is a private label and branded aerosol and liquid fill manufacturer with manufacturing assets in the following verticals: DIY/Hardware, paints, coatings and adhesives, household, hair care, disinfectants, automotive, motorcycle, arts & crafts, personal care cosmetics, personal care FDA, sun care, food, cooking oils, beverages, and spirits and wine.

During the third quarter of 2021, STCB formed two subsidiaries, Whipshots, LLC, a Wyoming limited liability company ("Whipshots LLC") and Whipshots, LLC, a Delaware limited liability company that was subsequently renamed Whipshots Holdings, LLC ("Whipshots Holdings"). Whipshots LLC was a wholly-owned subsidiary of STCB at formation which was subsequently contributed to Whipshots Holdings. Whipshots Holdings is a majority-owned subsidiary of STCB in which STCB owns 96% of the vested voting interests. There are unvested interests not owned by the Company for an additional 3% of the equity which has been issued subject to vesting requirements.

On September 12, 2022, STCB, through its wholly-owned subsidiary Starco Merger Sub Inc. ("Merger Sub"), completed its acquisition (the "AOS Acquisition") of The AOS Group Inc., a Delaware corporation ("AOS"). The AOS Acquisition consisted of Merger Sub merging with and into AOS, with AOS being the surviving corporation. AOS is a wholly-owned subsidiary of STCB.

On December 29, 2022, 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"). The Skylar Acquisition consisted of First Merger Sub merging with and into Skylar ("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 merged with and into Second Merger Sub (the "Second Merger") with the Second Merger being the surviving corporation. Skylar is a wholly-owned subsidiary of STCB.

The accompanying condensed consolidated financial statements are of STCB and its subsidiaries AOS, Skylar, Whipshots Holdings and its wholly owned subsidiary Whipshots LLC (collectively, the "Company").

**NOTE 2 – GOING CONCERN**

The accompanying consolidated 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 approximately \$17.6 million at December 31, 2022 including the impact of its net income of approximately \$1.0 million for the year ended December 31, 2022. Net cash used in operating activities was \$0.4 million for the year ended December 31, 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. On December 29, 2022, the Company issued Ross Sklar, CEO, a related party, a \$2,000,000 note payable due August 1, 2023 (see Note 7), whereby the entirety of the note was used as consideration to consummate the Skylar Acquisition. 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 consolidated financial statements of the Company do not include any adjustments that may result from the outcome of these aforementioned uncertainties.



### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Basis of Consolidation*

The consolidated financial statements of Starco Brands, Inc. include the accounts of STCB, our wholly owned subsidiary AOS, our wholly owned subsidiary Skylar, and our 96% owned subsidiary and its wholly owned subsidiaries, which are comprised of voting interest entities in which we have a controlling financial interest in accordance with ASC 810, Consolidation. All significant intercompany profits, losses, transactions and balances have been eliminated in consolidation in the consolidated financial statements.

Our consolidated subsidiaries at December 31, 2022 include: AOS, Skylar, Whipshots Holdings and its wholly owned subsidiary Whipshots LLC. Intercompany accounts and transactions have been eliminated upon consolidation.

#### *Basis of Presentation*

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The accompanying consolidated financial statements reflect all adjustments, consisting of only normal recurring items, which, in the opinion of management, are necessary for a fair statement of the results of operations for the periods shown. These consolidated financial statements should be read in conjunction with the related notes.

The summary of significant accounting policies presented below is designed to assist in understanding the Company's consolidated financial statements. Such consolidated financial statements and accompanying notes are the representation of the Company's management, who is responsible for their integrity and objectivity.

#### *Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and equity-based transactions at the date of the financial statements and the revenues and expenses during the reporting period. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of the condensed consolidated financial statements. Significant estimates include the timing for revenue recognition, testing goodwill for impairment, recoverability of long-lived assets, income taxes, fair value of contributed services, and assumptions used in the Black-Scholes valuation methods, such as expected volatility, risk-free interest rate and expected dividend rate.

#### *Concentrations of Credit Risk*

We maintain our cash in bank deposit accounts, the balances of which at times may exceed federally insured limits. We continually monitor our banking relationships and consequently have not experienced any losses in our accounts. We believe we are not exposed to any significant credit risk on cash.

#### *Cash Equivalents*

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. There were no cash equivalents for the year ended December 31, 2022 or 2021.

### *Accounts Receivable*

Revenues that have been recognized but not yet 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 and was zero as of December 31, 2022 and 2021.

### *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, accounts receivable, accounts payable, prepaid expenses and accrued expenses approximate their fair value because of the short maturity of those instruments. The Company’s notes payable approximates the fair value of such instruments based upon management’s best estimate of interest rates that would be available to the Company for similar financial arrangements at December 31, 2022 and 2021.

### *Property and Equipment*

Property and equipment is recorded at cost. All Property and equipment with a cost of \$2,000 or greater are capitalized. 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 assets are sold or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in operations.

### *Revenue Recognition*

STCB and its subsidiaries currently earn a majority of their revenue as royalties from the licensing agreements it has with TSG, a related entity, and other related parties. STCB licenses the right for TSG to manufacture and sell certain Starco Brands products. The amount of the licensing revenue received varies depending upon the product and the royalty percentage is determined beforehand in each agreement. The Company recognizes its revenue under these licensing agreements only when sales are made by TSG or other related parties to a third party.

AOS, one of STCB’s wholly owned subsidiaries, earns its revenues through the sale of premium body and skincare products. Revenue from retail sales is recognized at shipment to the retailer. Revenue from eCommerce sales, including Amazon Fulfillment by Amazon (“Amazon FBA”), is recognized upon shipment of merchandise.

Skylar, one of STCB’s wholly owned subsidiaries, 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 Fulfillment by Amazon (“Amazon FBA”), is recognized upon shipment of merchandise.

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.

The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the licensee transferring goods or services to the customer. Once a contract is determined to be within the scope of ASC 606 at contract inception, the Company reviews the contract to determine which performance obligations the Company's licensee must deliver and which of these performance obligations are distinct. The Company recognizes as revenues the amount of the transaction price that is allocated to the respective performance obligation when the performance obligation is satisfied or as it is satisfied. Generally, the Company's licensee's performance obligations are transferred to customers at a point in time, typically upon delivery.

#### *Income Taxes*

The Company follows Section 740-10-30 of the FASB Accounting Standards Codification, which requires 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. Under this method, deferred tax assets and liabilities are based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the fiscal year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the fiscal 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 the Statements of Income in the period that includes the enactment date.

The Company adopted section 740-10-25 of the FASB Accounting Standards Codification ("Section 740-10-25") with regards to uncertainty income taxes. Section 740-10-25 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under Section 740-10-25, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent (50%) likelihood of being realized upon ultimate settlement. Section 740-10-25 also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. The Company had no material adjustments to its liabilities for unrecognized income tax benefits according to the provisions of Section 740-10-25.

#### *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 (warrants, options, and restricted stock units). The fair value of each warrant and option is estimated on the date of grant using the Black-Scholes option pricing model that uses 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 closing price of our common stock on the trading day of the grant date.

#### *Net Income (Loss) Per Common Share*

Net income (loss) per share of common stock is computed by dividing the net loss by the weighted average number of shares of common stock outstanding during the year. All outstanding options are considered potential common stock. The dilutive effect, if any, of stock payable and warrants are calculated using the treasury stock method. All outstanding convertible notes are considered common stock at the beginning of the period or at the time of issuance, if later, pursuant to the if-converted method. Since the effect of common stock equivalents is anti-dilutive with respect to losses, outstanding options have been excluded from the Company's computation of net loss per share of common stock for the year ended December 31, 2021.

The following table summarizes the securities that were excluded from the diluted per share calculation because the effect of including these potential shares was antidilutive due to the Company's net loss position even though the exercise price could be less than the average market price of the common stock:

	<b>Year Ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Stock Payable	-	1,378,570
Warrants	-	2,550,000
Acquisition Stock Consideration Payable	-	-
Total	-	3,928,570

#### *Intangible Assets*

Definite-lived intangible assets consist of certain domain names. Definite-lived intangible assets are amortized utilizing the straight-line method over the assets' estimated useful lives, which approximate 10 years.

Indefinite-lived intangible assets consist of certain trademarks and formula lists. These intangible assets are not amortized but are tested for impairment annually or whenever impairment indicators exist.

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. During fiscal 2022, the Company did not record asset impairment charges related to its intangible assets.

#### *Royalties and Licenses*

Royalty-based obligations with content licensors are either paid in advance and capitalized as prepaid royalties or are accrued as incurred and subsequently paid. These royalty-based obligations are generally expensed to cost of revenue generally at the greater of the contractual rate or an effective royalty rate based on the total projected net revenue for contracts with guaranteed minimums. Prepayments made are generally made in connection with the development of a particular product, and therefore, we are generally subject to risk during the product phase. Payments earned after completion of the product (primarily royalty-based in nature) are generally expensed as cost of revenue.

Our contracts with some licensors include minimum guaranteed royalty payments, which are initially recorded as an asset and as a liability at the contractual amount when no performance remains with the licensor. When performance remains with the licensor, we record guarantee payments as an asset when actually paid and as a liability when incurred, rather than recording the asset and liability upon execution of the contract.

Each quarter, we also evaluate the expected future realization of our royalty-based assets, as well as any unrecognized minimum commitments not yet paid to determine amounts we deem unlikely to be realized through future revenue. Impairments or losses determined post-launch are charged to cost of revenue. We evaluate long-lived royalty-based assets for impairment using undiscounted cash flows when impairment indicators exist. If an impairment exists, then the related assets are written down to fair value. Unrecognized minimum royalty-based commitments are accounted for as executory contracts, and therefore, any losses on these commitments are recognized when the underlying intellectual property is abandoned (i.e., cease use) or the contractual rights to use the intellectual property are terminated.

Our minimum contractual obligations as of December 31, 2022 approximate \$1,120,000 and \$1,670,000 for the years ending December 31, 2023 and 2024, respectively.

#### *Leases*

With the adoption of ASC 842, operating lease agreements are required to be recognized on the balance sheet as Right-of-Use (“ROU”) assets and corresponding lease liabilities. ROU assets include any prepaid lease payments and exclude any lease incentives and initial direct costs incurred. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. The lease terms may include options to extend or terminate the lease if it is reasonably certain that the Company will exercise that option.

AOS, the Company’s wholly owned subsidiary leases its corporate office (“AOS Lease”). The AOS Lease is classified as an operating lease and has a term of 2 years, for approximately 1,372 square feet of office space located in West Hollywood, California. The lease expires in September 2023 and has a monthly base rental of \$7,564 which increases 4% each year. The remaining weighted average term is 0.75 years. In March 2022, the Company entered into a sublease, whereby, the sublessor will take over the entire AOS Lease office space and the lease payment until the completion of the original AOS Lease term.

In accordance with ASC 842, Leases, the Company recognized a ROU asset and corresponding lease liability on the consolidated balance sheet for long-term office leases. See Note 11 – Leases for further discussion, including the impact on the consolidated financial statements and related disclosures.

#### *Inventory*

Inventory consists of premium body and skincare products and fragrances. Inventory is measured using the first-in, first-out method and stated at average cost as of December 31, 2022. The value of inventories is reduced for excess and obsolete inventories. We monitor inventory to identify events that would require impairment due to obsolete inventory and adjust the value of inventory when required. We did not record any inventory impairment losses for the years ended December 31, 2022 and 2021.

#### *Acquisitions, Intangible Assets and Goodwill*

The condensed consolidated financial statements reflect the operations of an acquired business beginning as of the date of acquisition. Assets acquired and liabilities assumed are recorded at their fair values at the date of acquisition; goodwill is recorded for any excess of the purchase price over the fair values of the net assets acquired. Significant judgment is required to determine the fair value of certain tangible and intangible assets and in assigning their respective useful lives. Accordingly, we typically obtain the assistance of third-party valuation specialists for significant tangible and intangible assets. The fair values are based on available historical information and on future expectations and assumptions deemed reasonable by management but are inherently uncertain. The Company typically employs an income method to measure the fair value of intangible assets, which is based on forecasts of the expected future cash flows attributable to the respective assets. Significant estimates and assumptions inherent in the valuations reflect a consideration of other marketplace participants and include the amount and timing of future cash flows (including expected growth rates and profitability), the underlying product or technology life cycles, economic barriers to entry and the discount rate applied to the cash flows. Unanticipated market or macroeconomic events and circumstances could affect the accuracy or validity of the estimates and assumptions. Determining the useful life of an intangible asset also requires judgment. Intangible assets are amortized over their estimated lives. Any intangible assets associated with acquired in-process research and development activities (“IPR&D”) are not amortized until a product is available for sale.

## Segments

Operating segments are defined as components of an enterprise about which separate discrete information is available for evaluation by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company's Chief Executive Officer ("CEO") is the Company's chief operating decision maker ("CODM") and views the Company's operations and manages its business in two reportable operating segments: (i) Starco Brands, which includes AOS, and (ii) Skylar. The CODM assesses performance of operating segments and determines the allocation of resources based primarily on gross profit as a whole.

## Recently Issued Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect. These pronouncements did not have any material impact on the consolidated financial statements unless otherwise disclosed, and 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 4 – BUSINESS SEGMENTS

The Company has the following reportable segments:

*Starco Brands.* The Starco Brands segments generates revenue through the development and sales of consumer good products. The Starco Brands segment includes STCB, AOS, Whipshots Holdings and Whipshots LLC.

*Skylar.* The Skylar segment generates revenue through the sale of fragrances.

Balance sheet data are reviewed by the CODM on a consolidated basis; therefore, disaggregated balance sheet data are not presented.

