

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2023

OR

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

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 26th 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
Class A Common Stock	STCB	OTC Markets Group OTCQB Tier

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date: As of November 13, 2023, there were 469,631,464 shares of the registrant's Class A common stock and zero shares of the registrant's Class B common stock outstanding. On February 9, 2023, the registrant's "common stock" was renamed "Class A common stock" and a new class of common stock was created which was referred to as "Class B common stock." Throughout this report, any reference to common stock prior to February 9, 2023, shall represent the same number of Class A common stock following February 9, 2023.

STARCO BRANDS, INC. AND SUBSIDIARIES
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED 30, 2023

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

STARCO BRANDS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2023 (Unaudited)	December 31, 2022
ASSETS		
Current Assets:		
Cash and cash equivalents	1,545,879	1,480,371
Accounts receivable, net, \$2,625,713 and \$2,107,015 from related party, respectively	10,570,541	2,555,525
Prepaid expenses and other assets	1,848,888	902,090
Inventory	19,228,288	3,033,653
Total Current Assets	33,193,596	7,971,639
Property and equipment, net	40,323	25,873
Operating lease right-of-use assets	-	61,353
Intangibles, net	31,950,516	198,403
Goodwill	58,081,660	32,836,563
Note receivable, related party	-	95,640
Total Assets	123,266,095	41,189,471
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	12,318,815	3,245,573
Other payables and accrued liabilities	2,133,861	1,135,803
Accrued interest, \$5,681 and \$6,960 from related party, respectively	42,134	6,960
Fair value of potential Share Adjustment	39,894,720	-
Treasury stock payable, current	98,550	131,400
Notes payable, \$472,500 and \$2,475,033 from related party, respectively	587,840	3,109,535
Line of Credit	4,663,500	-
Lease liability	-	61,605
Total Current Liabilities	59,739,420	7,690,876
Treasury stock payable, net of current portion	-	65,700
Loans payable, net of current portion, \$4,000,000 and \$572,500 from related party, respectively	4,000,000	572,500
Total Liabilities	63,739,420	8,329,076
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock, \$.001 par value; 40,000,000 shares authorized; no shares issued and outstanding, at September 30, 2023 and December 31, 2022, respectively	-	-
Class A common stock, \$.001 par value; 1,700,000,000 shares authorized; 469,631,464 and 291,433,430 shares issued and outstanding, at September 30, 2023 and December 31, 2022, respectively	469,631	291,433
Class B common stock, \$.001 par value; 300,000,000 shares authorized no shares issued and outstanding, at September 30, 2023 and December 31, 2022, respectively	-	-
Additional paid in capital	72,770,376	43,332,886
Treasury stock at cost	(394,200)	(394,200)
Equity consideration payable	9,417,847	7,114,513
Accumulated deficit	(22,990,975)	(17,578,219)
Total Starco Brands' Stockholders' Equity	59,272,679	32,766,413
Non-controlling interest	253,996	93,982
Total Stockholders' Equity	59,526,675	32,860,395
Total Liabilities and Stockholders' Equity	123,266,095	41,189,471

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

STARCO BRANDS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	<u>For the Three Months Ended</u>		<u>For the Nine Months Ended</u>	
	<u>September 30, 2023</u>	<u>September 30, 2022</u>	<u>September 30, 2023</u>	<u>September 30, 2022</u>
Revenue, \$2,463,542 and \$8,201,377 from related parties, for the three and nine months ended September 30, 2023, respectively, \$1,441,361 and \$3,594,854 from related parties for the three and nine months ended September 30, 2022, net	\$ 17,673,046	\$ 1,658,253	\$ 46,326,117	\$ 3,811,746
Cost of goods sold	9,364,322	343,994	24,710,535	343,994
Gross profit	<u>\$ 8,308,724</u>	<u>\$ 1,314,259</u>	<u>\$ 21,615,582</u>	<u>\$ 3,467,752</u>
Operating Expenses:				
Compensation expense	\$ 1,811,832	\$ 176,148	\$ 5,285,421	\$ 395,974
Professional fees	1,380,680	884,558	4,177,424	1,122,532
Marketing, general and administrative	5,522,525	364,331	14,248,632	1,677,991
Marketing, related party	-	-	-	131,614
Fair value share adjustment loss (gain)	(3,144,411)	-	2,751,360	-
Total operating expenses	<u>5,570,626</u>	<u>1,425,037</u>	<u>26,462,837</u>	<u>3,328,111</u>
Income (loss) from operations	<u>2,738,098</u>	<u>(110,778)</u>	<u>(4,847,255)</u>	<u>139,641</u>
Other Expense (Income):				
Interest expense	255,775	15,232	617,289	47,127
Other expense (income)	121,072	(8,161)	(211,802)	(8,161)
Total other expense (income)	<u>376,847</u>	<u>7,071</u>	<u>405,487</u>	<u>38,966</u>
Income (loss) before provision for income taxes	\$ 2,361,251	\$ (117,849)	\$ (5,252,742)	\$ 100,675
Provision for income taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income (loss)	\$ 2,361,251	\$ (117,849)	\$ (5,252,742)	\$ 100,675
Net income (loss) attributable to non-controlling interest	34,221	32,693	160,014	67,856
Net income (loss) attributable to Starco Brands	\$ 2,327,030	\$ (150,542)	\$ (5,412,756)	\$ 32,819
Income (loss) per share, basic	<u>\$ 0.00</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ 0.00</u>
Income (loss) per share, diluted	<u>\$ 0.00</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ 0.00</u>
Weighted Average Shares Outstanding – Basic	469,550,215	172,236,263	439,484,590	163,557,744
Weighted Average Shares Outstanding – Diluted	873,264,758	172,236,263	439,484,590	163,885,661

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

STARCO BRANDS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Unaudited)

	Preferred Stock		Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Non- controlling Interest	Equity Consideration Payable	Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount						
Balance at December 31, 2021	-	-	159,140,665	\$ 159,141	-	\$ -	15,950,403	(394,200)	(18,388,186)	(73,909)	-	\$ (2,746,751)
Estimated fair value of contributed services and stock-based compensation	-	-	-	-	-	-	54,862	-	-	-	-	54,862
Estimated fair value of warrants issued	-	-	-	-	-	-	53,741	-	-	-	-	53,741
Net income	-	-	-	-	-	-	-	-	40,949	11,862	-	52,811
Balance at March 31, 2022	-	\$ -	159,140,665	\$ 159,141	-	\$ -	\$ 16,059,006	\$ (394,200)	\$ (18,347,237)	\$ (62,047)	\$ -	\$ (2,585,337)
Estimated fair value of contributed services	-	-	216,664	216	-	-	263,641	-	-	-	-	263,857
Estimated fair value of warrants issued	-	-	-	-	-	-	22,599	-	-	-	-	22,599
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
Net income	-	-	-	-	-	-	-	-	142,413	23,301	-	165,714
Balance at June 30, 2022	-	\$ -	160,237,149	\$ 160,237	-	\$ -	\$ 16,960,155	\$ (394,200)	\$ (18,204,824)	\$ (38,746)	\$ -	\$ (1,517,378)
Estimated fair value of contributed services	-	-	81,249	81	-	-	119,739	-	-	-	-	119,820
Estimated fair value of warrants issued	-	-	-	-	-	-	60,600	-	-	-	-	60,600
Issuance of shares related to AOS acquisition	-	-	61,328,805	61,329	-	-	11,598,135	-	-	-	-	11,659,464
Equity payable related to AOS acquisition	-	-	-	-	-	-	-	-	-	-	1,897,727	1,897,727
Net income	-	-	-	-	-	-	-	-	(150,542)	32,693	-	(117,849)
Balance at September 30, 2022	-	\$ -	221,647,203	\$ 221,647	-	\$ -	\$ 28,738,630	\$ (394,200)	\$ (18,355,366)	\$ (6,053)	\$ 1,897,727	\$ 12,102,385
Balance at December 31, 2022	-	-	291,433,430	291,433	-	-	43,332,886	(394,200)	(17,578,219)	93,982	7,114,513	32,860,395
Estimated fair value of contributed services and stock-based compensation	-	-	81,249	81	-	-	480,718	-	-	-	-	480,799
Issuance of shares from Soylent acquisition	-	-	177,954,287	177,955	-	-	26,515,189	-	-	-	-	26,693,144
Equity payable from Soylent acquisition	-	-	-	-	-	-	-	-	-	-	2,785,714	2,785,714
Skylar purchase price acquisition adjustments	-	-	-	-	-	-	-	-	-	-	(482,380)	(482,380)
Net income	-	-	-	-	-	-	-	-	(1,721,546)	58,416	-	(1,663,130)
Balance at March 31, 2023	-	\$ -	469,468,966	\$ 469,469	-	\$ -	\$ 70,328,793	\$ (394,200)	\$ (19,299,765)	\$ 152,398	\$ 9,417,847	\$ 60,674,542
Estimated fair value of contributed services and stock-based compensation	-	-	81,249	81	-	-	538,957	-	-	-	-	539,038