The following tables present gross profit by reporting segment:

	Year Ended December 31, 2022		
	Starco Brands	Skylar	Total
Total revenues	\$ 7,789,716	\$ 23,012	\$ 7,812,728
Total cost of revenues	770,123	6,004	776,127
Gross profit	\$ 7,019,593	\$ 17,008	\$ 7,036,601

  

	Year Ended December 31, 2021		
	Starco Brands	Skylar	Total
Total revenues	\$ 673,329	\$ -	\$ 673,329
Total cost of revenues	-	-	-
Gross profit	\$ 673,329	\$ -	\$ 673,329

Depreciation expense allocated to the Starco Brands and Skylar segments was \$16,622 and \$71, respectively, for the year ended December 31, 2022. There was no depreciation expense in the year ended December 31, 2021 for either segment.

## NOTE 5 – ACQUISITIONS

### AOS Acquisition

On September 12, 2022, STCB, through its wholly-owned subsidiary Merger Sub, completed the AOS Acquisition. The AOS Acquisition consisted of Merger Sub merging with and into AOS, with AOS being the surviving corporation. AOS is a maker of premium body and skincare products engineered to power and protect athletes. Starco acquired AOS as STCB is always looking for technologies and brands that have the ability to scale and change behavior. In the world of sport, there are currently no brands that have successfully penetrated multiple categories of consumer products. AOS has historically been a personal care brand – offering products such as body wash, shampoo, deodorant and face wash. Starco Brands, through its relationship with TSG, has access to intellectual property that will allow AOS vertically integrate manufacturing and expand into multiple consumer product categories – OTC, sun care, air care, beverage, etc. The AOS Acquisition was completed through an all-stock deal, where the Company's shares were issued at \$0.19 per share, which amount is equal to the fair value of the stock on the acquisition date. As consideration for the Merger, the Company reserved an aggregate of 61,400,000 restricted shares of Company common stock to issue to the AOS Stockholders (such stockholders as of immediately prior to the closing of the Merger, the "AOS Stockholders"), 5,000,000 restricted shares of Company common stock may be issued to the AOS 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 AOS Stockholders. An additional 5,000,000 restricted shares of Company common stock may be issued to the AOS Stockholders contingent upon AOS meeting certain future sales metrics. Further, in the event that the AOS Stockholders have any indemnity claims against the Company or 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, 5,000,000 additional shares of Company common stock. Notwithstanding the foregoing, under the terms of the Merger Agreement, any AOS Stockholder that is not an "accredited investor" as defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended (the "Securities Act"), will receive cash in lieu of shares of Company common stock at a value equal to \$0.0982 per share.

The 5,000,000 additional restricted shares of Company common stock to be issued after an 18-month indemnification period are deemed to be part of the consideration paid for the acquisition. The 5,000,000 earnout shares of Company common stock to be issued are not deemed to be part of the consideration paid for the acquisition as management determined it not probable that any of the earnout shares would be issued as certain future sales metrics will not be met. The 5,000,000 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.

As of December 31, 2022, the Company paid \$1,821 in cash to non-accredited investors. Additionally, the Company has held back \$6,137 in cash, the equivalent of 62,499 shares to be paid to non-accredited investors.

The AOS Acquisition was accounted for as a business combination in accordance with ASC 805, Business Combinations. The preliminary fair values of the acquired assets and liabilities as of the acquisition date were:

Consideration <sup>2</sup>	\$	12,608,560
Assets acquired:		
Cash and cash equivalents		200,661
Accounts receivable		153,764
Prepaid and other assets		167,565
Inventory		656,447
PP&E, net		16,622
Intangibles		17,309
Right of use asset		85,502
Total assets acquired		<u>1,297,871</u>
Liabilities assumed:		
Accrued liabilities		562,919
Accounts payable		128,724
Right of use liability		87,539
Total liabilities assumed		<u>779,182</u>
Net assets acquired		<u>518,698</u>
Goodwill	\$	<u>12,089,871</u>

<sup>2</sup> Consideration consists of the following: \$1,821 cash paid to sellers at the acquisition date, \$11,654,452 of shares transferred to sellers at the acquisition date, \$4,147 of cash to be paid to sellers, \$1,990 of cash holdback to be paid to sellers at the end of the holdback period and \$946,149 of equity holdback to be paid to sellers at the end of the holdback period.

The preliminary purchase price allocation is based on estimates of the fair values of the tangible and intangible assets acquired and liabilities assumed. The Company will utilize recognized valuation techniques as part of its final valuation of the AOS Acquisition, which is expected to be complete in Q2 2023. The above purchase price allocation is preliminary and subject to change as the Company may further refine the determination of certain assets during the measurement period of one year. The final amounts allocated to assets acquired and liabilities assumed could differ significantly from the amounts presented.

Subsequent to the AOS Acquisition, during the period September 13, 2022 through December 31, 2022, AOS earned \$1,003,666 in revenue and incurred a net loss of \$612,529.

The Company incurred approximately \$1,770,000 in transaction costs related to the AOS Acquisition, primarily coming from legal, banking, accounting and other professional service fees.

It is the Company's intention to file a Section 338(h)(10) tax election in regards to the AOS Acquisition which allows for a step up in the tax basis of the assets acquired.

#### *Skylar Acquisition*

On December 29, 2022, 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"). The Skylar Acquisition consisted of First Merger Sub merging with and into Skylar ("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 merged with and into Second Merger Sub (the "Second Merger") with the Second Merger being the surviving corporation. Skylar is a maker of fragrances that are hypoallergenic and safe for sensitive skin. Starco acquired AOS as STCB is always looking for technologies and brands that have the ability to scale and change behavior. In the world of fragrances, there are no other brands that have successfully built a clean, beautiful, premium incredibly well-scented and recyclable fragrance brands for consumers. Starco Brands, through its relationship with TSG and other strong partners, the Company has access to intellectual property that will allow Skylar to vertically integrate manufacturing and expand, positioning Skylar to be the future of fragrance. The Skylar Acquisition was completed through a cash and stock deal, where the Company paid \$2,00,000 in cash to settle debt and the Company's shares 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 Skylar 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, any Skylar Stockholder that is not an "accredited investor" as defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended (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.

As of December 31, 2022, the Company paid \$27,273 in cash to non-accredited investors.



The Skylar Acquisition was accounted for as a business combination in accordance with ASC 805, Business Combinations. The preliminary fair values of the acquired assets and liabilities as of the acquisition date were:

Consideration <sup>3</sup>	\$	21,900,062
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
Total assets acquired		4,118,929
Liabilities assumed:		
Accrued liabilities		540,036
Accounts payable		2,425,524
Total liabilities assumed		2,965,560
Net assets acquired		1,153,369
Goodwill	\$	20,746,692

The preliminary purchase price allocation is based on estimates of the fair values of the tangible and intangible assets acquired and liabilities assumed. The Company will utilize recognized valuation techniques as part of its final valuation of the AOS Acquisition, which is expected to be complete in Q2 2023. The above purchase price allocation is preliminary and subject to change as the Company may further refine the determination of certain assets during the measurement period of one year. The final amounts allocated to assets acquired and liabilities assumed could differ significantly from the amounts presented.

Subsequent to the Skylar Acquisition, during the period December 29, 2022 through December 31, 2022, Skylar earned \$23,012 in revenue and incurred a net loss of approximately \$17,386.

The Company incurred approximately \$1,770,000 in transaction costs related to the Skylar Acquisition, primarily coming from legal, banking, accounting and other professional service fees.

It is the Company's intention to file a Section 338(h)(10) tax election in regards to the Skylar Acquisition which allows for a step up in the tax basis of the assets acquired.

The following unaudited proforma condensed consolidated results of operations have been prepared, as if the Acquisition had occurred as of January 1, 2022 and 2021, for the years ended December 31, 2022 and 2021, respectively:

**PROFORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Unaudited)**

	For the Year Ended December 31, 2022			
	Starco Brands Inc.	The AOS Group Inc.	Skylar Body, Inc.	Proforma Starco Brands Inc.
Revenue	\$ 6,786,051	\$ 4,616,836	\$ 10,433,927	\$ 21,836,813
Net Income (Loss)	\$ 1,036,346	\$ (4,101,867)	\$ (4,832,595)	\$ (7,326,688)
Net income attributable to non-controlling interest	\$ 167,891	\$ -	\$ -	\$ 167,891
Net Income (Loss) attributable to Starco Brands	\$ 1,439,883	\$ (4,101,867)	\$ (4,832,595)	\$ (7,494,580)
	For the Year Ended December 31, 2021			
	Starco Brands Inc.	The AOS Group Inc.	Skylar Body, Inc.	Proforma Starco Brands Inc.
Revenue	\$ 673,329	\$ 10,101,584	\$ 8,835,330	\$ 19,610,243
Net Loss	\$ (2,325,074)	\$ (3,984,781)	\$ (4,949,599)	\$ (11,259,454)
Net (income) attributable to non-controlling interest	\$ (73,909)	\$ -	\$ -	\$ (73,909)
Net Income (Loss) attributable to Starco Brands	\$ (2,251,165)	\$ (3,984,781)	\$ (4,949,599)	\$ (11,185,545)

A pro forma balance sheet was excluded from this disclosure as the transactions are already reflected in the December 31, 2022 condensed consolidated balance sheets, given there were minimal adjustments to the September 12, 2022 AOS closing balance sheet and the December 29, 2022 Skylar closing balance sheet.

<sup>3</sup> 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 \$3,853,632 of contingent shares payable.

## NOTE 6 – NOTES PAYABLE

In September 2021, the Company received a financing loan for its Directors and Officers Insurance (“D&O Loan #1”). The loan bears interest at 4.4% and required monthly payments through June 2022. In 2022, the Company paid off the \$53,822 principal balance as of December 31, 2021 prior to the maturity date in June 2022.

In September 2022, the Company received a second financing loan for its Directors and Officers Insurance (“D&O Loan #2”, collectively with D&O Loan #1 the “D&O Loans”). The loan bears interest at 5.82% and requires monthly payments through June, 2023. The outstanding balance of the loan is \$62,002 as of December 31, 2022.

For the years ended December 31, 2022 and 2021 the D&O Loans incurred approximately \$2,327 and \$2,000, respectively, of interest expense.

See Note 7 - Related Party Transactions for loans to STCB from the Company’s CEO.

## NOTE 7– COMMITMENTS & CONTINGENCIES

On September 8, 2021, Whipshots LLC, entered into an Intellectual Property Purchase Agreement (the “Whipshots IP Agreement”) effective August 24, 2021, with Penguins Fly, LLC, a Pennsylvania limited liability company (“Seller”). The Whipshots IP Agreement provided that Seller would sell Whipshots LLC (“Buyer”) the trademarks “Whipshotz” and “Whipshots,” accompanying domain and social media handles of the same nomenclature, and certain intellectual property, documents, digital assets, customer data and other transferable rights under non-disclosure, non-compete, non-solicitation and confidentiality contracts benefiting the purchased intellectual property and documents (collectively, the “Acquired Assets”). The purchase price (“Purchase Price Payment”) for the Acquired Assets is payable to Seller, over the course of seven years, based on a sliding scale percentage of gross revenues actually received by Buyer solely from Buyer’s sale of Whipshots/Whipshotz products. The Purchase Price Payment shall be subject to a minimum amount in each contract year and the maximum aggregate amount payable to Seller under the Whipshots IP Agreement between \$140,000 and \$2,000,000 based on revenues generated by the products. In connection with this agreement the Company paid \$20,000 (the Purchase Price Payment) during 2021, which was recorded as an indefinite-lived intangible asset.

On September 14, 2021, the Whipshots LLC entered into a License Agreement (“Whipshots License Agreement”) with Washpoppin Inc., (“Licensor”) a New York corporation. Pursuant to the License Agreement, Licensor shall license to the Company certain Licensed Property (as defined in the Whipshots License Agreement) of the recording artist professionally known as “Cardi B” (the “Artist”). As part of the Whipshots License Agreement, in exchange for royalty rates based on Net Sales (as defined in the License Agreement) during each applicable contract period, the Licensor warrants to cause the Artist to attend certain in person events, media interviews, participate in the development of the Licensed Products (as defined in the Whipshots License Agreement), and promote the Licensed Products through social media posts on the Artist’s social media platforms. The Company, through Whipshots LLC has committed to a minimum royalty payment under the Whipshots License Agreement of \$3,300,000 in aggregate through 2024, subject to Licensor’s satisfaction of its obligations. During years ended December 31, 2022 and 2021 the Company incurred expenses related to this agreement of approximately \$483,890 and \$42,300, respectively, and had a prepaid royalty balance of \$0 as of December 31, 2022.

Following the 18-month hold back period from the date of the AOS Acquisition, the Company will issue AOS Stockholders an aggregate 4,979,731 shares and \$1,990 in cash that is currently being held back.

Following the 18-month hold back period from the date of the Skylar Acquisition, the Company will issue Skylar Stockholders an aggregate 11,573,660 shares that is currently being held back. Additionally, and contingent upon Skylar meeting certain future sales metrics over the earn out period, the Company will issue an additional 19,268,162 shares of its common stock to Skylar Stockholders. As of December 31, 2022, the Company expects to pay the Skylar Stockholders the contingent 19,268,162 shares of its common stock for meeting certain sales metrics. The value of the holdback shares and contingent shares is approximately is \$2,314,732 and \$3,853,632, respectively.

### *Accrued Liability*

On July 9, 2014, the Board of Directors approved an investment arrangement with an individual. Per the terms of the agreement, the investor transferred \$150,000 to the Company to be used for the development of a specific product. The product for which the investment was intended was never produced and this agreement is being renegotiated. The \$150,000 investment was never returned by the Company and the amount has historically been included in other payables and accruals on the balance sheet. In the year ended December 31, 2022, the Company reclassified the \$150,000 investment from other payables and accruals to additional paid in capital on the balance sheet.

## NOTE 8 – RELATED PARTY TRANSACTIONS

During the year ended December 31, 2017, Sanford Lang, the Company's former Chairman and CEO, advanced STCB \$289,821 to pay for general operating expenses. The advance required a monthly interest payment of \$2,545 and was due on demand. In June 2021, Mr. Lang and Mr. Goldrod executed agreements with STCB whereby the advance from Mr. Lang and all other amounts owed to each were repaid and both Mr. Lang and Mr. Goldrod resigned from the Board of Directors. Further, for a period of 36 months beginning in July 2021, STCB will repurchase an aggregate of \$10,950 worth of shares each month from Mr. Lang and Mr. Goldrod, with the share price for each purchase to be set according to the volume weighted average trading price of the common stock over the last 10 days of the month. In the years ended December 31, 2022 and 2021 STCB paid an aggregate of \$131,400 and \$65,700, respectively, to Mr. Lang and Mr. Goldrod. As of December 31, 2022, the Company had settled all share transfers due under these agreements.

As of December 31, 2022, the Company owed TSG \$0 for expenses paid by TSG on behalf of STCB for expenses to launch licensed brands. In addition, STCB owes TSG and its subsidiaries an additional \$0 for expenses paid on behalf of STCB or funds advanced to the Company to pay for other operating expenses. TSG is owned by STCB's CEO, Ross Sklar. Total expenses paid by TSG on behalf of STCB approximated \$9,425 for the year ended Dec 31, 2022.

### *Ross Sklar, CEO Notes*

On January 24, 2020, STCB executed a promissory note ("January 24, 2020 Note"), for \$100,000 with Ross Sklar, Chief Executive Officer ("CEO") of STCB. The January 24, 2020 Note bears interest at 4% per annum, compounds monthly, is unsecured, and matures two years from the original date of issuance. On July 19, 2022, the Company and Ross Sklar, agreed to amend and restate the January 24, 2020 Note. Mr. Sklar agreed to extend the term of the January 24, 2020 Note through the entry into a First Amended and Restated Promissory Note (the "Amended Note") in exchange for the Company paying the accrued and unpaid interest on the January 24, 2020 Note, including during the period following maturity date of the January 24, 2020 Note, which was from January 24, 2022 to July 19, 2022. In exchange for extending the term, Mr. Sklar waived the default interest rate of ten percent (10%) and agreed to interest accrual at the standard four percent (4%) rate during the period following maturity. The Amended Note carries a guaranteed 4% interest rate, matures on July 19, 2024, and has a 10% interest rate on a default of repayment at maturity. The Company, at its option, may prepay the Amended Note, in whole or in part, without prepayment penalty of any kind, and the obligations under the Amended Note will accelerate in full upon an Event of Default (as defined in the Amended Note).

On June 28, 2021, STCB executed an additional promissory note ("June 28, 2021 Note"), with Mr. Sklar in the principal amount of \$100,000 with the same terms as the January 24, 2020 Note and a maturity date of June 28, 2023.

On September 17, 2021, STCB executed a third promissory note ("September 17, 2021 Note"), with Mr. Sklar in the principal amount of \$500,000 with the same terms as the January 24, 2020 Note and a maturity date of September 17, 2023.

On December 13, 2021, STCB executed a fourth promissory note ("December 13, 2021 Note"), with Mr. Sklar in the principal amount of \$500,000 with the same terms as the January 24, 2020 Note and a maturity date of December 12, 2023.

On February 14, 2022, STCB executed a fifth promissory note ("February 14, 2022 Note"), in favor of Mr. Sklar, in the principal sum of \$472,500, in exchange for a cash advance in the amount of \$300,000 and payment of Company costs in the amount of \$172,500. As with the other notes between the Company and our CEO, the February 14, 2022 Note bears interest at 4% per annum, is unsecured, and matures two years from the original date of issuance. This note may also convert into shares of Company common stock at the 10-day volume weighted average trading price of the Company common stock for the 10-day period prior to the issuance of the Note, which was calculated as \$0.29 per share.

On December 29, 2022, STCB executed a sixth promissory note (“December 29, 2022 Note”), for \$2,000,000 with Ross Sklar. The December 29, 2022 Note bears interest at a floating rate comprised of the Wall Street Journal Prime Rate plus 4% (for a current floating interest rate of 11.5% per annum), has a default interest rate equal to the then current interest rate plus 5%, compounds monthly, is secured, and matures seven months from the original date of issuance. The Company, at its option, may prepay the December 29, 2022 Note, in whole or in part, without prepayment penalty of any kind, and the obligations under the December 29, 2022 Note will accelerate in full upon an Event of Default (as defined in the December 29, 2022 Note). In connection with the December 29, 2022 Note, as a funding fee, the Company issued Mr. Sklar 285,714 warrants to purchase common stock at an exercise price of \$0.01 per share.

As of December 31, 2022 and 2021, the outstanding principal due to Mr. Sklar was \$3,672,500 and \$1,200,000, respectively. As of December 31, 2022 and 2021 there was \$6,960 and \$8,626 of accrued interest due on these notes, respectively.

For the years ended December 31, 2022 and 2021 the notes to Mr. Sklar incurred interest expense of approximately \$65,982 and \$7,120, respectively.

#### *Other Related Party Transactions*

During the years ended December 31, 2022 and 2021, the Company incurred \$131,614 and \$1,033,210, respectively, of marketing expense from The Woo. David Dreyer, STCB’s Chief Marketing Officer, was a Managing Director at The Woo until February 2022.

During the years ended December 31, 2022 and 2021, the Company recognized revenue from related parties of \$6,786,051 and \$673,329, respectively. There were \$2,107,015 and \$174,059 of accounts receivable and accrued accounts receivable from TSG and Temperance Distilling Company (“Temperance”) as of December 31, 2022 and 2021, respectively. All revenues earned in relation to these accounts receivable is from related parties. Ross Sklar serves as the Chairman of Temperance.

During the year ended December 31, 2021, the Company advanced \$95,640 to Temperance for its initial production of Whipshots, recorded as note receivable, related party in the Company’s consolidated balance sheets. The note carries no interest and is payable on demand. The balance of the note receivable was \$95,640 as of December 31, 2022 and 2021.

During the years ended December 31, 2022 and 2021, the Company received contributed services at a value of approximately \$683,624, and \$214,232, respectively. Such costs have been expensed and recorded as additional paid-in capital in the period the services were provided.

#### **NOTE 9 – STOCK WARRANTS**

On October 20, 2021, the Company entered into an agreement with a consultant for services to be performed. As consideration therefor, the Company granted the consultant stock warrants to purchase 250,000 shares of common stock. The warrants vest over a two-year term. The warrants were valued using the Black-Scholes option pricing model under the following assumptions as found in the table below.

On October 21, 2021, the Company entered into an agreement with a consultant for services to be performed. As consideration therefor, the Company granted the consultant stock warrants to purchase 300,000 shares of common stock. The warrants vest over a three-year term. The warrants were valued using the Black-Scholes option pricing model under the following assumptions as found in the table below.

On September 12, 2022, the Company entered into agreements with members of the Board and consultants for services to be performed. As consideration therefor, the Company granted those individuals stock warrants to purchase an aggregate of 33,150,000 shares of common stock. The warrants vest over a three-year term and expire five years from the vesting date. The warrants were valued using the Black-Scholes option pricing model under the following assumptions as found in the table below.

On November 1, 2022, the Company entered into an agreement with a consultant for services to be performed. As consideration therefor, the Company granted the consultant stock warrants to purchase 100,000 shares of common stock. The warrants vest over a one-year term. The warrants were valued using the Black-Scholes option pricing model under the following assumptions as found in the table below.

On November 3, 2022, the Company entered into an agreement with a consultant for services to be performed. As consideration therefor, the Company granted the consultant stock warrants to purchase 5,000,000 shares of common stock. The warrants vest over a three-year term. The warrants were valued using the Black-Scholes option pricing model under the following assumptions as found in the table below.

On December 29, 2022, the Company entered into an agreement with Ross Sklar, for 285,714 warrants to purchase shares of common stock to be issued as a funding fee for the \$2,000,000 secured promissory note (see Note 7). The warrants were valued using the Black-Scholes option pricing model under the following assumptions as found in the table below.

Date	Number of Stock Warrants	Stock Price	Strike Price	Expected Volatility	Risk-free Interest Rate	Dividend Rate	Expected Term	Fair Value
10/20/2021	250,000	\$ 1.00	\$ 1.00	75.00%	0.77%	0.00%	1.0 years	\$ 63,000
10/21/2021	300,000	\$ 0.90	\$ 0.90	75.00%	0.77%	0.00%	1.0 years	\$ 93,917
9/12/2022	33,150,000	\$ 0.19	\$ 0.19	103.09%	3.47%	0.00%	3.0 years	\$ 4,088,769
11/01/2022	100,000	\$ 0.20	\$ 0.20	102.86%	4.27%	0.00%	1.0 years	\$ 8,116
11/03/2022	5,000,000	\$ 0.19	\$ 0.19	102.84%	4.36%	0.00%	3.0 years	\$ 618,176
12/29/2022	285,714	\$ 0.20	\$ 0.01	103.49%	3.94%	0.00%	1.0 years	\$ 54,401

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

	Shares available to purchase with warrants	Weighted Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding, December 31, 2020	2,000,000	\$ 1.05	\$ 0.41	\$ -
Issued	550,000	\$ 0.95	\$ 2.30	\$ -
Exercised	-	\$ -	\$ -	\$ -
Cancelled	-	\$ -	\$ -	\$ -
Expired	-	\$ -	\$ -	\$ -
Outstanding, December 31, 2021	2,550,000	\$ 1.03	\$ 0.82	\$ -
Issued	38,535,714	\$ 0.19	\$ 4.90	\$ 45,714
Exercised	-	\$ -	\$ -	\$ -
Cancelled	-	\$ -	\$ -	\$ -
Expired	-	\$ -	\$ -	\$ -
Outstanding, December 31, 2022	41,085,714	\$ 0.24	\$ 4.64	\$ 45,714
Exercisable, December 31, 2022	4,233,630	\$ 0.63	\$ 3.04	\$ 45,714

The Company granted stock warrants to purchase an aggregate of 38,535,714 and 550,000 shares of common stock during the year ended December 31, 2022 and 2021, respectively.

The weighted average grant date fair value of stock warrants granted and vested during the year ended December 31, 2022, was \$3,585,981 and \$291,170 respectively. The weighted average grant date fair value of stock warrants granted and vested during the year ended December 31, 2021, was \$81,504 and \$19,905 respectively.

The following table summarizes information about stock warrants to purchase shares of the Company's common stock outstanding and exercisable as of December 31, 2022:

Range of exercise prices	Outstanding Warrants	Weighted-Average Remaining Life In Years	Weighted-Average Exercise Price	Number Exercisable
\$ 1.05	2,000,000	0.41	\$ 1.05	2,000,000
1.00	250,000	1.75	1.00	156,250
0.90	300,000	2.75	0.90	125,000
0.19	38,150,000	4.90	0.19	1,666,666
0.20	100,000	4.84	0.20	-
0.01	285,714	5.00	0.01	285,714
	<u>41,085,714</u>	<u>4.64</u>	<u>\$ 0.24</u>	<u>4,233,630</u>

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

Total compensation expense related to the stock warrants was \$503,757 and \$38,099 for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022, there was \$4,330,122 in future compensation cost related to non-vested stock warrants.

The aggregate intrinsic value is zero for total outstanding and exercisable warrants, which was based on our estimated fair value of the common stock of \$45,714 by the warrant holders had all warrant holders exercised their warrants as of that date, net of the aggregate exercise price.

#### NOTE 10 – STOCKHOLDERS' EQUITY (DEFICIT)

##### Stock Payable

At October 22, 2021, the Company recorded \$600,000 of stock subscription payable related to common stock to be issued.

At December 31, 2021, STCB recorded \$54,166 of stock payable for services provided and related to contributed services to be issued.

During the year ended December 31, 2022, the STCB issued a total of 728,570 shares related to stock payable of \$654,166.

The following summarizes the activity of stock payable during the years ended December 31, 2022 and 2021:

	Amount	Shares
Ending balance - December 31, 2020	\$ -	-
Additions, net	654,166	782,570
Issuances, net	-	-
Ending balance - December 31, 2021	\$ 654,166	782,570
Additions, net	-	-
Issuances, net	(654,166)	(782,570)
Ending balance - December 31, 2022	\$ -	-

**NOTE 11 – LEASES**

The following table presents net lease cost and other supplemental lease information:

	<b>Year Ended December 31, 2022</b>
Lease cost	
Operating lease cost (cost resulting from lease payments)	\$ 31,391
Short term lease cost	-
Sublease income	(31,391)
Net lease cost	\$ -
Operating lease – operating cash flows (fixed payments)	\$ 31,391
Operating lease – operating cash flows (liability reduction)	\$ 25,935
Current leases – right of use assets	\$ 61,353
Current liabilities – operating lease liabilities	\$ 61,605
Non-current liabilities – operating lease liabilities	\$ -
Operating lease ROU assets	\$
Weighted-average remaining lease term (in years)	0.75
Weighted-average discount rate	2.1%

The Company did not have any leases for the year ended December 31, 2021.

The Company obtained right-of-use assets of \$85,502 in exchange for operating lease liabilities in the year ended December 31, 2022.

Future minimum payments under non-cancelable leases for operating leases for the remaining terms of the leases following the year ended December 31, 2022:

<b>Fiscal Year</b>	<b>Operating Leases</b>
2023	66,864
Total future minimum lease payments	66,864
Amount representing interest	9,184
Present value of net future minimum lease payments	\$ 57,680

**NOTE 12 – PROPERTY AND EQUIPMENT**

Property and equipment, net consist of the following:

	<b>December 31, 2022</b>
Computer equipment	\$ 25,913
Tools and equipment	16,434
Furniture and equipment	217
Property and equipment, gross	42,564
Less: Accumulated depreciation	(16,691)
Property and equipment, net	\$ 25,873

The Company did not have property and equipment as of December 31, 2021.