Soylent acquisition measurement period adjustment	-	-	-	-	-	-	(38,041)	-	-	-	-	(38,041)
Net income	-	-	-	-	-	-	-	-	(6,018,240)	67,377	-	(5,950,863)
Balance at June 30, 2023	<u>-</u>	<u>\$ -</u>	<u>469,550,215</u>	<u>\$469,550.00</u>	<u>-</u>	<u>\$ -</u>	<u>\$70,829,709</u>	<u>\$(394,200)</u>	<u>\$(25,318,005)</u>	<u>\$ 219,775</u>	<u>\$ 9,417,847</u>	<u>\$ 55,224,676</u>
Estimated fair value of contributed services and stock-based compensation	-	-	81,249	\$ 81	-	-	477,319	-	-	-	-	477,400
Soylent acquisition measurement period adjustment	-	-	-	-	-	-	1,463,348	-	-	-	-	1,463,348
Net income	-	-	-	-	-	-	-	-	2,327,030	34,221	-	2,361,251
Balance at September 30, 2023	<u>-</u>	<u>\$ -</u>	<u>469,631,464</u>	<u>\$ 469,631</u>	<u>-</u>	<u>\$ -</u>	<u>\$72,770,376</u>	<u>\$(394,200)</u>	<u>\$(22,990,975)</u>	<u>\$ 253,996</u>	<u>\$ 9,417,847</u>	<u>\$ 59,526,675</u>

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

STARCO BRANDS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Unaudited)

	For the Nine Months Ended	
	September 30, 2023	September 30, 2022
Cash Flows From Operating Activities:		
Net (loss) income	\$ (5,252,742)	\$ 100,675
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Contributed services	45,450	384,076
Stock based compensation	1,440,175	136,940
Depreciation	12,718	4,202
Amortization of intangible assets	1,728,995	6,013
Amortization of debt discount	70,751	-
Loss on stock payable share adjustment	2,751,360	-
Changes in operating assets and liabilities:		
Accounts receivable, related party	(70,188)	(1,186,398)
Accounts receivable	(2,327,559)	57,800
Prepaid expenses and other assets	98,634	662,756
Inventory	(1,630,204)	(54,513)
Operating lease right of use asset	61,353	-
Accounts payable	2,512,173	(174,733)
Other payables and accrued liabilities, related party	(1,279)	(21,745)
Other payables and accrued liabilities	335,148	(548,607)
Operating lease liability	(61,605)	-
Net Cash Used In Operating Activities	(286,820)	(633,533)
Cash Flows From Investing Activities:		
Cash acquired in Acquisition of Business, net of cash paid	68,062	193,670
Purchases of intangibles	(233,108)	-
Purchases of property & equipment	(18,600)	-
Net Cash (Used In) Provided by Investing Activities	(183,646)	193,670
Cash Flows From Financing Activities:		
Advances / loans from related parties	800,000	480,906
Issuance of common stock for business acquisition	(177,954)	-
Proceeds from notes payable	115,340	92,334
Proceeds from notes receivable	95,640	-
Payments to notes payable	(62,002)	(53,822)
Proceeds from Line of Credit	1,220,000	-
Payment to Line of Credit	(1,356,500)	-
Proceeds from issuance of common stock	-	150,494
Repurchase of common stock	(98,550)	(98,550)
Net Cash Provided By Financing Activities	535,974	571,362
Net Increase In Cash	65,508	131,499
Cash - Beginning of Period	1,480,371	338,863
Cash - End of Period	\$ 1,545,879	\$ 470,362
Supplemental Cash Flow Information:		
Cash paid for:		
Interest paid	\$ 460,029	\$ 55,584
Income taxes	\$ -	\$ -
Noncash operating and financing activities:		
Non-cash issuance of stock payable	\$ -	\$ 654,166
Reclass of offering costs to additional paid-in capital	\$ -	\$ 135,434
Estimated fair value of shares issued in acquisitions	\$ 28,118,450	\$ 13,557,191
Estimated fair value of shares payable to be issued for acquisitions	\$ 39,929,075	\$ -
Debt discount on notes payable issued with warrants	\$ 18,282	\$ -

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

STARCO BRANDS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

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 Inc."). The Skylar Acquisition consisted of First Merger Sub merging with and into Skylar Inc. ("First Merger") with Skylar Inc. being the surviving corporation, and immediately following the First Merger, and as part of the same overall transaction as the First Merger, Skylar Inc. merged with and into Second Merger Sub (the "Second Merger") with the Second Merger Sub being the surviving entity Skylar Body, LLC ("Skylar"). Skylar is a wholly-owned subsidiary of STCB.

On February 15, 2023, the Company, through its wholly-owned subsidiary Starco Merger Sub I, Inc. ("Starco Merger Sub I"), completed its acquisition (the "Soylent Acquisition") of Soylent Nutrition, Inc., a Delaware corporation ("Soylent"). The Soylent Acquisition consisted of Starco Merger Sub I merging with and into Soylent, with Soylent being the surviving corporation. Soylent is a wholly-owned subsidiary of STCB.

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

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.

NOTE 2 – GOING CONCERN

The accompanying condensed 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 \$23.0 million at September 30, 2023 including the impact of its net loss of approximately \$5.3 million for the nine months ended September 30, 2023. Net cash used in operating activities was \$0.3 million for the nine months ended September 30, 2023. The Company's ability to continue with this trend is unknown. On August 8, 2023, the Company restructured and consolidated \$4.0 million of notes payable to Ross Sklar into a single maturity date and interest rate. All incorporated notes were restructured into the Consolidated Secured Promissory Note with interest-only payments through December 31, 2024 and at that time the \$4.0 million will be due in full (refer to Note 8). 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 within one year after the date the financial statements are issued. The condensed consolidated financial statements of the Company do not include any adjustments that may result from the outcome of these uncertainties.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The condensed consolidated financial statements of Starco Brands, Inc. include the accounts of STCB, our wholly owned subsidiary AOS, our wholly owned subsidiary Skylar, our wholly owned subsidiary Soylent, 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 condensed consolidated financial statements.

Our consolidated subsidiaries at September 30, 2023 include: AOS, Skylar, Soylent, Whipshots Holdings and its wholly owned subsidiary Whipshots LLC. Intercompany accounts and transactions have been eliminated upon consolidation.

Basis of Presentation

The condensed consolidated financial statements of the Company and the accompanying notes included in this Quarterly Report on Form 10-Q are unaudited. In the opinion of management, all adjustments necessary for the fair presentation of the condensed consolidated financial statements have been included. Such adjustments are of a normal, recurring nature. The condensed consolidated financial statements, and the accompanying notes, are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and do not contain certain information included in the Company's Annual Report and Form 10-K for the year ended December 31, 2022. Therefore, the interim condensed consolidated financial statements should be read in conjunction with that Annual Report on Form 10-K.

Use of Estimates

The preparation of 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 and 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 as of September 30, 2023 or December 31, 2022.

Accounts Receivable

We measure accounts receivable at net realizable value. This value includes an appropriate allowance for credit losses to present the net amount expected to be collected on the financial asset. We calculate the allowance for credit losses based on available relevant information, in addition to historical loss information, the level of past-due accounts based on the contractual terms of the receivables, and our relationships with, and the economic status of, our partners and customers. The allowance for uncollectible amounts is evaluated quarterly, which is \$358,318 and zero as of September 30, 2023 and December 31, 2022.

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 condensed consolidated financial assets and liabilities, such as cash and cash equivalents, 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 approximate 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 September 30, 2023 and December 31, 2022.

The following table summarized the financial instruments of the Company at fair value based on the valuation approach applied to each class of security as of September 30, 2023:

	Fair Value Measurement at Reporting Date Using			
	Carrying Value at September 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Fair Value of potential Share Adjustment	\$ 39,894,720	\$ -	\$ -	\$ 39,894,720
Total Liabilities	\$ 39,894,720	\$ -	\$ -	\$ 39,894,720

Pursuant to the Soy lent acquisition, the Company may be required to issue the Share Adjustment (as defined in Note 5) to the former owners of Soy lent based upon the stock price of the company on the Adjustment Date (as defined in Note 5). The Company engaged a third-party valuation firm to estimate the fair value of this contingent liability by performing a Monte Carlo simulation to forecast the value of the Company's stock and the implied value of the Share Adjustment. See NOTE 5 – ACQUISITIONS for further discussion.

Property and Equipment, net

Property and equipment is recorded at historical cost, net of depreciation. 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, excluding its subsidiaries, earns a majority of its 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 FBA, is recognized upon shipment of merchandise.

Soylent, one of STCB's wholly owned subsidiaries, earns its revenues through the sale of nutritional drinks. Revenue from retail sales is recognized at shipment to the retailer. Revenue from eCommerce sales, is recognized upon shipment of merchandise.

Whipshots, a 96% owned subsidiary, earns its revenues through the sale of vodka infused whipped cream. Revenue from retail sales is recognized at shipment to the retailer. Revenue from eCommerce sales, is recognized upon shipment of merchandise.