**NOTE 13 – INTANGIBLE ASSETS AND GOODWILL**

Intangible assets, net consists of the following:

	December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net
Formulas	\$ 135,000	\$ -	\$ 135,000
Domain names	44,002	599	43,403
Trademark	20,000	-	20,000
Intangible Assets	<u>\$ 199,002</u>	<u>\$ 599</u>	<u>\$ 198,403</u>
	December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net
Trademark	\$ 20,000	\$ -	\$ 20,000
Intangible Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000</u>

As of December 31, 2022, future expected amortization expense of Intangible assets was as follows:

Fiscal Period:	
2023	\$ 6,717
2024	6,717
2025	6,717
2026	6,717
2027	6,717
Thereafter	9,818
Total amortization remaining	<u>\$ 43,403</u>

The changes in the carrying amounts of goodwill during the year ended December 31, 2022 were as follows.

Balance at December 31, 2021	\$ -
Acquisition of AOS	12,089,871
Acquisition of Skylar	20,746,692
Measurement period adjustments	-
Balance at December 31, 2022	<u>\$ 32,836,563</u>

As of December 31, 2022, \$12,089,871 of goodwill recognized is allocated to the STCB segment and \$20,746,692 of goodwill recognized is allocated to the Skylar segment.

**NOTE 14 – INVENTORY**

Inventory by major class are as follows:

	December 31, 2022	December 31, 2021
Raw materials	1,294,865	-
Finished goods	1,738,789	-
Total inventory	<u>\$ 3,033,653</u>	<u>\$ -</u>



**NOTE 15 – INCOME TAX**

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Tax calculations assume a U.S. federal income tax rate of 21% and a California tax rate of 8.84%.

Net deferred tax assets consist of the following components as of December 31:

	2022	2021
Deferred Tax Assets:		
Net operating losses	\$ 1,198,000	\$ 1,778,504
Stock based compensation	148,000	-
Related party accrual	2,000	56,533
Research and development costs	7,000	-
Total deferred tax assets:	1,355,000	1,835,037
Less valuation allowance	(1,355,000)	(1,835,037)
Net deferred tax assets	\$ -	\$ -

The income tax provision for the years ended December 31 are comprised of:

	2022	2021
Current federal	\$ -	\$ -
Current state	-	-
Deferred federal	-	-
Deferred state	-	-
Provision for income tax	\$ -	\$ -

The income tax provision differs from the amount of income tax determined by applying the U.S. federal and effective state income tax rates to pretax income from operations for the years ended December 31, due to the following:

	2022	2020
Book income (loss)	\$ 273,640	\$ (629,957)
Other nondeductible expenses	206,397	59,953
Valuation allowance	(480,037)	570,004
Provision for income tax	\$ -	\$ -

At December 31, 2022, the Company had federal net operating loss carry forwards of approximately \$4,280,000 including approximately \$1,637,000 from periods prior to 2017 that may be offset against future taxable income through 2036. The Company's federal net operating losses from 2017 and later carry an indefinite life. At December 31, 2022, the Company had state net operating loss carry forwards of approximately \$4,260,000 that may be offset against future taxable income through 2042. No tax expense has been reported in the December 31, 2022 consolidated financial statements since the tax expense is offset by a valuation allowance adjustment of the same amount. No tax benefit has been reported in the December 31, 2021 consolidated financial statements since the potential tax benefit is offset by a valuation allowance adjustment of the same amount. The Company's valuation allowance increased by \$480,037 and \$446,137 for the years ended December 31, 2022 and 2021, respectively.

Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carry forwards for federal income tax reporting purposes are subject to annual limitations. Should a change in ownership occur, net operating loss carry forwards may be limited as to use in future years. With few exceptions, the Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2018.

The Company also acquired approximately \$15 million and \$14 million in net operating loss carryforwards as a result of its 2022 acquisitions of AOS and Skylar, respectively. The Company believes the future benefit of these net operating losses are limited due to the change of ownership provisions.

#### NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events pursuant to the requirements of ASC Topic 855, from the balance sheet date through the date the financial statement were issued, and has determined that the following subsequent events exist:

##### Corporate

On January 3, 2023, the board of directors of the Company approved the Amended and Restated Articles of Incorporation of Starco Brands, Inc. (the "Amended and Restated Articles"). On January 6, 2023, the stockholders of the Company representing 53.47% of the Company's outstanding common stock adopted the Amended and Restated Articles. On February 9, 2023, the Company filed the Amended and Restated Articles, which, among other things, (i) increased the authorized shares of common stock, par value \$0.001 per share, from 300,000,000 shares (the "Old Common Stock") to 2,000,000,000 shares, (ii) established two classes of Common Stock, consisting of (y) 1,700,000,000 shares of Class A common stock, par value \$0.001 per share ("Class A common stock"), and (z) 300,000,000 shares of Class B common stock, par value \$0.001 per share and (iii) reclassified all issued, outstanding or authorized Old Common Stock of the Company into Class A common stock on a one-for-one basis. As a result, following the filing of the Amended and Restated Articles with the Nevada Secretary of State, the Company's prior "common stock" was renamed Class A common stock on its trading symbol.

##### Acquisitions

On February 15, 2023, the Company, through its wholly-owned subsidiary Starco Merger Sub I, Inc. ("Merger Sub"), completed its acquisition (the "Soylent Acquisition") of Soylent Nutrition, Inc., a Delaware corporation ("Soylent"). The Soylent Acquisition consisted of Merger Sub merging with and into Soylent, with Soylent being the surviving corporation. Soylent is a wholly-owned subsidiary of STCB. Soylent is the maker of a wide range of plant-based "complete nutrition" and "functional food" products with a lineup of plant-based convenience shakes, powders and bars that contain proteins, healthy fats, functional amino acids and essential nutrients. Pursuant to the Soylent Acquisition, STCB has, or will, issue (a) an aggregate of up to 165,336,430 restricted shares of Class A common stock, (b) up to 18,571,429 additional restricted shares of Class A common stock based on final determination of calculations of Soylent's working capital, cash at closing, indebtedness at closing and certain unpaid transaction expenses in excess of the amount reimbursed by Starco, and (c) an adjustment to the shares of Class A common stock received by the Company Holders (as defined in the agreement) in the event that the trading price for STCB's Class A common stock price per share on the first anniversary of the closing date (the "Adjustment Date") is below \$0.35 per share of Class A common stock. If, on the Adjustment Date, STCB's shares are trading below \$0.35 per share of Class A common stock, Starco shall issue additional shares of Class A common stock based on the Closing Merger Consideration (as defined in the agreement) after adjustments divided by the trading price (which must be below \$0.35 per share for any additional shares to be issued) minus the total share issuance after adjustments.

##### Warrant Issuances

On March 3, 2023, the Company entered into an agreement with Ross Sklar, for 114,286 warrants to purchase shares of Class A common stock, which was issued as a funding fee on an \$800,000 secured promissory note.

Date	Number of Stock Warrants	Stock Price	Strike Price	Expected Volatility	Risk-free Interest Rate	Dividend Rate	Expected Term	Fair Value
03/03/2023	114,286	\$ 0.01	\$ 0.01	137.62%	4.26%	0.00%	1.0 years	\$ 18,710

CERTIFICATE OF  
AMENDED AND RESTATED  
ARTICLES OF INCORPORATION  
of  
STARCO BRANDS, INC.

Starco Brands, Inc., formerly known as Insynergy, Inc. and Insynergy Products, Inc., a corporation incorporated under the laws of the State of Nevada on January 26, 2010, hereby amends and restates its Articles of Incorporation (the "Amended and Restated Articles of Incorporation"), to embody in one document its original articles and the subsequent amendments thereto.

The Amended and Restated Articles of Incorporation were approved and adopted by the board of directors (the "Board") of Starco Brands, Inc. on January 3, 2023. Upon the recommendation of the Board, the stockholders of Starco Brands, Inc., holding a majority of the voting power approved and adopted these Amended and Restated Articles of Incorporation on January 6, 2023. 152,819,652 shares of common stock, representing 53.47% of the Corporation's outstanding common stock were voted for adoption of these Amended and Restated Articles of Incorporation. As a result, these Amended and Restated Articles of Incorporation were authorized and adopted in accordance with the Nevada Revised Statutes.

The undersigned officer of Starco Brands, Inc., hereby certifies as follows:

**FIRST:** The name of the corporation is Starco Brands, Inc. (the "Corporation"). The original Articles of Incorporation of the Corporation were filed with the Secretary of State of the State of Nevada on the 26th day of January 2010. The first Certificate of Amendment to the Articles of Incorporation was filed with the Secretary of State of the State of Nevada on the 16th day of May 2011. The second Certificate of Amendment to the Articles of Incorporation was filed with the Secretary of State of the State of Nevada on the 20th day of September 2011. The third Certificate of Amendment to the Articles of Incorporation was filed with the Secretary of State of the State of Nevada on the 7th day of September 2017. The fourth Certificate of Amendment to the Articles of Incorporation was filed with the Secretary of State of the State of Nevada on the 22nd day of November 2017.

**SECOND:** These Amended and Restated Articles of Incorporation are being filed with the Nevada Secretary of State in accordance with Sections 78.390 and 78.403 of the Nevada Revised Statutes (the "Revised Statutes").

**THIRD:** The Corporation's Articles of Incorporation, including all amendments thereto, are amended and restated to read as follows:

**ARTICLE I.  
NAME OF CORPORATION**

The name of the corporation is Starco Brands, Inc. (the "Corporation").

**ARTICLE II.  
REGISTERED AGENT**

The name of the registered agent of the Corporation in the State of Nevada is C T Corporation System. The address of the registered agent of the Corporation in the State of Nevada is C T Corporation System, 701 S. Carson St., Suite 200, Carson City, NV 89701.

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**ARTICLE III.  
DURATION**

The Corporation shall have perpetual existence.

**ARTICLE IV.  
PURPOSE**

The purpose of the Corporation is to engage in any activity within the purposes for which corporations may be incorporated and organized under Chapter 78 of the Nevada Revised Statutes (“NRS”), and to do all other things incidental thereto which are not forbidden by law or by these Amended and Restated Articles of Incorporation.

**ARTICLE V.  
POWERS**

The Corporation has been formed pursuant to Chapter 78 of the NRS. The powers of the Corporation shall be those powers granted under the NRS, including Sections 78.060 and 78.070 thereof. In addition, the Corporation shall have the following specific powers:

(a) to elect or appoint officers and agents of the Corporation and to fix their compensation; (b) to act as an agent for any individual, association, partnership, corporation or other legal entity; (c) to receive, acquire, hold, exercise rights arising out of the ownership or possession of, sell, or otherwise dispose of, shares or other interests in, or obligations of, individuals, associations, partnerships, corporations, governments or other legal entities; (d) to receive, acquire, hold, pledge, transfer, or otherwise dispose of shares of the Corporation in accordance with Chapter 78 of the NRS; and (e) to make gifts or contributions for the public welfare or for charitable, scientific or educational purposes.

**ARTICLE VI.  
CAPITAL STOCK**

Section 1. Authorized Shares. The total number of shares of all classes of stock which the Corporation shall have authority to issue is Two Billion Two Hundred Thirty Million (2,230,000,000) shares of capital stock, consisting of: (i) Two Billion (2,000,000,000) shares of common stock with a par value of \$0.001 per share (the “Common Stock”), of which One Billion Seven Hundred Million (1,700,000,000) shares are designated “Class A Common Stock” (“Class A Common Stock”) and of which Three Hundred Million (300,000,000) shares are designated “Class B Common Stock” (“Class B Common Stock”), and (ii) Two Hundred Thirty Million (230,000,000) shares of preferred stock, with a par value of \$0.001 per share (the “Preferred Stock”).

Immediately upon the filing and effectiveness (the “Effective Time”) of these Amended and Restated Articles of Incorporation pursuant to the NRS, each share of common stock, \$0.001 per share issued and outstanding or held in treasury of the Corporation immediately prior to the Effective Time (the “Old Common Stock”) will be, and hereby is, automatically reclassified as and converted into, and becomes one new (1) validly issued, fully paid and non-assessable new share of the Class A Common Stock, par value of \$0.001 per share, to the holders entitled thereto, as authorized by this Article IV of these Amended and Restated Articles of Incorporation, without any action by the holder thereof.

Each certificate or book entry designation that prior to the Effective Time represented shares of Old Common Stock shall thereafter represent that number of shares of Class A Common Stock into which the shares of Old Common Stock represented by such certificate shall have been reclassified and changed; provided, that each person holding of record a stock certificate or certificates that represented shares of Old Common Stock shall receive, upon surrender of such certificate or certificates, unless otherwise instructed by such holder, book-entry shares in lieu of a new certificate or certificates evidencing and representing the number of shares of Class A Common Stock to which such person is entitled under the foregoing reclassification and change

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The following is a statement of the designations and the powers, privileges and rights, and the qualifications, limitations or restrictions thereof in respect of each class of capital stock of the Corporation.

A. COMMON STOCK.

1. General. The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights, powers and preferences of the holders of the Preferred Stock set forth herein.

2. Voting. Except as otherwise required by law, no holder of Common Stock, as such, shall be entitled to vote on any amendment to the Amended and Restated Articles of Incorporation (including any certificate of designation) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to the Amended and Restated Articles of Incorporation or pursuant to the NRS. The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by (in addition to any vote of the holders of one or more series of Preferred Stock that may be required by the terms of the Amended and Restated Articles of Incorporation (including any certificate of designation)) the affirmative vote of the holders of shares of capital stock of the Corporation representing a majority of the votes represented by all outstanding shares of capital stock of the Corporation entitled to vote.