The Company applies the following five-step model in order to determine this amount: (i) Identify the contract with a customer; (ii) Identify the performance obligation in the contract; (iii) determine 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 condensed 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 condensed 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 condensed 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 three and nine months ended September 30, 2023.

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:

	Three Months Ended September 30,	
	2023	2022
Warrants	39,350,000	-
Potential shares issuable under acquisition Share Adjustments	325,785,637	-
Total	365,135,637	-

	Nine Months Ended September 30,	
	2023	2022
Warrants	-	35,700,000
Unvested compensation shares	-	352,087
Total	-	36,404,174

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 10-16 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 the three and nine months ended September 30, 2023 and 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 royalty-based obligations remaining as of September 30, 2023 are approximately \$275,000, \$1,670,000 and \$20,000 for the years ending December 31, 2023, 2024, and 2025, 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 leased its corporate office (“AOS Lease”). The AOS Lease was classified as an operating lease and had a term of 2 years, for approximately 1,372 square feet of office space located in West Hollywood, California. The lease expired in September 2023 and had a monthly base rental of \$7,564 which increased 4% each year. At the end of the lease term in September 2023, the Company did not renew the lease. In March 2022, AOS entered into a sublease, whereby, the sublessor took 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 condensed consolidated balance sheet for long-term office leases. See Note 11 – Leases for further discussion, including the impact on the condensed consolidated financial statements and related disclosures.

Inventory

Inventory consists of premium body and skincare products, fragrances and nutritional products. Inventory is measured using the first-in, first-out method and stated at average cost as of September 30, 2023. 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 three or nine months ended September 30, 2023 and 2022.

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.

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 a reporting units’ fair value of goodwill is less than its carrying value.

No impairment losses related to goodwill were recognized for the nine months ended September 30, 2023 and 2022. As of September 30, 2023 and December 31, 2022 goodwill was \$58,081,660 and \$32,836,563, respectively.

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 three reportable operating segments: (i) Starco Brands, which includes AOS, Whipshots Holdings and Whipshots LLC, (ii) Skylar, and (iii) Soylent. 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

All newly issued but not yet effective accounting pronouncements have been deemed to be not applicable or immaterial to the Company.

NOTE 4 – SEGMENTS

The Company has the following reportable segments:

Starco Brands. The Starco Brands segments generate 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.

Soylent. The Soylent segment generates revenue through the sale of nutritional products, mainly drinks.

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:

	Nine Months Ended September 30, 2023			
	Starco Brands	Skylar	Soylent ¹	Total
Gross revenues	\$ 11,326,255	\$ 7,438,654	\$ 27,561,208	\$ 46,326,117
Cost of revenues	2,561,347	1,837,379	20,311,809	24,710,535
Gross profit	\$ 8,764,908	\$ 5,601,275	\$ 7,249,399	\$ 21,615,582

	Nine Months Ended September 30, 2022			
	Starco Brands ²	Skylar ³	Soylent ⁴	Total
Gross revenues	\$ 3,811,746	\$ -	\$ -	\$ 3,811,746
Cost of revenues	343,994	-	-	343,994
Gross profit	\$ 3,467,752	\$ -	\$ -	\$ 3,467,752

¹ The Company does not include results for Soylent prior to the date of acquisition, February 15, 2023, as Soylent was not yet a subsidiary of the Company.

² The Company does not include results for AOS within the Starco Brands segment prior to the date of acquisition, September 12, 2022, as AOS was not yet a subsidiary of the Company.

³ The Company does not report results for Skylar prior to the date of acquisition, December 29, 2022, as Skylar was not yet a subsidiary of the Company.

⁴ The Company does not report results for Soylent prior to the date of acquisition, February 15, 2023, as Soylent was not yet a subsidiary of the Company.

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 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 was 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 (now Class A 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 Class A 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 Class A 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 Class A common stock, which shall not exceed, in the aggregate, 5,000,000 additional shares of Class A 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 Class A common stock at a value equal to \$0.0982 per share.

The 5,000,000 additional restricted shares of Class A 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 Class A common stock to be issued are not deemed to be part of the consideration paid for the acquisition as management determined none of the 5,000,000 earnout shares will be issued as sales metrics were not met. The 5,000,000 additional shares of Class A 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 September 30, 2023, the Company has 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 ¹	\$	12,608,560
Assets acquired:		
Cash and cash equivalents		200,661
Accounts receivable		153,764
Prepaid and other assets		167,565
Inventory		656,448
PP&E, net		16,622
Intangibles		17,309
Right of use asset		85,502
Total assets acquired		1,297,871
Liabilities assumed:		
Accrued liabilities		562,919
Accounts payable		128,724
Right of use liability		87,539
Total liabilities assumed		779,182
Net assets acquired		518,689
Goodwill	\$	12,089,871

¹ 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, which is 18-month holdback period from the date of the AOS Acquisition.

The purchase price allocation is based on estimates of the fair values of the tangible and intangible assets acquired and liabilities assumed from a final third-party valuation of the AOS Acquisition. The above purchase price allocation is final and not subject to further change.

The Company incurred approximately \$845,000 in transaction costs related to the AOS Acquisition, primarily coming from legal, banking, accounting, and other professional service fees.

Skylar Acquisition

On December 29, 2022, STCB, through its wholly-owned subsidiaries First Merger Sub and Second Merger Sub, completed the Skylar Acquisition. In a two-step process, during the First Merger, First Merger Sub merged with and into Skylar Inc. and as part of the same overall transaction, during the Second Merger, Skylar Inc. merged with and into Second Merger Sub to result in Skylar as the surviving entity. Skylar is a wholly owned subsidiary of STCB. Skylar is a maker of fragrances that are hypoallergenic and safe for sensitive skin. Starco Brands acquired Skylar 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 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 \$2,000,000 in cash to settle debt and the Company's common stock (now Class A common stock) was issued at \$0.20 per share, which amount was 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 Class A common stock to issue to the Skylar stockholders (such stockholders as of immediately prior to the closing of the Second Merger, the "Skylar Stockholders"), 19,268,162 restricted shares of Class A 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 11,573,660 restricted shares of Class A common stock may be issued to 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 Class A common stock, which shall not exceed, in the aggregate, 19,268,162 additional shares of Class A 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, will receive cash in lieu of shares of Company common stock at a value equal to \$0.17 per share.

The 19,268,162 additional restricted shares of Class A common stock to be issued after an 18-month indemnification period and the 11,573,660 earnout shares of Class A common stock to be issued if certain future sales metrics are met, are deemed to be part of the consideration paid for the acquisition.

As of September 30, 2023, the Company has 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 ¹	\$	21,417,681
Assets acquired:		
Cash and cash equivalents		339,679
Accounts receivable		381,762
Prepaid and other assets		701,566
Inventory		2,508,287
PP&E, net		25,942
Intangibles		161,693
Customer relationships ²		2,091,000
Trade names and trademarks ³		6,557,000
Total assets acquired		<u>12,766,929</u>
Liabilities assumed:		
Accrued liabilities		540,036
Accounts payable		2,425,524
Total liabilities assumed		<u>2,965,560</u>
Net assets acquired		<u>9,801,369</u>
Goodwill	\$	<u>11,616,312</u>

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

² Based on the valuation of the Skylar Acquisition, customer relationships, a new intangible asset was identified, and given a fair value of \$2,091,000. The customer relationships intangible asset will be amortized over a period of 10 years.

³ Based on the valuation of the Skylar Acquisition, trade names and trademarks, a new intangible asset was identified, and given a fair value of \$6,557,000. The trade names and trademarks intangible asset will be amortized over a period of 16 years.

The purchase price allocation is based on estimates of the fair values of the tangible and intangible assets acquired and liabilities assumed from a final valuation of the Skylar Acquisition. 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.

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.

Soylent Acquisition

On February 15, 2023, the Company, through its wholly-owned subsidiary Starco Merger Sub I completed the Soylent Acquisition. The Soylent Acquisition consisted of Starco Merger Sub I merging with and into Soylent, with Soylent being the surviving corporation. 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. Through its relationship with TSG and other strong partners, the Company has access to intellectual property that will allow Soylent to vertically integrate manufacturing and expand, positioning Soylent to be the future of nutritional products. The Soylent Acquisition was completed through a cash and stock deal, where the Company paid \$200,000 in cash as reimbursement of Soylent’s closing expenses and the Company’s shares were issued at \$0.15 per share, which amount was equal to the fair value of the stock on the acquisition date. As consideration for the Soylent Acquisition, the Company reserved an (a) aggregate of up to 165,336,430 restricted shares of Class A common stock to Soylent shareholders, (b) 12,617,857 restricted shares of Class A common to satisfy existing Soylent change in control obligations, (c) 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 the Company (the “Opening Balance Holdback”), and (d) 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 (February 14, 2024, or the “Adjustment Date”) is below \$0.35 per share of Class A common stock. If, on the Adjustment Date, STCB’s Class A common stock is trading below \$0.35 per share of Class A common stock, STCB 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 (such additional shares, the “Share Adjustment”). The fair value of the rights to receive these shares were estimated by a third-party valuation firm to be \$0.189 per share on the acquisition date or an approximate share adjustment value of \$37,143,360. The fair value of the rights to receive these shares were estimated by a third-party valuation firm to be \$0.203 per share on September 30, 2023 or an approximate share adjustment value of \$39,894,720.

The Soylent 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 ¹	\$	68,339,812
Assets acquired:		
Cash and cash equivalents		189,071
Accounts receivable		5,617,270
Prepaid and other assets		1,045,431
Inventory		14,564,431
PP&E, net ²		8,568
Intangibles ³		24,600,000
Total assets acquired		<u>46,024,770</u>
Liabilities assumed:		
Accounts payable		6,561,069
Accrued liabilities		699,364
Line of credit		4,800,000
Total liabilities assumed		<u>12,060,434</u>
Net assets acquired		<u>33,964,336</u>
Goodwill	\$	<u>34,375,476</u>

¹ Consideration consists of the following: \$200,000 cash paid for Soylent’s transaction closing costs at the acquisition date, \$26,693,143 of shares transferred to sellers at the acquisition date, \$2,785,714 of equity holdback to be paid to sellers at the end of the indemnity period, an estimated net working capital adjustment of \$1,517,595 and an estimated \$37,143,360 of stock payable liability to be paid as part of the \$0.35 per share adjustment on the Adjustment Date. The stock payable was assessed under ASC 480 and ASC 815 and determined that classification as a liability was appropriate.

² Based on the valuation of the Soylent Acquisition, inventory was marked up to fair value in the amount \$2,250,103. All fair value mark up is allocated to finished goods.

³ Based on the valuation of the Soylent Acquisition, new intangible assets classified as tradenames and trademarks were identified as of Soylent Acquisition date, with a fair value of \$19,700,000 and \$4,600,000, respectively. The tradenames and trademarks intangible asset will be amortized over a period of 16 years and 10 years, respectively.

The purchase price allocation is based on estimates of the fair values of the tangible and intangible assets acquired and liabilities assumed from the Soyilent Acquisition. 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 amounts allocated to assets acquired and liabilities assumed could differ significantly from the amounts presented.

Soyilent incurred approximately \$5.7 million in transaction costs related to the Soyilent Acquisition, primarily coming from legal, banking, accounting, and other professional service fees.

NOTE 6 – NOTES PAYABLE

In September 2021, the Company received a financing loan for its Directors and Officers Insurance (“D&O Loan #1”). D&O Loan #1 bore 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 in the amount of \$92,334 for its Directors and Officers Insurance (“D&O Loan #2”). D&O Loan #2 bore interest at 5.82% and required monthly payments through June 2023. D&O Loan #2 was paid off in its entirety in June, 2023.

In September 2023, the Company received a third financing loan in the amount of \$98,039 for its Directors and Officers Insurance (“D&O Loan #3”, and together with D&O Loan #1 and D&O Loan #2 the “D&O Loans”). D&O Loan #3 bears interest at 9.3% and required monthly payments through July 2024. As of September 30, 2023 the remaining balance of the D&O Loan #3 was \$98,039.

For the three months ended September 30, 2023 and 2022 the D&O Loans incurred approximately zero and \$756, respectively, of interest expense. For the nine months ended September 30, 2023 and 2022 the D&O Loans incurred approximately \$1,057 and \$756, respectively, of interest expense.

On February 10, 2023 the Company’s subsidiary Soyilent entered into a line of credit with a revolving credit commitment of \$5,000,000. The revolving credit commitment bear interest at a rate per annum equal to the greater of (a) two and half percent (2.5%) and (b) prime rate plus one percent (1%). The revolving credit commitment has a maturity date of February 10, 2024. If the Company defaults on the revolving credit commitment, the default interest rate will bear an additional interest at a fluctuating rate equal to five percent (5%) per annum higher than the applicable interest rate. As of September 30, 2023 the outstanding balance on the revolving line of credit is \$4,663,500 and has accrued interest of \$36,453.

See Note 8 - Related Party Transactions for loans to STCB from the Company’s CEO.

NOTE 7– COMMITMENTS & CONTINGENCIES

Whipshots

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,” 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”). 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 collected by the 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 during 2021 and \$38,620 in 2023 and the Company has accrued \$194,487 to be paid pursuant to this agreement in 2024, all of which has been 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 Whipshots 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 Whipshots 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 the three months ended September 30, 2023 and 2022 the Company incurred expenses related to this agreement of approximately \$275,000 and \$127,000, respectively. During nine months ended September 30, 2023 and 2022 the Company incurred expenses related to this agreement of approximately \$825,000 and \$127,000, respectively.

AOS Acquisition

Following the 18-month holdback period from the date of the AOS Acquisition, the Company expects to issue AOS Stockholders up to an aggregate 4,979,731 shares of Class A common stock, for which it has recorded \$946,149 equity consideration payable, and \$1,990 in cash that are currently being held back.

Skylar Acquisition

Following the 18-month holdback period from the date of the Skylar Acquisition, the Company expects to issue Skylar Stockholders an aggregate 19,268,162 shares of Class A common stock that are currently being held back. Additionally, and contingent upon Skylar meeting certain future sales metrics over the earnout period, the Company expects to issue an additional 11,573,660 shares of its Class A common stock to Skylar Stockholders. As of September 30, 2023, the Company expects to pay the Skylar Stockholders the holdback 19,268,162 shares of Class A common stock which are currently being held back, and the contingent 11,573,660 shares of Class A common stock for meeting certain sales metrics. The value of the holdback shares and contingent shares is approximately \$3,371,252 and \$2,314,732, respectively.

Soylent Acquisition

Following the determination of the Opening Balance Holdback, the Company expects to issue the Soylent Stockholders up to an aggregate of 18,571,429 shares of Class A common stock which are currently being held back. Following the Adjustment Date of the Soylent Acquisition and dependent on the Company’s stock price on that date relative to \$0.35, STCB may be required to issue the Share Adjustment to the Soylent Stockholders. Based upon the Company’s stock price as of September 30, 2023, the Company estimated the fair value of the potential obligation was \$39,894,720 and amounted to 271,392,655 shares of Class A common stock (refer to Note 10). This contingent obligation is recorded as potential Share Adjustment on the balance sheet.

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 three months ended September 30, 2023 and 2022 STCB paid an aggregate of \$98,500 and \$32,850, respectively, to Mr. Lang and Mr. Goldrod. In the nine months ended September 30, 2023 and 2022 STCB paid an aggregate of \$98,500 and \$98,500, respectively, to Mr. Lang and Mr. Goldrod. As of September 30, 2023, the Company has settled repurchase transfers of 1,628,454 shares, and anticipates that the remaining 661,334 shares to be transferred will be settled in 2023. The share repurchases are recorded as treasury stock payable on the balance sheet.

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 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 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 the interest accrued during the period between maturity date of the January 24, 2020 Note and execution of the Amended Note, which was from January 24, 2022 to July 19, 2022. Mr. Sklar waived the default interest rate of ten percent (10%) on the January 24, 2020 Note and agreed to interest accrual at the standard four percent (4%) rate during the period following maturity for the January 24, 2020 Note. 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”) with 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%, 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 and was recorded as a discount to the debt.

On March 3, 2023, STCB executed a seventh promissory note (“March 3, 2023 Note”), for \$800,000 with Ross Sklar. The March 3, 2023 Note bears interest at a floating rate comprised of the Wall Street Journal Prime Rate plus 4%, has a default interest rate equal to the then current interest rate plus 5%, compounds monthly, is secured, and matures four months from the original date of issuance. The Company, at its option, may prepay the March 3, 2023 Note, in whole or in part, without prepayment penalty of any kind, and the obligations under the March 3, 2023 Note will accelerate in full upon an Event of Default (as defined in the March 3, 2023 Note). In connection with the March 3, 2023 Note, as a funding fee, the Company issued Mr. Sklar 114,286 warrants to purchase common stock at an exercise price of \$0.01 per share and was recorded as a discount to the debt.

On August 8, 2023, the Company’s Board of Directors approved the restructuring and consolidation of the January 24, 2020 Note, June 28, 2021 Note, September 17, 2021 Note, December 13, 2021 Note, December 29, 2022 Note and the March 3, 2023 Note (collectively, the “Prior Notes”) between Starco Brands, Inc. (“Borrower”) and Ross Sklar (“Lender”) with the goal of consolidating maturity dates and interest rates into one “Consolidated Secured Promissory Note,” as reported on the Company’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 11, 2023. The aggregate principal amount of the Prior Notes, and current principal amount of the Consolidated Secured Promissory Note is \$4,000,000. All incorporated notes were restructured into the Consolidated Secured Promissory Note with interest-only payments through December 31, 2024 at which point in time \$4,000,000 will be due in full. The Consolidated Secured Promissory Note is secured by the assets of STCB and the interest rate is Prime + 2%. The following table represents Prior Notes that were part of the restructuring and related prior and updated terms (under the Consolidated Secured Promissory Note):

	Outstanding Balance	Original maturity	Original rate	Revised maturity	Revised rate
Note #1	\$ 100,000	7/19/2023	4%	12/31/2024	Prime + 2%
Note #2	100,000	6/28/2023	4%	12/31/2024	Prime + 2%
Note #3	500,000	9/17/2023	4%	12/31/2024	Prime + 2%
Note #4	500,000	12/13/2023	4%	12/31/2024	Prime + 2%
Note #6	2,000,000	8/1/2023	Prime + 4%	12/31/2024	Prime + 2%
Note #7	800,000	7/1/2023	Prime + 4%	12/31/2024	Prime + 2%
	<u>\$ 4,000,000</u>				

The Company did not include the February 14, 2022 Note with amount of \$472,500 in the note consolidation. The restructuring is accounted for as a debt modification.