3. Liquidation, Dissolution or Winding Up. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the assets of the Corporation available for distribution to its stockholders shall be distributed among the holders of shares of Class A Common Stock, Class B Common Stock and Preferred Stock, pro rata, based on the number of shares held by each such holder, treating for this purpose all such securities as if they had been converted to Class A Common Stock pursuant to the terms of the Amended and Restated Articles of Incorporation immediately prior to such liquidation, dissolution or winding up of the Corporation.

B. CLASS A COMMON STOCK.

1. Dividends. Subject to the preferences that may apply to any shares of Class B Common Stock and Preferred Stock outstanding at the time, the holders of Class A Common Stock shall be entitled to share equally, identically and ratably, on a per share basis, with respect to any dividend or other distribution paid or distributed by the Corporation out of any funds of the Corporation legally available therefor when, as, and if, declared by the Board, unless different treatment of the shares of the affected class is approved by the affirmative vote of the holders of a majority of the outstanding shares of such affected class.

2. Voting. Except as otherwise required by law or the Amended and Restated Articles of Incorporation, each holder of Class A Common Stock, as such, is entitled at all meetings of stockholders (and written actions in lieu of meetings) to one vote for each share of Class A Common Stock held by such holder.

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## C. CLASS B COMMON STOCK.

1. Dividends. The holders of Class B Common Stock shall be entitled to receive, when, as, and if, declared by the Board, and as otherwise provided in the Amended and Restated Articles of Incorporation, out of funds legally available therefor, dividends. If the Corporation shall declare, pay or set apart for payment any dividend or other distribution on any Class A Common Stock or Preferred Stock or make any distributions in respect of any Class A Common Stock or Preferred Stock, it shall simultaneously declare, pay and/or set apart for payment or distribution for each share of Class B Common Stock a dividend and/or distribution in an amount equal to the amount the holder of such share would be entitled to receive if it had been converted into a share of Class A Common Stock and been outstanding on the record date for such dividend or distribution.

2. Voting. On any matter presented to the stockholders of the Corporation for their action or consideration at any meeting of stockholders of the Corporation (or by written consent of stockholders in lieu of meeting), each holder of outstanding shares of Class B Common Stock shall be entitled to cast the number of votes equal to the product of (a) the number of whole shares of Class A Common Stock into which the shares of Class B Common Stock held by such holder are convertible as of the record date for determining stockholders entitled to vote on such matter, *multiplied by* (b) five (5). Except as provided by law or by the other provisions of the Amended and Restated Articles of Incorporation, holders of Class B Common Stock shall vote together with the holders of Class A Common Stock and Preferred Stock as a single class.

3. Optional Conversion. The holders of the Class B Common Stock shall have conversion rights as follows (the "Conversion Rights"):

### 3.1 Right to Convert.

3.1.1 *Conversion Ratio*. Each share of Class B Common Stock shall be convertible, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into one (1) share of Class A Common Stock.

3.1.2 *Termination of Conversion Rights*. In the event of a liquidation, dissolution or winding up of the Corporation or a Deemed Liquidation Event, the Conversion Rights shall terminate at the close of business on the last full day preceding the date fixed for the payment of any such amounts distributable on such event to the holders of Class B Common Stock.

3.1.3 *Definition*. Each of the following events shall be considered a "Deemed Liquidation Event":

(a) A merger or consolidation in which:

(i) The Corporation is a constituent party; or

(ii) A subsidiary of the Corporation is a constituent party and the Corporation issues shares of its capital stock pursuant to such merger or consolidation,

except any such merger or consolidation involving the Corporation or a subsidiary in which the shares of capital stock of the Corporation outstanding immediately prior to such merger or consolidation continue to represent, or are converted into or exchanged for shares of capital stock that represent, immediately following such merger or consolidation, at least a majority, by voting power, of the capital stock of (1) the surviving or resulting corporation, or (2) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation immediately following such merger or consolidation, the parent corporation of such surviving or resulting corporation (provided that, for the purpose of this Subsection 3.1.3, all shares of Common Stock issuable (x) upon the exercise of rights, options or warrants to subscribe for, purchase or otherwise acquire Convertible Securities (as defined below) or Common Stock (collectively, "Options") outstanding immediately prior to such merger or consolidation, or (y) upon conversion of any evidences of indebtedness, shares or other securities directly or indirectly convertible into or exchangeable for Common Stock, but excluding Options ("Convertible Securities") outstanding immediately prior to such merger or consolidation shall be deemed to be outstanding immediately prior to such merger or consolidation and, if applicable, converted or exchanged in such merger or consolidation on the same terms as the actual outstanding shares of Common Stock are converted or exchanged); or

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(b) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Corporation or any subsidiary of the Corporation of all or substantially all the assets of the Corporation and its subsidiaries taken as a whole, or the sale or disposition (whether by merger or otherwise) of one or more subsidiaries of the Corporation if substantially all of the assets of the Corporation and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Corporation.

### 3.2 Mechanics of Conversion.

3.2.1 *Notice of Conversion.* In order for a holder of Class B Common Stock to voluntarily convert shares of Class B Common Stock into shares of Class A Common Stock, such holder shall surrender the certificate or certificates for such shares of Class B Common Stock (or, if such registered holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate), at the office of the transfer agent for the Class B Common Stock (or at the principal office of the Corporation if the Corporation serves as its own transfer agent), together with written notice (a "Conversion Notice") that such holder elects to convert all or any number of the shares of the Class B Common Stock represented by such certificate or certificates and, if applicable, any event on which such conversion is contingent. If a registered holder of Class B Common Stock holds such shares of Class B Common Stock in book-entry form, such holder need only deliver a Conversion Notice. The Conversion Notice shall state (i) such holder's name, (ii) the names of the nominee (or nominees) in which such holder wishes the certificate or certificates for shares of Class A Common Stock to be issued, (iii) the number of shares to be converted from Class B Common Stock to Class A Common Stock, and (iv) any other information as reasonably required by the Corporation to effect such conversion. If required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by a written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or his, her or its attorney duly authorized in writing. The close of business on the date of receipt by the transfer agent (or by the Corporation if the Corporation serves as its own transfer agent) of such certificates (or lost certificate affidavit and agreement) and notice shall be the time of conversion (the "Conversion Time"), and the shares of Class A Common Stock issuable upon conversion of the shares represented by such certificate, or represented in book-entry form, as applicable, so elected to be converted in such notice shall be deemed to be outstanding of record as of the Conversion Time. The Corporation shall, as soon as practicable after the Conversion Time, (y) issue and deliver to such holder of Class B Common Stock, or to his, her or its nominees, evidence from the transfer agent (or the Corporation if the Corporation serves as its own transfer agent) of such holder's book-entry shares of (1) Class A Common Stock issuable upon such conversion in accordance with the provisions hereof and (2) Class B Common Stock held by such holder that were not converted into Class A Common Stock, if any, and (z) pay all declared but unpaid dividends on the shares of Class B Common Stock converted.

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3.2.2 *Reservation of Shares.* The Corporation shall at all times when the Class B Common Stock shall be outstanding, reserve and keep available out of its authorized but unissued capital stock, for the purpose of effecting the conversion of the Class B Common Stock, such number of its duly authorized shares of Class A Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding Class B Common Stock; and if at any time the number of authorized but unissued shares of Class A Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Class B Common Stock, the Corporation shall take such corporate action as may be necessary to increase its authorized but unissued shares of Class A Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in commercially reasonable efforts to obtain the requisite stockholder approval of any necessary amendment to the Amended and Restated Articles of Incorporation.

3.2.3 *Effect of Conversion.* All shares of Class B Common Stock which shall have been surrendered for conversion as herein provided shall no longer be deemed to be outstanding and all rights with respect to such shares shall immediately cease and terminate at the Conversion Time, except only the right of the holders thereof to receive shares of Class A Common Stock in exchange therefor and to receive payment of any dividends declared but unpaid thereon. Any shares of Class B Common Stock so converted shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of shares of Class B Common Stock accordingly.

3.2.4 *Taxes.* The Corporation shall pay any and all issue and other similar taxes that may be payable in respect of any issuance or delivery of shares of Class A Common Stock upon conversion of shares of Class B Common Stock pursuant to this Section 3. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of shares of Class A Common Stock in a name other than that in which the shares of Class B Common Stock so converted were registered, and no such issuance or delivery shall be made unless and until the person or entity requesting such issuance has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

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3.3 Notice of Record Date. In the event:

(a) the Corporation shall take a record of the holders of its Common Stock (or other capital stock or securities at the time issuable upon conversion of the Class B Common Stock) for the purpose of entitling or enabling them to receive any dividend or other distribution, or to receive any right to subscribe for or purchase any shares of capital stock of any class or any other securities, or to receive any other security; or

(b) of any capital reorganization of the Corporation, any reclassification of the Common Stock of the Corporation, or any Deemed Liquidation Event; or

(c) of the voluntary or involuntary dissolution, liquidation or winding-up of the Corporation,

then, and in each such case, the Corporation will send or cause to be sent to the holders of the Class B Common Stock a notice specifying, as the case may be, (i) the record date for such dividend, distribution or right, and the amount and character of such dividend, distribution or right, or (ii) the effective date on which such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up is proposed to take place, and the time, if any is to be fixed, as of which the holders of record of Common Stock (or such other capital stock or securities at the time issuable upon the conversion of the Class B Common Stock) shall be entitled to exchange their shares of Common Stock (or such other capital stock or securities) for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up, and the amount per share and character of such exchange applicable to the Class A Common Stock and the Class B Common Stock. Such notice shall be sent at least ten (10) days prior to the record date or effective date for the event specified in such notice.

4. Mandatory Conversion.

4.1 Triggering Events. In the event a holder of Class B Common Stock sells, assigns, gives, pledges, hypothecates, encumbers or otherwise transfers (each, a “Transfer”) any or all of its shares of Class B Common Stock to any third party, then (a) all outstanding shares of Class B Common Stock subject to such Transfer shall automatically be converted into shares of Class A Common Stock, and (b) such shares may not be reissued by the Corporation; provided, however, that such shares of Class B Common Stock shall not automatically be converted into shares of Class A Common Stock as set forth in this Subsection 4.1 if (i) the Transfer of the Class B Common Stock is to an existing holder of Class B Common Stock, (ii) the Transfer of the Class B Common Stock is for bona fide estate planning purposes by the holder thereof to his or her issue, or to a trustee or trustees of a trust, or such trust, whose vested beneficiaries then include any member or members of such holder’s immediate family, or (iii) the Board determines that such Transfer shall not trigger such mandatory conversion. The date and time of such Transfer is referred to herein as the “Mandatory Conversion Time”.

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4.2 Procedural Requirements. All holders of record of shares of Class B Common Stock that will automatically convert upon a Transfer shall be sent written notice of the Mandatory Conversion Time pursuant to this Section 4. Such notice need not be sent in advance of the occurrence of the Mandatory Conversion Time. Upon receipt of such notice, each holder of shares of Class B Common Stock in certificated form shall surrender his, her or its certificate or certificates for all such shares (or, if such holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation at the place designated in such notice. If so required by the Corporation, any certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or by his, her or its attorney duly authorized in writing. All rights with respect to the Class B Common Stock converted pursuant to Subsection 4.1, including the rights, if any, to receive notices and vote (other than as a holder of Class A Common Stock), will terminate at the Mandatory Conversion Time (notwithstanding the failure of the holder or holders thereof to surrender any certificates at or prior to such time), except only the rights of the holders thereof, upon surrender of any certificate or certificates of such holders (or lost certificate affidavit and agreement) therefor, to receive the items provided for in the next sentence of this Subsection 4.2. As soon as practicable after the Mandatory Conversion Time and, if applicable, the surrender of any certificate or certificates (or lost certificate affidavit and agreement) for Class B Common Stock, the Corporation shall (a) issue and deliver to such holder, or to his, her or its nominees, evidence from the transfer agent (or the Corporation if the Corporation serves as its own transfer agent) of such holder's book-entry shares of Class A Common Stock issuable upon such conversion in accordance with the provisions hereof and (b) pay cash with respect to any declared but unpaid dividends on the shares of Class B Common Stock converted. Such converted Class B Common Stock shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of shares of Class B Common Stock accordingly.

5. Acquired Shares. Any shares of Class B Common Stock that are acquired by the Corporation or any of its subsidiaries shall be automatically and immediately cancelled and retired and shall not be reissued, sold or transferred. Neither the Corporation nor any of its subsidiaries may exercise any voting or other rights granted to the holders of Class B Common Stock.

6. Waiver. Any of the rights, powers, preferences and other terms of the Class B Common Stock set forth herein may be waived on behalf of all holders of Class B Common Stock by the affirmative written consent or vote of the holders of at least a majority of the shares of Class B Common Stock then outstanding or such greater percentage of holders of Class B Common Stock as may be expressly required in the Amended and Restated Articles of Incorporation.

7. Notices. Any notice required or permitted by the provisions of this Article VI to be given to a holder of shares of Class B Common Stock shall be mailed, postage prepaid, to the post office address last shown on the records of the Corporation, or given by electronic communication in compliance with the provisions of the NRS, and shall be deemed sent upon such mailing or electronic transmission.

#### D. PREFERRED STOCK.

1. The Preferred Stock may be issued in one or more series at such time or times and for such consideration or considerations as the Board of Directors of the Corporation may determine. Each series of Preferred Stock shall be so designated as to distinguish the shares thereof from the shares of all other series and classes. Except as otherwise provided in the Amended and Restated Articles of Incorporation, different series of Preferred Stock shall not be construed to constitute different classes of shares for the purpose of voting by classes.