As of September 30, 2023 and December 31, 2022, the outstanding principal due to Mr. Sklar was \$4,472,500 and \$3,672,500, respectively. As of September 30, 2023 and December 31, 2022 there was \$5,682 and \$6,960 of accrued interest due on these notes, respectively.

For the three months ended September 30, 2023 and 2022 the notes to Mr. Sklar incurred interest expense of approximately \$105,105 and \$ 16,656, respectively. For the nine months ended September 30, 2023 and 2022 the notes to Mr. Sklar incurred interest expense of approximately \$283,088 and \$46,936, respectively.

Other Related Party Transactions

During the three months ended September 30, 2023 and 2022, the Company incurred no marketing expense from The Woo while David Dreyer, STCB's Chief Marketing Officer, was also Managing Director at The Woo. Mr. Dreyer left The Woo in February 2022. During the nine months ended September 30, 2023 and 2022, the Company incurred zero and \$131,614, respectively, of marketing expense from The Woo while David Dreyer was also Managing Director at The Woo.

During the three months ended September 30, 2023 and 2022, the Company recognized revenue from related parties of \$2,463,542 and \$1,441,361, respectively. During the nine months ended September 30, 2023 and 2022, the Company recognized revenue from related parties of \$8,201,377 and \$3,594,854, respectively. There were \$2,625,713 and \$2,107,015 of accounts receivable and accrued accounts receivable from TSG and Temperance Distilling Company ("Temperance") as of September 30, 2023 and December 31, 2022, 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 carried no interest and was payable on demand. There was no balance on the note receivable as of September 30, 2023 and \$95,640 due as of December 31, 2022.

During the three months ended September 30, 2023 and 2022, the Company received contributed services at a value of approximately \$6,672 and \$38,500, respectively. During the nine months ended September 30, 2023 and 2022, the Company received contributed services at a value of approximately \$45,450, and \$141,000, respectively. These costs are expensed and recorded as additional paid-in capital in the period the services are provided.

NOTE 9 – STOCK WARRANTS AND COMPENSATION

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

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 to be issued as a funding fee for the \$800,000 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.

On June 1, 2023, the Company entered into an agreement with a consultant for services to be performed. As consideration therefore, the Company granted the consultant stock warrants to purchase 150,000 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.

Date	Number of Stock Warrants	Stock Price	Strike Price	Expected Volatility	Risk-free Interest Rate	Dividend Rate	Expected Term	Fair Value
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
03/03/2023	114,286	\$ 0.17	\$ 0.01	137.62%	4.26%	0.00%	1.0 years	\$ 18,710
06/01/2023	150,000	\$ 0.12	\$ 0.19	150.24%	3.70%	0.00%	3.0 years	\$ 14,013

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, 2021	2,550,000	\$ 1.03	\$ 0.82	\$ -
Issued	33,150,000	\$ 0.19	\$ 4.73	\$ -
Exercised	-	\$ -	\$ -	\$ -
Cancelled	-	\$ -	\$ -	\$ -
Expired	-	\$ -	\$ -	\$ -
Outstanding, September 30, 2022	35,700,000	\$ 0.25	\$ 4.45	\$ -
Outstanding, December 31, 2022	41,085,714	0.24	4.64	45,714
Issued	264,286	\$ 0.11	\$ 5.13	\$ 14,857
Exercised	-	\$ -	\$ -	\$ -
Cancelled	-	\$ -	\$ -	\$ -
Expired	2,000,000	\$ 1.05	\$ -	\$ -
Outstanding, September 30, 2023	39,350,000	\$ 0.20	\$ 4.12	\$ 52,000
Exercisable, September 30, 2023	14,316,664	\$ 0.20	\$ 4.12	\$ 52,000

The fair value of stock warrants granted and vested during the three months ended September 30, 2023 was zero and \$923,185 respectively. The fair value of stock warrants granted and vested during the nine months ended September 30, 2023 was \$32,723 and \$1,215,139 respectively.

The fair value of stock warrants granted and vested during the three months ended September, 2022 was \$4,088,769 and \$74,580 respectively. The fair value of stock warrants granted and vested during the nine months ended September 30, 2022 was \$4,088,769 and \$125,277 respectively.

The following table summarizes information about stock warrants to purchase shares of the Company's common stock outstanding and exercisable as of September 30, 2023:

Range of exercise prices	Outstanding Warrants	Weighted-Average Remaining Life In Years	Weighted-Average Exercise Price	Number Exercisable
\$ 1.00	250,000	1.00	\$ 1.00	250,000
0.90	300,000	2.00	0.90	200,000
0.19	38,300,000	4.15	0.19	13,466,664
0.20	100,000	4.09	0.20	-
0.01	400,000	4.30	0.01	400,000
	<u>39,350,000</u>	<u>4.12</u>	<u>\$ 0.20</u>	<u>14,316,664</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 \$396,151 and \$60,600 for the three months ended September 30, 2023 and 2022, respectively. Total compensation expense related to the stock warrants was \$1,196,430 and \$136,940 for the nine months ended September 30, 2023 and 2022, respectively. As of September 30, 2023, there was \$3,147,705 in future compensation cost related to non-vested stock warrants.

The aggregate intrinsic value as of September 30, 2023 is \$52,000 for total outstanding and exercisable warrants, which was based on our estimated fair value of the common stock of \$0.14, had all warrant holders exercised their warrants as of that date, net of the aggregate exercise price.

NOTE 10 – STOCK PAYABLE

Stock Payable

The following summarizes the activity of stock payable during the nine months ended September 30, 2023 and 2022:

	Amount	Shares
Ending balance - December 31, 2022	\$ -	-
Additions	40,057,218	271,392,655
Issuances	(162,498)	(162,498)
Ending balance – September 30, 2023	<u>\$ 39,894,720</u>	<u>271,230,157</u>

NOTE 11 – LEASES

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

	Nine Months Ended September 30, 2023	
Lease cost		
Operating lease cost (cost resulting from lease payments)	\$	66,864
Short term lease cost		-
Sublease income		(66,864)
Net lease cost	\$	-
Operating lease – operating cash flows (fixed payments)	\$	66,864
Operating lease – operating cash flows (liability reduction)	\$	61,605
Current leases – right of use assets	\$	-
Current liabilities – operating lease liabilities	\$	-
Non-current liabilities – operating lease liabilities	\$	-
Operating lease ROU assets	\$	-
Weighted-average remaining lease term (in years)		-
Weighted-average discount rate		2.1%
	Year Ended December 31, 2022	
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 years
Weighted-average discount rate		2.1%

The Company does not have any future minimum payments under non-cancelable leases following the nine months ended September 30, 2023.

NOTE 12 – PROPERTY AND EQUIPMENT

Property and equipment, net consist of the following:

	September 30, 2023
Computer equipment	\$ 104,747
Tools and equipment	168,244
Furniture and equipment	18,861
Property and equipment, gross	291,852
Less: Accumulated depreciation	(251,530)
Property and equipment, net	<u>\$ 40,323</u>

	December 31, 2022
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	<u>\$ 25,873</u>

For the three and nine months ended September 30, 2023, the Company incurred \$4,776 and \$12,718 of depreciation expense, respectively. For the three and nine months ended September 30, 2022, the Company incurred \$4,202 and \$4,202 of depreciation expense, respectively.

NOTE 13 – INTANGIBLE ASSETS AND GOODWILL

Intangible assets, net consists of the following:

	September 30, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net
Trade names and trademarks	\$ 26,710,107	\$ 1,312,608	\$ 25,397,498
Customer relationships	6,791,000	411,349	6,379,651
Formulas (indefinite life)	135,000	-	135,000
Domain names	75,750	37,384	38,366
Intangible Assets	<u>\$ 33,711,857</u>	<u>\$ 1,761,341</u>	<u>\$ 31,950,516</u>

	December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net
Formulas (indefinite life)	\$ 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>

For the three and nine months ended September 30, 2023, the Company incurred \$1,010,139 and \$1,728,995 of amortization expense, respectively. For the three and nine months ended September 30, 2022, the Company incurred zero and \$6,013 of amortization expense, respectively.

As of September 30, 2023, future expected amortization expense of Intangible assets was as follows:

Fiscal Period:	
Remainder of 2023	\$ 582,970
2024	2,331,879
2025	2,331,879
2026	2,331,879
2027	2,331,879
Thereafter	22,040,030
Total amortization remaining	<u>\$ 31,950,516</u>

The changes in the carrying amounts of goodwill during the nine months ended September 30, 2023 were as follows.

Balance at December 31, 2022	\$	32,836,563
Acquisition of Soylent		34,375,476
Measurement period adjustments		(9,130,380)
Balance at September 30, 2023	\$	<u>58,081,660</u>

As of September 30, 2023, \$12,089,871 of goodwill recognized is allocated to the STCB segment, \$11,616,312 of goodwill recognized is allocated to the Skylar segment, and \$34,375,476 of goodwill recognized is allocated to the Soylent segment.

NOTE 14 – INVENTORY

Inventory by major class are as follows:

	September 30, 2023	December 31, 2022
Raw materials	7,832,033	1,294,864
Finished goods	11,396,255	1,738,789
Total inventory	<u>\$ 19,228,288</u>	<u>\$ 3,033,653</u>

NOTE 15 – SUBSEQUENT EVENTS

In accordance with ASC 855, *Subsequent Events*, which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued, the Company has evaluated all events and transactions that occurred after September 30, 2023 through the date the condensed consolidated financial statements were filed. During this period the Company did not have any material reportable subsequent events.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENT FOR FORWARD-LOOKING STATEMENTS

THIS QUARTERLY REPORT ON FORM 10-Q INCLUDES FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AND OTHER FEDERAL SECURITIES LAWS, PARTICULARLY THOSE ANTICIPATING FUTURE FINANCIAL PERFORMANCE, BUSINESS PROSPECTS, GROWTH, OPERATING STRATEGIES AND SIMILAR MATTERS, INCLUDING WITHOUT LIMITATION, STATEMENTS CONCERNING THE IMPACTS OF THE COVID-19 PANDEMIC ON OUR BUSINESS, OPERATIONS, RESULTS OF OPERATIONS, LIQUIDITY, INVESTMENTS AND FINANCIAL CONDITION. WE HAVE BASED THESE FORWARD-LOOKING STATEMENTS ON OUR CURRENT INTENT, EXPECTATIONS AND PROJECTIONS ABOUT FUTURE EVENTS, AND THESE FORWARD-LOOKING STATEMENTS ARE NOT GUARANTEED TO OCCUR AND MAY NOT OCCUR. THESE FORWARD-LOOKING STATEMENTS ARE SUBJECT TO KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND ASSUMPTIONS ABOUT US THAT MAY CAUSE OUR ACTUAL RESULTS, LEVELS OF ACTIVITY, PERFORMANCE OR ACHIEVEMENTS TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, LEVELS OF ACTIVITY, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. IN SOME CASES, YOU CAN IDENTIFY FORWARD-LOOKING STATEMENTS BY TERMINOLOGY SUCH AS "MAY," "WILL," "SHOULD," "COULD," "WOULD," "INTEND," "PROJECT," "CONTEMPLATE," "POTENTIAL," "EXPECT," "PLAN," "ANTICIPATE," "BELIEVE," "ESTIMATE," "CONTINUE," OR THE NEGATIVE OF SUCH TERMS OR OTHER SIMILAR EXPRESSIONS. THESE STATEMENTS ARE ONLY PREDICTIONS. FACTORS THAT MIGHT CAUSE OR CONTRIBUTE TO SUCH A DISCREPANCY INCLUDE, BUT ARE NOT LIMITED TO, THOSE DESCRIBED IN OUR OTHER SECURITIES AND EXCHANGE COMMISSION FILINGS.

THE FOLLOWING DISCUSSION SHOULD BE READ IN CONJUNCTION WITH OUR FINANCIAL STATEMENTS AND RELATED NOTES THERETO INCLUDED ELSEWHERE IN THIS REPORT. ANY OF THE FORWARD-LOOKING STATEMENTS THAT WE MAKE IN THIS QUARTERLY REPORT ON FORM 10-Q AND IN OTHER PUBLIC REPORTS AND STATEMENTS WE MAKE MAY TURN OUT TO BE INACCURATE AS A RESULT OF OUR BELIEFS AND ASSUMPTIONS WE MAKE IN CONNECTION WITH THE FACTORS SET FORTH ABOVE OR BECAUSE OF OTHER UNIDENTIFIED AND UNPREDICTABLE FACTORS. IN ADDITION, OUR BUSINESS AND FUTURE RESULTS ARE SUBJECT TO A NUMBER OF OTHER FACTORS, INCLUDING THOSE FACTORS SET FORTH IN THE "RISK FACTORS" SECTION OF OUR AMENDED ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022, AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") ON APRIL 18, 2023. BECAUSE OF THESE AND OTHER UNCERTAINTIES, OUR ACTUAL FUTURE RESULTS MAY BE MATERIALLY DIFFERENT FROM THE RESULTS INDICATED BY THESE FORWARD-LOOKING STATEMENTS, AND YOU SHOULD NOT RELY ON SUCH STATEMENTS. WE UNDERTAKE NO OBLIGATION TO PUBLISH REVISED FORWARD-LOOKING STATEMENTS TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS OR CIRCUMSTANCES AFTER THE DATE HEREOF. THESE RISKS COULD CAUSE OUR ACTUAL RESULTS FOR 2023 AND BEYOND TO DIFFER MATERIALLY FROM THOSE EXPRESSED IN ANY FORWARD-LOOKING STATEMENTS BY OR ON BEHALF OF US, AND COULD NEGATIVELY AFFECT OUR FINANCIAL CONDITION, LIQUIDITY AND OPERATING AND STOCK PRICE PERFORMANCE.

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.

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.

In 2022 and 2023, 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.

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 wholly-owned subsidiary of STCB.

On December 29, 2022, STCB, through its wholly-owned subsidiaries First Merger Sub and Second Merger Sub, completed the Skylar Acquisition. In a two-step process, during the First Merger, First Merger Sub merged with and into Skylar Inc. and as part of the same overall transaction, during the Second Merger, Skylar Inc. merged with and into Second Merger Sub to result in Skylar as the surviving entity. Skylar is a wholly owned subsidiary of STCB.

On February 15, 2023, the Company, through its wholly-owned subsidiary Starco Merger Sub I completed the SoyLent Acquisition. The SoyLent Acquisition consisted of Starco Merger Sub I merging with and into SoyLent, with SoyLent being the surviving corporation. SoyLent is a wholly-owned subsidiary of STCB.

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 that were to be sold on each day in the month of December 2021. Whipshots® sold out every single day of that 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.

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 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 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 subsidiaries First Merger Sub and Second Merger Sub, completed the Skylar Acquisition. In a two-step process, during the First Merger, First Merger Sub merged with and into Skylar Inc. and as part of the same overall transaction, during the Second Merger, Skylar Inc. merged with and into Second Merger Sub to result in Skylar 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, the Company, through its wholly-owned subsidiary Starco Merger Sub I completed the Soylent Acquisition. The Soylent Acquisition consisted of Starco Merger Sub I 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.

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.

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 2024 and beyond.

For more information and to view our products, you may visit our websites at www.starcobrands.com, www.breathcleaning.com, www.breathsanitizer.com, www.whipshots.com, www.bingeworthyflavor.com, www.artofsport.com, www.skylar.com and 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 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 Quarterly Report.

Results of Operations

Comparison of the three months ended September 30, 2023 compared to the three months ended September 30, 2022

	September 30, 2023	September 30 2022	Change
Revenues	\$ 17,673,046	\$ 1,658,253	\$ 16,014,793
Cost of goods sold	9,364,322	343,994	9,020,328
Gross profit	8,308,724	1,314,259	1,314,259
Operating expenses:			
Compensation expense	1,811,832	176,148	1,635,148
Professional fees	1,380,680	884,558	496,122
Marketing, General and administrative	5,522,525	364,331	5,158,194
Marketing, related party	-	-	-
Fair value share adjustment loss (gain)	(3,144,411)	-	(3,144,411)
Total operating expense	5,570,626	1,425,037	4,145,580
Income (loss) from operations	2,738,098	(110,778)	2,848,876
Other expense (income):			
Interest expense (income)	255,775	15,232	240,543
Other expense (income)	121,072	(8,161)	129,233
Total other (income) expense	376,847	7,071	369,776
Income (loss) before provisions for income taxes	2,361,251	(117,849)	2,479,100
Provision for income taxes	-	-	-
Net income (loss)	2,361,251	(117,849)	2,479,100
Net income attributable to non-controlling interest	34,221	32,693	1,528
Net income (loss) attributable to Starco Brands	\$ 2,327,030	\$ (150,542)	\$ 2,477,572

Revenues

For the three months ended September 30, 2023, the Company recorded revenues of \$17,673,046 compared to \$1,658,253 for the three months ended September 30, 2022, an increase of \$16,014,793 or 966%. The increase in the current period was largely due to sales from acquired businesses AOS, Skylar and Soylent from the date of their acquisitions and growth in royalty revenues. Royalty revenue represented 14% and 87%, or \$2.5 million and \$1.4 million, respectively. The increase in royalty revenue in the current period was largely due to growth in royalties from sales of Whipshots® as its market distribution and penetration continue to grow.