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2. The Board is expressly authorized to provide for the issuance of all or any shares of the Preferred Stock in one or more series, each with such designations, preferences, voting powers (or no voting powers), relative, participating, optional or other special rights and privileges and such qualifications, limitations or restrictions thereof as shall be stated in the resolution or resolutions adopted by the Board to create such series, and a certificate of designation shall be filed in accordance with the NRS. The authority of the Board with respect to each such series shall include, without limitation of the foregoing, the right to provide that the shares of each such series may: (i) have such distinctive designation and consist of such number of shares; (ii) be subject to redemption at such time or times and at such price or prices; (iii) be entitled to the benefit of a retirement or sinking fund for the redemption of such series on such terms and in such amounts; (iv) be entitled to receive dividends (which may be cumulative or non-cumulative) at such rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or any other series of stock; (v) be entitled to such rights upon the voluntary or involuntary liquidation, dissolution or winding up of the affairs, or upon any distribution of the assets of the Corporation in preference to, or in such relation to, any other class or classes or any other series of stock; (vi) be convertible into, or exchangeable for, shares of any other class or classes or any other series of stock at such price or prices or at such rates of exchange and with such adjustments, if any; (vii) be entitled to the benefit of such conditions, limitations or restrictions, if any, on the creation of indebtedness, the issuance of additional shares of such series or shares of any other series of Preferred Stock, the amendment of the Amended and Restated Articles of Incorporation or the Bylaws, each as amended and then in effect, of the Corporation, the payment of dividends or the making of other distributions on, or the purchase, redemption or other acquisition by the Corporation of, any other class or classes or series of stock, or any other corporate action; or (viii) be entitled to such other preferences, powers (including voting power), qualifications, rights and privileges, all as the Board may deem advisable and as are not inconsistent with law and the provisions of the Amended and Restated Articles of Incorporation.

Pursuant to NRS 78.385 and NRS 78.390, and any successor statutory provisions, the Board is authorized to adopt a resolution to increase, decrease, add, remove or otherwise alter any current or additional classes or series of this Corporation's capital stock by a Board resolution amending these Amended and Restated Articles of Incorporation, in the Board's sole discretion for increases or decreases of any class or series of authorized stock where applicable pursuant to NRS 78.207 and any successor statutory provision. Pursuant to NRS 78.2055 and any successor statutory provisions, the Board is authorized to adopt a resolution to decrease the number of issued and outstanding shares of a class or series without correspondingly decreasing the number of authorized shares of the same class or series and without the approval of the stockholders. Notwithstanding the foregoing, where any shares of any class or series would be materially and adversely affected by a change as described in either of the two preceding sentences, stockholder approval by the holders of at least a majority of such adversely affected shares must also be obtained before filing an amendment with the Office of the Secretary of State of Nevada. The capital stock of this Corporation shall be non-assessable and shall not be subject to assessment to pay the debts of the Corporation.

Section 2. Consideration for Shares. Shares of capital stock shall be issued for such consideration as shall be fixed from time to time by the Board. In the absence of fraud, the judgment of the Board as to the value of any property or services received in full or partial payment for shares of capital stock shall be conclusive. When shares of capital stock are issued upon payment of the consideration fixed by the Board, such shares shall be taken to be fully paid and non-assessable stock.

Section 3. Stock Rights and Options. The Corporation shall have the power to create and issue rights, warrants or options entitling the holders thereof to purchase from the Corporation any shares of its capital stock of any class or classes, upon such terms and conditions and at such time and prices as the Board or a committee thereof may approve, which terms and conditions shall be incorporated in an instrument or instruments evidencing such rights, warrants or options. In the absence of fraud, the judgment of the Board or a committee thereof as to the adequacy of consideration for the issuance of such rights, warrants or options and the sufficiency thereof shall be conclusive.

Section 4. No Additional Rights. No holder of shares of capital stock of any class shall be entitled as a matter of right to subscribe for or purchase or receive any part of any new or additional issue of shares of stock of any class, or of securities convertible into shares of stock of any class, whether now hereafter authorized or whether issued for money, for consideration other than money, or by way of dividend.

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**ARTICLE VII.  
BOARD OF DIRECTORS**

The number of directors of the Corporation shall be as determined from time to time pursuant to the provisions of the Corporation's Bylaws, except that at no time shall there be less than one director. Unless and except to the extent that the Bylaws of the Corporation, as amended, shall so require, the election of the Directors of the Corporation need not be by written ballot.

**ARTICLE VIII.  
PLACE OF MEETINGS; CORPORATE BOOKS**

Subject to the laws of the state of Nevada, the stockholders and the Board shall have power to hold their meetings and to maintain the books of the Corporation outside the state of Nevada, at such place or places as may from time to time be designated in the Corporation's Bylaws or by appropriate resolution.

**ARTICLE IX.  
LIMITED LIABILITY AND INDEMNIFICATION OF OFFICERS AND DIRECTORS**

To the fullest extent permitted under the NRS, as amended from time to time, no director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for any act or omission as a director, provided that this provision shall not eliminate or limit the liability of a director for any breach of the director's fiduciary duty to the Corporation or its stockholders, which breach involves intentional misconduct, fraud or a knowing violation of law. The Corporation shall pay advancements of expenses in advance of the final disposition of the action, suit, or proceedings upon receipt of an undertaking by or on behalf of the director or officer to repay the amount even if it is ultimately determined that he or she is not entitled to be indemnified by the corporation.

If the NRS is hereafter amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the NRS, as so amended. Any amendment, repeal or modification of the this Article IX shall not adversely affect any right or protection of a director of the Corporation hereunder in respect of any act or omission occurring prior to the time of such amendment, repeal or modification.

**ARTICLE X.  
AMENDMENT OF ARTICLES**

The provisions of these Amended and Restated Articles of Incorporation may be amended, altered or repealed from time to time to the extent and in the manner prescribed by the laws of the state of Nevada, and additional provisions authorized by such laws as are then in force may be added. All rights herein conferred on the directors, officers and stockholders are granted subject to this reservation.

**ARTICLE XI.  
TRANSACTIONS WITH STOCKHOLDERS, DIRECTORS AND OFFICERS; RESTRICTIONS ON CONTROL SHARES**

Section 1. Combinations With Interested Stockholders. The Corporation elects not to be governed by the provisions of Section 78.411 through Section 78.444, inclusive, of the NRS, relating to combinations with interested stockholders and any and all successor statutes.

Section 2. Transactions with Interested Directors or Officers. Except as forbidden by law or by these Amended and Restated Articles of Incorporation, no transaction of the Corporation with any other person, firm or corporation, or in which the Corporation is interested, will be affected or invalidated by the fact that the common directorship, office or financial interest is not known to the director or officer at the time the transaction is brought before the Board for action, so long as the transaction is duly approved.

Section 3. Acquisition of Controlling Interest. The Corporation elects not to be governed by the provisions of Section 78.378 through Section 78.3793, inclusive, of the NRS, restricting the ability of control shareholders to vote their shares under certain circumstances and any and all successor statutes.

**FOURTH:** The vote by which the stockholders holding shares in the corporation entitling them to exercise at least a majority of the voting power, or such greater proportion of the voting power as requires in the case of a vote by classes or series, or as may be required by the provisions of the articles of incorporation have voted in favor of the amendment is approximately 53.47%.

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**IN WITNESS WHEREOF**, the undersigned authorized officer of the Corporation has executed these Amended and Restated Articles of Incorporation, certifying that the facts herein stated are true, this 9th day of February, 2023.

By: /s/ Ross Sklar

Name: Ross Sklar

Title: Chief Executive Officer

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CERTAIN INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT 10.1 BECAUSE IT IS BOTH (i) NOT MATERIAL AND (ii) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED. SUCH REDACTED INFORMATION WILL BE PROVIDED ON A SUPPLEMENTAL BASIS TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST

**BRAND LICENSE AGREEMENT**

This License Agreement (“Agreement”), effective January 24, 2022 is entered into by Starco Brands, Inc. (hereinafter “LICENSOR”) and Temperance Distilling Company (hereinafter “LICENSEE”).

**RECITALS**

WHEREAS, Starco Brands creates, develops and owns brands, trade names and marketing data of consumer and commercial products, and;

WHEREAS, Temperance Distilling Company is a developer and manufacturer of consumer beverage and spirits products;

WHEREAS, LICENSEE desires and LICENSOR agrees to allow LICENSEE to manufacture and sell Licensed Brands throughout the Territory as provided in this Agreement.

Now therefore, in consideration of the foregoing provisions which are incorporated herein by reference and made part hereof, the mutual and several representations, warranties and covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, LICENSOR and LICENSEE hereby agree as follows:

**1. Definitions**

- a. “Licensed Brands” shall mean certain intellectual property, including the particular trademarks, service marks, copyrights, Internet domain names, social network user/profile names identified in Exhibit A attached hereto and incorporated herein by reference. Brands can be added to Exhibit A from time to time with the written mutual consent of the Parties;
- b. “Licensed Products” shall mean the goods and/or services identified in Exhibit B attached hereto and incorporated herein by reference;
- c. “Market” shall mean the retail and commercial markets and channels of trade in which the Licensed Brands may be sold, including, all general retail, general wholesale and big- box stores, and the like;
- d. “Territory” shall mean the world.

**2. Terms**

a. Grant of Non-Exclusive License in Licensed Brands

LICENSOR hereby grants to LICENSEE, subject to the terms and conditions herein, the non-exclusive, non-transferable, right, privilege and license to make, have made, use, sell, have sold, advertise, distribute and have distributed the Licensed Brands in connection with the Licensed Products in the Market and within the Territory. Other than the Licensed Products, all other goods and services of any kind, based on or incorporating, or provided with or under any of the Licensed Brands, or in any manner identifying or mentioning LICENSOR, are expressly excluded from the rights licensed to LICENSEE pursuant to this License Agreement. All rights not expressly granted to LICENSEE by this License Agreement are expressly reserved to LICENSOR

b. Term of License

This Agreement shall become effective upon the date first above written, and shall remain in effect until midnight, December 31, 2032 unless sooner terminated according to the terms of this Agreement.

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The previous paragraph notwithstanding, it is understood between both LICENSEE and LICENSOR that prior to the execution of this Agreement transactions involving the Licensed Brands did occur. It is agreed that this Agreement will retroactively apply to those transactions and the Royalties due for those transactions will be calculated and paid by LICENSEE within 60 days of execution of this Agreement.

### 3. Supervision and Approval

- a. LICENSEE will use Licensed Brand only in the manner authorized by this License Agreement.
  - b. All Licensed Products manufactured and sold hereunder, as well as all labels, packaging, catalogs, brochures, advertising, websites, social network pages, and other forms of publicity, shall be created and designed to be of uniform high quality so as to protect and preserve the image and goodwill that are associated by the public with LICENSOR, and LICENSEE shall conduct its business in accordance with and to protect such image and goodwill under this License Agreement.
  - c. All Licensed Products developed, manufactured and sold hereunder, and all labels, packaging, catalogs, brochures, advertising and other forms of publicity material for the Licensed Products, shall be subject to LICENSOR's written approval in advance of use, marketing or sale. Without cost to LICENSOR, LICENSEE shall submit to LICENSOR, for its inspection and approval, a reasonable number of pre-production samples of each Licensed Product, prior to any use, marketing, advertising, sale or other distribution to the public.
  - d. After approval by LICENSOR, without cost to LICENSOR, LICENSEE shall submit to LICENSOR for its inspection and approval, at least one (1) final production sample of each Licensed Product (as well as labels, packaging, catalogs, brochures, advertising and other forms of publicity material for the Licensed Products) prior to any use, marketing, advertising, sale or other distribution to the public. LICENSEE shall not manufacture, distribute, market and/or sell any Licensed Product, label, packaging or advertisement depicting or incorporating the Licensed Brands, until LICENSEE has received LICENSOR's written approval of the final samples.
  - e. The right of prior approval shall be at LICENSOR's sole discretion, which shall act in good faith, and approval in writing shall be a condition of the right to exercise the grant of license hereunder. LICENSEE shall not materially depart from any approved sample without first obtaining LICENSOR's prior written consent. LICENSEE's failure to cure to LICENSOR's reasonable satisfaction, any material deviation from any approved sample shall constitute LICENSOR's material breach by of this License Agreement.
  - f. All materials submitted for approval to LICENSOR, in a language other than English, will be accompanied by a complete and accurate English translation.
  - g. If LICENSOR participated in either the design or modification of a product which becomes (after LICENSOR's written approval) a Licensed Product under this License Agreement, LICENSEE (and any affiliated company) shall not thereafter distribute or sale that product without the Licensed Brands, unless LICENSEE obtains LICENSOR's prior written approval.
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- h. LICENSOR shall have the right to inspect LICENSEE's manufacturing and business premises for the sole purpose of ensuring that Licensed Property and the quality of the Licensed Products are satisfactory. LICENSEE will permit a duly authorized representative of LICENSOR to perform such inspection during normal business hours upon reasonable notice for the purpose of ascertaining or determining compliance with this provision no more frequently than annually. LICENSOR will notify LICENSEE at least Fifteen (15) Days in advance of any requested inspection date. All communication, verbal and written, will be conducted through LICENSEE during the Term of this License Agreement and for a period of three years thereafter. All information regarding the manufacturer is considered to be valuable and therefore confidential between LICENSEE and LICENSOR.
  - i. LICENSEE shall ensure that all Licensed Products, packaging and advertising therefore, and the form, quality and standard of all materials used in the connection with the Licensed Products, conform to that of the samples approved in writing by LICENSOR pursuant to this License Agreement and comply with all laws and regulations and industry standards relevant to the Licensed Products and packaging and advertising for them, including, but not limited to, relevant laws and regulations concerning the manufacture, distribution, sale or promotion or labeling or marking of such Licensed Products and packaging and advertising for them.
  - j. In addition to the standards required above, LICENSEE acknowledges the great value of the goodwill associated with the Licensed Property and the worldwide recognition thereof, and LICENSEE agrees that it will not use the Licensed Brands in any manner which, directly or indirectly, would demean, ridicule or otherwise tarnish the reputation or image of LICENSOR or the Licensed Brands. Without limiting the foregoing, (i) all Licensed Products shall in all respects be manufactured, marketed and distributed in a manner consistent with the high quality standards and image of LICENSOR, and (ii) LICENSEE shall not permit the manufacture, marketing or distribution of any Licensed Product that represent, depict or promote (a) the glorification of violence, including but not limited to any representations of gang- or terrorist-related imagery, firearms or explosive devices, (b) religious beliefs, including but not limited to any religious iconography or any image commonly associated with any religious organization or cult, or (c) any political content or (d) tobacco or drug use.
  - k. LICENSEE recognizes and acknowledges that the Licensed Brands, and all elements thereof, and the goodwill associated with the Licensed Products and the Licensed brands are material and substantial business assets of LICENSOR. In that connection, LICENSEE agrees that it will sell the Licensed Product in the Territory during the Term and during any Sell-Off Period at a price which, in its reasonable, good faith business judgment, represents the best attainable price for such Licensed Product.
  - l. LICENSOR and LICENSEE shall meaningfully consult with each other throughout the Term of this License Agreement. The purpose of such consultation will be to discuss methods and strategies to develop, promote and expand the Licensed Brands for the mutual benefit of LICENSOR, LICENSEE and LICENSEE's customers with respect to the Licensed Brands and Licensed Products. To attain this mutual goal of the Parties, LICENSOR, or its designees, agrees to meet in person or via video throughout the calendar year, in conformity with mutually agreed upon schedules, with LICENSEE, or its designees, to discuss merchandise, marketing, and advertising plans and to solicit input and ideas from LICENSOR or its designees.
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#### 4. Ownership