Operating Expenses

For the three months ended September 30, 2023, compensation expense increased \$1,635,684, or 929% to \$1,811,832 compared to \$176,148 for the three months ended September 30, 2022. The increase is a result of increases in warrant-based expense on independent contractors and the addition of compensation costs from the acquired AOS, Skylar and Soylent.

For the three months ended September 30, 2023, the Company incurred \$1,380,680 in professional fees compared to \$884,558 in the prior period, an increase of \$496,122, or 56%. Professional fees are mainly for contractors, accounting, auditing and legal services associated with business operations, merger activity, and our quarterly filings as a public company, and advisory and valuation services. The increase in the current period ended September 30, 2023 is primarily due to an increase in contractor fees, banking, legal, and audit fees related to the acquired businesses Soylent, Skylar, and AOS.

For the three months ended September 30, 2023, the Company incurred \$5,522,525 in marketing, general and administrative expense as compared to \$364,331 for the three months ended September 30, 2022, an increase of \$5,158,194, or 1416%. The increase can be attributed to addition of the acquired businesses and an increase in spending on marketing and increased amortization expense.

For the three months ended September 30, 2023, the Company incurred a fair value share adjustment gain of \$3,144,411. This was due to the fair values of the Soylent sellers' rights to potentially receive additional Starco shares decreasing from \$0.219 per share to \$0.203 per share from June 30, 2023 to September 30, 2023, respectively.

Other Income and Expense

For the three months ended September 30, 2023, we had total other expense of \$376,847 compared to total other expense of \$7,071 for the three months ended September 30, 2022. For the three months ended September 30, 2023, the Company had interest expense of \$255,775 compared to interest expense of 15,232 for the three months ended September 30, 2022. For the three months ended September 30, 2023, the Company had other expense of \$121,072 compared to \$8,161 of other income for the three months ended September 30, 2022.

Net Income (Loss)

For the three months ended September 30, 2023, the Company recorded net income of \$2,361,251 as compared to a net loss of \$150,542 for the three months ended September 30, 2022. The change from net loss to net income is primarily due to a gain on the change in fair value of the stock payable for shares due to Soylent Stockholders, which is partially offset by increases in expenses from the acquired businesses AOS, Skylar and Soylent.

Comparison of the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022

	September 30, 2023	September 30 2022	Change
Revenues	\$ 46,326,117	\$ 3,811,746	\$ 42,514,371
Cost of goods sold	24,710,535	343,994	24,366,541
Gross profit	21,615,582	3,467,752	18,147,830
Operating expenses:			
Compensation expense	5,285,421	395,974	4,889,447
Professional fees	4,177,424	1,122,532	3,054,892
Marketing, General and administrative	14,248,632	1,677,991	12,570,641
Marketing, related party	-	131,614	(131,614)
Fair value share adjustment loss	2,751,360	-	2,751,360
Total operating expense	26,462,837	3,328,111	23,134,726
Income (loss) from operations	(4,847,255)	139,641	(4,986,896)
Other expense (income):			
Interest expense	617,289	47,127	570,162
Other expense (income)	(211,802)	(8,161)	(203,641)
Total other (income) expense	405,487	38,966	366,521
Income (Loss) before provisions for income taxes	(5,252,742)	100,675	(5,353,417)
Provision for income taxes	-	-	-
Net income (loss)	(5,252,742)	100,675	(5,353,417)
Net income (loss) attributable to non-controlling interest	160,014	67,856	92,158
Net income (loss) attributable to Starco Brands	\$ (5,412,756)	\$ 32,819	\$ (5,445,575)

Revenues

For the nine months ended September 30, 2023, the Company recorded revenues of \$46,326,117 compared to \$3,811,746 for the nine months ended September 30, 2022, an increase of \$42,514,371 or 1,115%. The increase in the current period was largely due to sales from acquired businesses AOS, Skylar and Soylent from the date of their acquisitions and growth in royalty revenues. Royalty revenue represented \$8.2 million (or 18%) and \$3.6 million (or 94%) as of September 30, 2023 and 2022, respectively. The increase in royalty revenue in the current period was largely due to growth in royalties from sales of Whipshots® which was experiencing its initial market rollout during the same period last year.

Operating Expenses

For the nine months ended September 30, 2023, compensation expense increased \$4,889,447, or 1235% to \$5,285,421 compared to \$395,974 for the nine months ended September 30, 2022. The increase is a result of increases in warrant-based expense on independent contractors and the addition of compensation costs from the acquired AOS, Skylar and Soylent.

For the nine months ended September 30, 2023, the Company incurred \$4,177,424 in professional fees compared to \$1,122,532 in the prior period, an increase of \$3,054,892, or 272%. Professional fees are mainly for accounting, auditing and legal services associated with business operations, merger activity, and our quarterly filings as a public company, and advisory and valuation services. The increase in the current period ended September 30, 2023 is primarily due to an increase in banking, legal, and audit fees related to the acquired businesses Soylent, Skylar, and AOS.

For the nine months ended September 30, 2023, the Company incurred \$14,248,632 in marketing, general and administrative expense as compared to \$1,677,991 for the nine months ended September 30, 2022, an increase of \$12,570,641, or 749%. The increase can be attributed to the addition of the acquired businesses and an increase in spending on marketing and amortization expense.

For the nine months ended September 30, 2023, the Company incurred no related-party marketing expenses as compared to \$131,614 for the nine months ended September 30, 2022, a decrease of \$131,614 or 100%. The decrease for the period can be attributed to us no longer classifying marketing expense from a third-party firm as “related party” once our executive vice president of marketing joined the Company full time in February 2022 and ceased being affiliated with the third-party firm.

For the nine months ended September 30, 2023, the Company incurred a fair value share adjustment loss of \$2,751,360. This was due to the fair values of the Soylent sellers’ rights to potentially receive additional Starco shares increasing from \$0.189 per share to \$0.203 per share from February 14, 2023 to September 30, 2023, respectively.

Other Income and Expense

For the nine months ended September 30, 2023, we had total other expense of \$405,487 compared to other expense of \$38,996 for the nine months ended September 30, 2022. For the nine months ended September 30, 2023, the Company had interest expense of \$617,289 compared to interest expense of \$47,127 for the nine months ended September 30, 2022. For the nine months ended September 30, 2023, the Company had other income of \$211,802 compared to \$8,161 of other income for the nine months ended September 30, 2022.

Net Income (Loss)

For the nine months ended September 30, 2023, the Company recorded a net loss of \$5,252,742 as compared to net income of \$32,819 for the nine months ended September 30, 2022. The change from net income to a net loss is primarily due to a loss on the change in fair value of the stock payable for shares due to Soylent Stockholders in addition to increases in expenses related to the acquisitions of AOS, Skylar and Soylent.

Liquidity and Capital Resources

As reflected in the accompanying condensed consolidated financial statements, the Company has an accumulated deficit of \$23.0 million at September 30, 2023. We received \$535,974 in cash from financing activities for the nine months ended September 30, 2023, due primarily to \$800,000 of loan advances from Ross Sklar, which was partially offset by net payments on the line of credit of \$136,500 and \$98,550 of repurchases of common stock. This compared to net cash received from financing activities of \$571,362, primarily from related party advances of \$480,906 for the nine months ended September 30, 2022. Outside of the line of credit financing and repayments, a majority of our financing activity consisted of payments to and from related parties.

Our net cash used in operating activities was \$286,820 for the nine months ended September 30, 2023. Operating expenses for the nine months ended September 30, 2023 totaling \$26,462,837 include items such as marketing and administrative costs, consultant compensation, insurance, legal and other professional fees, compliance, website maintenance and loss on share fair value adjustment.

On January 24, 2020, STCB executed a promissory note for \$100,000 with Ross Sklar, CEO. The note bore interest at 4% per annum, compounded monthly, was unsecured, and matured 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. 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 Class A 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. On March 3, 2023, STCB executed a seventh promissory note with Ross Sklar in the principal amount of \$800,000. This note bears interest at Prime + 4% per annum, compounds monthly, is secured, matures on July 1, 2023, and included warrants to purchase 114,286 shares of the Company's common stock at a price of \$0.01 per share. As of September 30, 2023 the loans outstanding to Ross Sklar had a principal amount of \$4,472,500 and accrued interest of \$5,682. On August 11, 2023, all of the notes with Ross Sklar, except for the fifth promissory note in the principal amount of \$472,500 and convertible into Class A common stock at a conversion price of \$0.29, were consolidated into a single Consolidated Secured Promissory Note which, among other things, amends the Maturity Date to December 31, 2024, is secured by the assets of STCB, and has a floating interest rate of Prime + 2%.

Going Concern

The unaudited condensed consolidated financial statements contained in this Quarterly Report on Form 10-Q 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 \$23.0 million at September 30, 2023 including the impact of its net loss of approximately \$5.3 million for the nine months ended September 30, 2023. Net cash used in operating activities was \$0.3 million for the nine months ended September 30, 2023. The Company's ability to continue with this trend is unknown. On August 11, 2023, the Company restructured and consolidated \$4.0 million of notes payable to Ross Sklar into a single maturity date and interest rate. All incorporated notes were restructured into the Consolidated Secured Promissory Note with interest-only payments through December 31, 2024 and at that time the \$4.0 million will be due in full (refer to Note 15). The Company's ability to raise additional capital through the future issuances of common stock and/or debt financing is unknown. The obtainment of additional financing and the successful development of the Company's contemplated plan of operations to the attainment of profitable operations are necessary for the Company to continue operations. These conditions and the ability to successfully resolve these factors raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements of the Company do not include any adjustments that may result from the outcome of these uncertainties.

Working Capital Surplus (Deficit)

	September 30, 2023	December 31, 2022
Current assets	\$ 33,193,596	\$ 7,971,639
Current liabilities	59,739,420	7,690,876
Working capital (deficit) surplus	\$ (26,545,824)	\$ 280,763

The increase in current assets is primarily due to the increase in inventory on hand of \$16,194,635, as well as an increase in accounts receivable of \$8,015,016. Both the increase of inventory and accounts receivable are primarily related to the Soylent acquisition. The increase in current liabilities is primarily a result of the increase in stock payable of \$39,894,720, an increase in accounts payable of \$9,073,242, and the addition of a line of credit balance of \$4,663,500. The increase of stock payable, accounts payable and notes payable are primarily due to the Soylent acquisition.

Cash Flows

	Nine Months Ended September 30,	
	2023	2022
Net cash used in operating activities	\$ (286,820)	\$ (633,533)
Net cash (used in) provided by investing activities	(183,646)	193,670
Net cash provided by financing activities	535,974	571,362
Increase in cash	\$ 65,508	\$ 131,499

Operating Activities

Net cash used in operating activities was \$286,820 for the nine months ended September 30, 2023 and was primarily due to an increase in accounts receivable of \$2,397,559 and inventory of \$1,575,691, which was partially offset by an increase in of accounts payable of \$2,512,173 and other accrued liabilities of 327,648.

Net cash used in operating activities was \$633,533 for the nine months ended September 30, 2022 and was primarily due to a decrease of accounts receivable, related party of 1,186,398, which was partially offset by an increase in other payables and accrued liabilities of \$548,607.

Investing Activities

Net cash used in investing activities was \$183,646 for the nine months ended September 30, 2023 and was primarily due to the purchase of intangibles in the amount of approximately \$233,108 and was partially offset by cash received in the acquisition of a business of \$68,062.

Net cash received in investing activities was \$193,670 for the nine months ended September 30, 2022 as a result of cash received in the acquisition of a business of \$193,670.

Financing Activities

For the nine months ended September 30, 2023 net cash provided by financing activities was \$535,974, which primarily includes \$800,000 of loan advances from Ross Sklar, which was partially offset by net payments on the line of credit of \$136,500 and \$98,550 of repurchases of common stock.

For the nine months ended September 30, 2022, net cash provided by financing activities was \$571,362 which primarily includes \$480,906 from advances from related parties.

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 Condensed Consolidated Financial Statements have been prepared in conformity with US GAAP. The preparation of our Condensed 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 Condensed 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 Whipshots and Whipshots Holdings 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 FBA, is recognized upon shipment of merchandise.

Soylent, one of STCB's wholly owned subsidiaries, earns its revenues through the sale of nutritional drinks. Revenue from retail sales is recognized at shipment to the retailer. Revenue from eCommerce sales, is recognized upon shipment of merchandise.

Whipshots, a 96% owned subsidiary, earns its revenues through the sale of vodka infused whipped cream. Revenue from retail sales is recognized at shipment to the retailer. Revenue from eCommerce sales, 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 a reporting units' fair value of goodwill is less than its carrying value.

No impairment losses related to goodwill were recognized for the nine months ended September 30, 2023 and 2022.

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 nine months ended September 30, 2023 and 2022.

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 condensed 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 condensed 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 condensed 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 condensed 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 condensed consolidated financial position or results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable as we are a “smaller reporting company.”

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and Interim Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act) and through the COSO 2013 framework as of the end of the period covered by this report. The disclosure controls and procedures ensure that all information required to be disclosed by us in the reports that we file or submit under the Exchange Act is: (i) recorded, processed, summarized and reported, within the time periods specified in the SEC’s rule and forms; and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Interim Chief Financial Officer as appropriate to allow timely decisions regarding required disclosure. Based on that evaluation, the Chief Executive Officer and Interim Chief Financial Officer concluded that, as of September 30, 2023, these disclosure controls and procedures were 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 condensed consolidated financial statements will not be prevented or detected on a timely basis.

The ineffectiveness of the Company’s internal control over financial reporting was due to the following material weaknesses:

- Lack of risk assessment procedures on internal controls to detect financial reporting risks in a timely manner;
- Lack of segregation of duties; and
- Lack of sufficient formal procedures and controls to achieve complete and accurate financial reporting, including controls over the preparation and review of journal entries and account reconciliations.

Changes in Internal Controls over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2023 that have materially affected, or reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

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. For a list of risk factors, please refer to our Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the SEC on April 18, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

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 the 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 third quarter of 2023 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
7/1/2023 - 7/31/2023	90,070	\$ 0.12	1,478,841	\$ 120,450
8/1/2023 - 8/31/2023	84,187	\$ 0.13	1,563,028	\$ 109,500
9/1/2023 - 9/30/2023	65,426	\$ 0.17	1,628,454	\$ 98,550

Issuer Sale of Securities.

On February 15, 2023, the STCB completed the Soylent Acquisition pursuant to which up to 196,525,715 shares of Class A common stock may be issuable. The issuances were made in reliance upon Section 4(a)(2) of the Securities Act.

Date	Shares of Common Stock Issuable ¹	Cash Proceeds / Value in Kind from Shares Issuable	Recipient(s) of Shares
February 15, 2023	196,525,715	\$ 68,784,000	21 entities 4 individuals

¹ Shares calculated are initial closing *plus* holdback *shares*.

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 to be issued as a funding fee for the \$800,000 secured promissory note issued to Mr. Sklar on March 3, 2023.

On June 1, 2023, the Company entered into an agreement with a consultant for 150,000 warrants to purchase shares of Class A common stock to be issued for services provided to the Company.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINING SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION.

None

ITEM 6. EXHIBITS

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Exhibit Description</u>
3.1 (*)	<u>Amended and Restated Articles of Incorporation of Starco Brands, Inc., filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K filed with the Commission on April 18, 2023.</u>
3.2 (*)	<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>
10.1 (*)	<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>
10.2 (*)	<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>
10.3 (*)	<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>
10.4 (*) (+)	<u>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.</u>
10.5 (*) (+)	<u>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.</u>
10.6 (*) (+)	<u>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.</u>
10.7 (*) (+)	License Agreement, by and between Whipshots LLC, Washpoppin Inc., and "Cardi B," dated as of September 14, 2021.
10.8 (*) (+)	<u>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.</u>
10.9 (*)	<u>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.</u>
10.10 (*)	<u>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.</u>
10.11 (*)	<u>Consolidated Secured Promissory Note issued in favor of Ross Sklar, dated August 11, 2023, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on August 11, 2023.</u>
10.12 (*)	<u>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.</u>

10.13 (*)	Amended and Restated Consolidated Security Agreement, by and between Starco Brands, Inc. and Ross Sklar, dated August 11, 2023, filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on August 11, 2023
10.14 (*)	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.
10.15 (*)	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.
10.16 (*)	License Agreement by and between Starco Brands, Inc. and Temperance Distilling Company, executed January 24, 2022, filed as Exhibit 10.25 to the Company's Annual Report on Form 10-K, filed with the Commission on April 18, 2023.
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.

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.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

STARCO BRANDS, INC
(Registrant)

By: /s/ Kevin Zaccardi
Kevin Zaccardi
Interim-Chief Financial Officer and duly authorized officer
(Principal Financial and Accounting Officer)
November 13, 2023

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Ross Sklar, hereby certify that:

- (1) I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2023 (the “report”) 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 condensed consolidated 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(s) 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 condensed 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 the condensed consolidated 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 (the registrant’s fourth fiscal quarter in the case of an annual report) 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 officers 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 registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies 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.

Date: November 13, 2023

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

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Kevin Zaccardi, hereby certify that:

- (1) I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2023 (the “report”) 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 condensed consolidated 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(s) 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 condensed 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 the condensed consolidated 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 (the registrant’s fourth fiscal quarter in the case of an annual report) 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 officers 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 registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies 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.

Dated: November 13, 2023

By: /s/ Kevin Zaccardi
Kevin Zaccardi, Interim Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Starco Brands, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2023 as filed with the Securities and Exchange Commission on or about the date hereof (the "report"), the undersigned, in the capacities 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 operations of the Company.

Dated: November 13, 2023

By: /s/ Ross Sklar

Ross Sklar, Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Starco Brands, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2023 as filed with the Securities and Exchange Commission on or about the date hereof (the "report"), the undersigned, in the capacities 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 operations of the Company.

Dated: November 13, 2023

By: /s/ Kevin Zaccardi
Kevin Zaccardi, Interim Chief Financial Officer
(Principal Financial Officer)