- a. To the best of LICENSOR's knowledge, the Licensed Brands, as currently constituted, is identified in the attached Exhibit A and is acknowledged to be valid, enforceable and owned by LICENSOR. Upon creation, use, publication, broadcast or performance, whichever occurs first, all intellectual property rights in the Licensed Product, packaging and advertising for it, including but not limited to trademarks, Internet domain names, copyrights, industrial designs, trade dress and patents, shall be automatically deemed to be included in the definition and identification of Licensed Brands, without the need to physically amend Exhibit A. As between LICENSOR, LICENSEE and LICENSEE's employees, agents, vendors or any other third party acting at LICENSEE's request or direction, LICENSOR exclusively owns all current and future versions of Licensed Brands and all intellectual property rights therein, including any and all patents. During the Term of this License Agreement and thereafter, LICENSEE shall not dispute or contest, directly or indirectly, LICENSOR's ownership of, and exclusive right to use and license Licensed Brands (with the exception of LICENSOR's assertion of rights or use which would interfere with LICENSEE's licensed rights under this License Agreement). This does not pertain to any existing product or design that LICENSOR requests LICENSEE to include in the LICENSEE's product line, provided that LICENSOR did not participate in either the design or modification of the existing product or design
  - b. During and after the Term, at LICENSOR's request and sole expense, LICENSEE will assist and cooperate, and to the extent possible, will cause all of its employees and agents, consultants, contractors, subcontractors and manufacturers, to assist and cooperate in all reasonable respects with LICENSOR regarding its ownership of Licensed Brands, including, without limitation, by executing documents (including assignments required by this Agreement), by giving testimony, and taking such further acts reasonably requested by LICENSOR to acquire, transfer and assign to LICENSOR, maintain, perfect and enforce all copyright, trademark, Internet domain names, industrial design, patent, trade secret, trade dress, contract rights and other intellectual property protection for the Licensed Brands. If LICENSEE fails to comply with any of the obligations set forth in this article, as to LICENSEE itself, within Fifteen (15) Days of LICENSOR's good faith written request, LICENSEE hereby appoints LICENSOR's officers as its attorney-in-fact (which appointment is irrevocable and coupled with an interest) solely for the purpose of executing documents on behalf of LICENSEE for this limited purpose; provided, however, that LICENSOR will indemnify and hold harmless LICENSEE for actual and direct damages resulting from LICENSOR's knowingly making a material misstatement in connection with its exercise of such power of attorney.
  - c. Upon LICENSOR's written request, LICENSEE shall provide, in writing to LICENSOR, the date of first use and/or first publication of each Licensed Product, packaging, insert and/or advertisement therefore, distributed, sold or published pursuant to this License Agreement in each country of the Territory, together with at least one copy of legible and accurate documentation evidencing the first sale or shipment of such Licensed Product in such country. In addition, LICENSEE shall submit to LICENSOR at the beginning of each selling season, a statement describing the Licensed Products being offered for sale in each country within the Territory. This does not pertain to any existing product or design that LICENSOR requests LICENSEE to include in the LICENSEE's product line, provided that LICENSOR did not participate in either the design or modification of the existing product or design.
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- d. LICENSEE will obtain written agreements from, and include in its agreements with each of its contractors, subcontractors, suppliers, consultants and vendors with respect to any and all Licensed Products requiring that, upon termination or expiration of this Agreement, each will not use any proprietary tooling or equipment to manufacture any goods which infringe the intellectual property rights in the Licensed Product and packaging therefore. LICENSEE shall provide to LICENSOR, for LICENSOR's written approval (not to be unreasonably withheld or delayed) prior to being proposed revealed, or submitted to any third party, each proposal, letter of intent and oral and written agreement relating to Licensed Product. LICENSEE shall not, without LICENSOR's prior written consent, expressly or implicitly authorize any third party to represent that it represents LICENSOR or that it represents the owner of Licensed Brands, or is authorized by, or on behalf of LICENSOR to take any action regarding the Licensed Brands or has any rights in or with respect to the Licensed Brands. This does not pertain to any existing product or design that LICENSOR requests LICENSEE to include in the LICENSEE's product line, provided that LICENSOR did not participate in either the design or modification of the existing product or design.
- e. If this Agreement, in whole or in part, is terminated prior to the expiration of the Term, or upon expiration of the License Agreement, LICENSOR, at its sole option and discretion, exercisable within Sixty (60) Days following such expiration or termination, may, by written notice to LICENSEE, require LICENSEE and its subcontractors and manufacturers to destroy any or all physical materials, tangible tools, molds and printing plates used solely in the development or production of the Licensed Products and/or its packaging, created pursuant to this License Agreement and not returned to LICENSOR (the "Production Materials"). If such option is exercised, upon LICENSOR's request, LICENSEE shall promptly provide to LICENSOR satisfactory evidence of the destruction of any or all Production Materials, and LICENSOR shall have the right at any time, upon reasonable notice, to enter the premises where the Licensed Products (or their components) are stored or manufactured (to the extent such premises are owned or controlled by LICENSEE) to take inventory and/or witness the destruction of any Production Materials. LICENSEE shall not have any obligation to destroy or cause the destruction of any Production Materials that can be used by LICENSEE without infringing or otherwise violating any of LICENSOR's rights. As an alternative to destruction, LICENSOR may, within said Sixty (60) Day period, by written notice to LICENSEE or directly to any of its subcontractors or manufacturers, offer to purchase said molds, plates and the like, used exclusively for Licensed Product or packaging or advertising therefore, at either the owner's actual cost or at some price agreed upon between LICENSOR and the owner of such item.
- f. All Licensed Product design, consumer marketing material, production material or other work of authorship, including but not limited to plans, models, drawings, graphic artwork, photographs, video and audio recordings, copy, reports (all regardless of medium), and improvements of and modifications to one or more of the Licensed Products, that incorporate the Licensed Brands and are created or developed by any of LICENSEE's employees (all of the foregoing materials are individually and collectively referred to as the "Copyright Materials"), shall be prepared as an employee for hire of LICENSEE under LICENSEE's sole supervision, responsibility and monetary obligation and shall be on a "work for hire" basis within the meaning of the U.S. Copyright Act of 1976, as amended. The rights in and to Copyright Materials shall be assigned by LICENSEE to LICENSOR. Prior to, and as a condition of retaining any third party, who is not an employee of LICENSEE, to assist with or contribute to the development, authorship or creation of any Copyright Materials, or any part thereof, LICENSEE will obtain from such third party a written executed acknowledgment that all such materials are created for LICENSEE as works made for hire, and alternatively assigning all right, title and interest in such materials and to the intellectual property rights, including copyrights, to LICENSOR. This does not pertain to any existing product or design that LICENSOR requests LICENSEE to include in the LICENSEE'S product line, provided that LICENSOR did not participate in either the design or modification of the existing product or design.
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- g. During and after expiration or earlier termination of this License Agreement, LICENSEE shall neither acquire nor assert trademark ownership, copyright ownership, inventorship or patent ownership, or (other than the licensed rights under this License Agreement) any other intellectual property or proprietary right in the Licensed Brands. LICENSEE shall contractually obligate its employees, and contractually obligate all agents, consultants, contractors, and other entities with whom it contracts relative to the creation or design of Licensed Brands, and/or each creation, design, modification, improvement or manufacture of Licensed Product, Licensed Brands and/or Copyright Material, to assign to LICENSOR, all right, title and interest which LICENSEE or any such other employee, agent or entity of LICENSEE may have in the Licensed Brands, Licensed Product or any Copyright Materials heretofore or hereafter created, and to waive and agree not to assert against LICENSOR or LICENSEE, any and all "moral rights" which such person may have in, or with respect to the Licensed Brands, Licensed Product and/or any Copyright Materials, to the extent permitted by applicable law. LICENSOR's right to such assignment includes, without limitation, LICENSOR's right and authority to (a) obtain any and all intellectual property registrations, including, but not limited to, patents, Internet domain names and industrial design registrations therein in LICENSOR's name; and (b) to sell, distribute or license such Licensed Brands: (i) outside the Territory, during the Term, for Licensed Products exclusively licensed to LICENSEE; (ii) anywhere in the Universe for products not licensed to LICENSEE or non-exclusively licensed to LICENSEE in this License Agreement; and (iii) anywhere in the Universe for Licensed Products upon expiration or earlier termination of this License Agreement. This does not pertain to any existing product or design that LICENSOR requests LICENSEE to include in the LICENSEE'S product line, provided that LICENSOR did not participate in either the design or modification of the existing product or design.
  - h. Nothing contained in this Agreement shall give LICENSEE any right, title or interest in or to the Licensed Brands except for the rights expressly licensed by this License Agreement, and subject to its terms and conditions. LICENSEE shall not make any representation or do any act which may reasonably be taken to indicate that it owns the Licensed Brands, or owns any rights in the Licensed Brands other than the rights to use Licensed Brands licensed by this License Agreement.
  - i. LICENSEE, on behalf of itself, its employees, agents and contractors, irrevocably transfers and assigns to LICENSOR, and waives and agrees never to assert, any and all "Moral Rights" which LICENSEE, or its, or their respective employees, agents, or LICENSEE's contractors, subcontractors and/or manufacturers, may have in, or with respect to, the Licensed Brands and/or any Copyright Materials to the extent permitted by applicable law.
  - j. LICENSEE recognizes the great value of the goodwill associated with the Licensed Brands and acknowledges that such goodwill therein is, and will be exclusively owned by LICENSOR. Any and all goodwill arising from LICENSEE's use of the Licensed Brands pursuant to this License Agreement, and any goodwill associated or hereafter created or acquired in the Licensed Products, is and will be owned by LICENSOR, and/or will inure to LICENSOR's sole benefit.
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- k. Subject to the terms of this License Agreement, LICENSOR shall have the sole unrestricted right after termination of the License Agreement to exploit (including but not limited to the right to use, manufacture and license to third parties) any Licensed Brands and/or design used and/or created under the Agreement, in LICENSOR's sole discretion, in any manner in perpetuity in any and all media throughout the world whether now known or hereafter devised with no further obligation whatsoever to LICENSEE, or any third party. At LICENSOR's sole cost and expense, and upon LICENSOR's reasonable request and prior notice to LICENSEE, upon the expiration and/or earlier termination of this License Agreement, LICENSEE will provide the necessary access during regular business hours to enable LICENSOR to duplicate any such Licensed Product or design. This does not pertain to any existing product or design that LICENSOR requests LICENSEE to include in the LICENSEE's product line, provided that LICENSOR did not participate in either the design or modification of the existing product or design.

## 5. Consideration for License

### a. Royalties

LICENSEE shall pay LICENSOR based on the following model:

Royalties shall be the LICENSEE's "Net Unit Sales" of the Licensed Products ("Royalties"). The term "Net Unit Sales" shall mean the gross invoiced unit sales of the Licensed Products less (i) LICENSEE's Costs of the Licensed Products (as defined below) and (ii) discounts, allowances, freight and applicable taxes and other expenses mutually agreed to from time to time.

Royalties shall accrue upon invoicing when the Licensed Products are first sold and delivered by LICENSEE. LICENSEE shall pay to LICENSOR in US currency the Royalties due on all Licensed Products for which payment has been received in each calendar month by the 15th day of the subsequent month. LICENSEE shall provide a written royalty report to LICENSOR detailing the customer, unit sales of Licensed Products, sale price, sale total, amount received, any discounts and/or allowances and other expenses deducted used to calculate the Royalties due with each payment of Royalties.

The LICENSEE will manufacture or may subcontract the manufacture of the Licensed Products and earn a [REDACTED] ([REDACTED]%) percent gross margin on its cost of goods based on GAAP and the costing model attached in Exhibit B, said costs of goods sold and [REDACTED] ([REDACTED]%) percent gross margin thereon being referred to herein as "LICENSEE's Costs". LICENSEE's Costs will not be updated more frequently than quarterly and may change only with LICENSEE and LICENSOR's joint approval.

The LICENSEE may sell Licensed Products to distributors at varying prices. Therefore, Royalties on any given Licensed Product may fluctuate depending on the price for which the Licensed Product is sold in any given distribution channel as well as upon changes in the LICENSEE'S Costs in accordance with the preceding paragraph. As an example only, if the LICENSEE sells Licensed Products to a distributor for a gross invoiced price of \$[REDACTED] per unit and the LICENSEE's Cost in manufacturing the Licensed Product is \$[REDACTED] per unit, then the Royalty on those Licensed Products is \$[REDACTED] per unit less applicable discounts, allowances, freight, taxes or other approved expenses. If LICENSEE later sells more of those Licensed Products to a distributor for a gross invoiced price of \$[REDACTED] per unit and the LICENSEE's Cost in manufacturing has increased to \$[REDACTED] per unit, then the Royalty on those Licensed Products is \$[REDACTED] per unit less applicable discounts, allowances, freight, taxes or other approved expenses.

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LICENSEE and LICENSOR acknowledge and agree that the initial production run for the products will incur higher costs due to higher costs of materials and additional labor needed to complete the initial production run. Costs used for the Initial Production Run are found on Exhibit C. The difference between costs shown in Exhibit B and Exhibit C will be reconciled as additional funds due to LICENSEE.

The way the LICENSEE costs the product must be provided to the LICENSOR in full transparency. At the LICENSOR'S election, the LICENSOR may use a third party to audit, at its expense, the costs and expenses used by LICENSEE in its determination of LICENSEE's Cost as well as its calculation of Royalties.

#### **6. Records**

LICENSEE shall keep full, clear, and accurate records with respect to sales of Licensed Products. Reporting will include the number of units by container size of Licensed Products sold in each reporting period. Upon reasonable notice, LICENSOR, at its expense, may have an independent auditor examine, audit and certify such records as it relates to the Licensed Products covered by this agreement during normal business hours, but not more than twice per year.

LICENSEE shall make prompt adjustment to compensate for any errors or omissions disclosed by any such examination and certification of LICENSEE's records. If the results of the audit results in an adjustment greater than 5%, LICENSEE will reimburse LICENSOR for the cost of the audit. All amounts due will be payable within 10 days of the acceptance of the audit plus an imputed interest payment of 8% from when the amounts would have been due.

#### **7. Reimbursement of Expenses**

LICENSOR agrees to reimburse LICENSEE for any incurred expenses, marketing or otherwise, that are preapproved by LICENSOR. These expenses will be submitted by LICENSEE to LICENSOR each month for approval, and may be deducted from monthly Royalty payments if approved by LICENSOR.

#### **8. Mutual Indemnification**

LICENSEE and LICENSOR shall mutually keep, save, protect, defend, indemnify and hold each other harmless from and against any and all reasonable costs, claims, expenses, reasonable attorneys' fees, damages or deficiencies ("Losses") incurred or sustained by the other party arising from manufacturer defects or breach of terms of this Agreement and from and against any and all claims for damages and/or injury, including claims in product liability, patent infringement, regulatory, governmental, and any other torts brought by any party anywhere and as may arise from the manufacture, use, sale, marketing or distribution of any Licensed Product herein, pursuant to the terms of this Agreement. LICENSOR's indemnification under this Section shall be apportioned and limited to only the portion of, and extent that, such Losses are, or are claimed to be, proximately caused by or attributable specifically to LICENSEE'S use of Licensed Brands in a manner permitted by this License Agreement.

The Parties agree that the indemnity obligations under this Section shall survive the termination of this Agreement.

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## 9. Registration, Preservation and Protection of Licensed Brands

- a. All registrations for intellectual property in the Licensed Brands, packaging and marketing materials for them, are to be applied for and obtained exclusively in LICENSOR's name and at LICENSOR's sole cost and expense. LICENSEE shall not file any intellectual property applications or seek any registration thereof in the Licensed Brands (including Internet domain names and social network user/profile names), Licensed Products or packaging or advertising material therefor, or any derivations, improvements, variations or modification thereof, without LICENSOR's prior written approval.
- b. LICENSOR may, but is not required to, seek, obtain and maintain, in its own name, such intellectual property protection for the Licensed Brands in the Territory, which LICENSOR, in its sole discretion, believes to be appropriate and financially sound. It is expressly agreed that such costs and expenses associated with the registration, preservation, and protection of the Licensed Brands shall be solely borne by the LICENSOR.
- c. Any action taken by LICENSEE to enforce the Licensed Brands against infringers, including notice of infringement or the institution of legal proceedings, shall be subject to the prior written approval of LICENSOR. LICENSOR shall not be obligated to take any such action, and any decision to take such action by LICENSOR, and the conduct of any such action taken, shall be entirely within the discretion and control of LICENSOR. LICENSEE shall cooperate fully with LICENSOR in any such action LICENSOR may choose to take in this regard, without any compensation to LICENSEE.

## 10. Termination

This Agreement may be terminated immediately under and according to any of the following:

- a. By written agreement of the Parties;
  - b. Immediately, by either Party upon the material breach of the Agreement by the other Party and the failure by the breaching Party to cure said breach within thirty (30) days after receipt of notice from the non-breaching Party specifying the breach. ;
  - c. If LICENSEE shall go into receivership, bankruptcy, or insolvency, or make an assignment for the benefit of creditors, or go out of business, this Agreement shall be immediately terminable by LICENSOR by immediate written notice (without right to cure), but without prejudice to any rights of such other Party;
  - d. Upon the expiration or termination of this Agreement for any reason whatsoever, LICENSEE shall have the right to continue to sell in the Territory its existing inventory of Licensed Products previously made, on hand, and in stock (hereinafter referred to as the "Sell Off" rights or "Sell Off terms") which are in compliance with the quality control provisions and written approvals by LICENSOR as provided for in this Agreement, on a non-exclusive basis, subject to all of the provisions of this Agreement, for a period of Six (6) Months following such expiration or earlier termination (the "Sell Off period"), if LICENSEE, within twenty (20) Days of expiration or earlier termination, delivers to LICENSOR a complete schedule of its inventory of the Licensed Product in stock and on hand on the expiration date or date of earlier termination. ,LICENSEE shall continue to pay royalties on all Licensed Product sold during the Sell-Off period.
  - e. LICENSEE acknowledges that a failure (except as otherwise expressly provided herein) to cease the manufacture (except as otherwise allowed with the approval of LICENSOR), sale or distribution of the Licensed Products upon the termination or expiration of this Agreement, will result in immediate and irreparable damage to LICENSOR. LICENSEE further acknowledges that there is no adequate remedy at law for such failure to cease manufacture, sale or distribution, and in the event of such failure, LICENSOR shall be entitled to equitable relief and such further relief as a court or agency with jurisdiction may deem just and proper.
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Upon termination or expiration of this License Agreement, all of the rights granted hereunder to LICENSEE and all rights, title and interest in and to the Licensed Brands, including but not limited to, patent, industrial design, copyright, trademark, trade dress and all improvements, additions and changes thereto, trade secret rights, and goodwill relating to the Licensed Brands, shall revert to LICENSOR. LICENSEE, at LICENSOR's sole cost and expense, agrees to promptly execute all documents that may be reasonably necessary to effect the foregoing. This right and obligation shall survive the termination or expiration of this Agreement. Except as herein provided, upon termination or expiration of this License Agreement, LICENSEE shall forthwith and thereafter cease and desist from manufacturing, selling or distributing.

## 11. Notices

- a. All notices under this Agreement shall be in writing and shall be sent by first- class certified mail, return receipt requested, postage prepaid, to the party concerned at the below address, or to any substituted address given by notice hereunder, a copy of all notices should also be sent to the party concerned via e-mail:

As to LICENSEE:

Ross Sklar  
Owner  
**Temperance Distilling Company**  
177 Reed Dr.  
Temperance, MI 48182  
Email: [REDACTED]

As to LICENSOR:

Darin Brown  
Director  
**Starco Brands, Inc.**  
250 26th St., Suite 200  
Santa Monica, CA 90402  
Email: [REDACTED]

- b. Any such notice shall be considered sent or made on the day deposited in the mail.
- c. Payments may be sent by ordinary mail or made by ACH or wire to an account provided by the Party receiving payment.
- d. Statements and reports must be sent by email with a Read Receipt.

## 12. Confidentiality

- a. *Confidential Information.* "Confidential Information" means, without limitation, all notes, reports, tests, data, lists, formulas, trade secrets, studies, predictions, advice, suggestions, sales data, customer data, processes, concepts, computer programs, systems, documents, materials, products, samples, business plans, and information of the disclosing party provided to or obtained by another party.
- i. Exceptions. "Confidential Information" does not include:
1. Information that is publicly available or properly possessed in sufficient detail by the receiving party prior to its receipt;
  2. Information independently developed or acquired by the receiving party from a source that has not improperly disclosed the information;
  3. Information that becomes publicly available in sufficient detail through no fault of the receiving party; and
  4. Information required to be disclosed by applicable law.
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- b. Agreement to Keep Confidential. The parties acknowledge that they may have access to Confidential Information of another party during the course of this Agreement, and that the disclosure of such other party's Confidential Information to third parties would cause substantial, irreparable injury to the disclosing party. Therefore, the parties agree not to disclose, duplicate, distribute or permit access to another party's Confidential Information to any person or entity not a party to this Agreement, or use Confidential Information in any way other than for the purpose specifically relating to the performance under this Agreement. The parties agree that the nonbreaching party shall be entitled to injunctive and other equitable relief, without security, in the event the breaching party breaches this paragraph of this Agreement.
- c. Term. The confidentiality obligations of this Agreement shall remain in effect for a period of three (3) years after expiration or termination of this Agreement.

### **13. Assignment**

This Agreement shall be assignable by LICENSEE or LICENSOR to any entity that succeeds to the business of LICENSEE or LICENSOR without the prior written consent of the other party. Other than to an entity that succeeds LICENSEE or LICENSOR, LICENSEE shall not assign any of its rights under this Agreement to any company without the prior written consent of LICENSOR.

### **14. Independent Contractor Status**

Neither LICENSEE nor LICENSOR shall have any authority to bind the other to any contract, representation, understanding, act or deed concerning the other. Nothing contained in this Agreement shall be deemed or construed by the parties hereto or by any third party as creating the relationship between LICENSOR and LICENSEE as that of principal and agent, employer/employee, partner or joint venturer, it being expressly understood and agreed that no provision of this Agreement, nor any act of the parties pursuant thereto, shall be deemed to create any relationship of LICENSEE to LICENSOR other than that of an independent contractor.

### **15. Interpretation and Choice of Forum**

This Agreement shall be interpreted under the laws of the State of California. Any dispute, controversy or claim arising out of or relating to this contract, including the formation, interpretation, breach or termination thereof, including whether the claims asserted are arbitrable, will be referred to and finally determined by arbitration in accordance with the JAMS International Arbitration Rules. The Tribunal will consist of one arbitrator. The place of arbitration will be Los Angeles County in the State of California. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

### **16. Force Majeure**

Neither LICENSEE nor LICENSOR shall be responsible for any default hereunder caused by acts of God, insurrection, civil disorder, war, military action, emergency government actions, labor disputes or other causes over which neither LICENSOR nor LICENSEE have any control.

### **17. Non-Frustration**

Neither party to this Agreement shall commit any act or take any action which frustrates or hampers the rights of the other party under this Agreement. Each party shall act in good faith and engage in fair dealing when taking any action under or related to this Agreement.

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**18. Rectification**

In case of any mistake in this Agreement, including any error, ambiguity, illegality, contradiction, or omission, this Agreement shall be interpreted as if such mistake were rectified in a manner which implements the intent of the parties as nearly as possible and effects substantial fairness, considering all pertinent circumstances. If any part of this Agreement is found to be invalid or unenforceable it does not invalidate the balance of Agreement.

**19. Entire Agreement**

This Agreement sets forth the entire understanding between the parties and supersedes any prior or contemporaneous oral understandings and any prior written Agreements except that the rights and obligations of the parties under the Agreement shall survive until the term of said Agreement expires.

**20. LICENSOR's Reserved Rights**

All rights and licenses to the Licensed Brands not specifically granted to LICENSEE under this Agreement are reserved by and are the exclusive property of LICENSOR.

**21. Signatures**

The parties have indicated their Agreement to all of the above terms by signing this Agreement on the respective dates below indicated. LICENSEE and LICENSOR have each received a copy of this Agreement with both LICENSEE's and LICENSOR's original ink signatures thereon.

**Temperance Distilling Company**

By: /s/ Ross Sklar  
Name: Ross Sklar  
Title: Owner  
Date: 1/24/22

**Starco Brands Inc.:**

By: /s/ Darin Brown  
Name: Darin Brown  
Title: Director  
Date: 1/24/22

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**EXHIBIT A**  
**LICENSED BRANDS**



WHIP SHOTS

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**EXHIBIT B**  
**LICENSED PRODUCTS**

Alcohol infused whipped cream; non-dairy alcohol infused whipped cream; vodka infused whipped cream

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Subsidiaries of Starco Brands, Inc.

Subsidiary Name	Jurisdiction of Incorporation
Whipshots Holdings, LLC	Delaware
Whipshots, LLC	Wyoming
The AOS Group Inc.	Delaware
Skylar Body, LLC	Delaware
Soylent Nutrition, Inc.	Delaware

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**STARCO BRANDS, INC.**  
**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Ross Sklar, certify that:

1. I have reviewed this Annual Report on Form 10-K of Starco Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Ross Sklar  
Ross Sklar  
Chief Executive Officer  
(Principal Executive Officer)

Date: April 17, 2023

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**STARCO BRANDS, INC.**  
**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Ross Sklar, certify that:

1. I have reviewed this Annual Report on Form 10-K of Starco Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Ross Sklar  
Ross Sklar  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

Date: April 17, 2023

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**STARCO BRANDS, INC.  
CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Annual Report on Form 10-K of Starco Brands, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

By: /s/ Ross Sklar  
Ross Sklar  
Chief Executive Officer  
(Principal Executive Officer)  
Date: April 17, 2023

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**STARCO BRANDS, INC.  
CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Annual Report on Form 10-K of Starco Brands, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

By: /s/ Ross Sklar  
Ross Sklar  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

Date: April 17, 2023

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