

CCA INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 2000 AND 1999

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INDEPENDENT AUDITORS' REPORT

Board of Directors
CCA Industries, Inc.
East Rutherford, New Jersey

We have audited the consolidated balance sheets of CCA Industries, Inc. and Subsidiaries as of November 30, 2000 and 1999, and the related consolidated statements of income (loss), comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended November 30, 2000. These consolidated financial statements are the responsibility of management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain a reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and related schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CCA Industries, Inc. and Subsidiaries as of November 30, 2000 and 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended November 30, 2000, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental schedules listed in the index to Item 14 are presented for purposes of complying with the Securities and Exchange Commission's rules and are not a required part of the basic consolidated financial statements. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic consolidated financial statements taken as a whole.

SHEFT KAHN & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

February 13, 2001
Jericho, New York

CCA INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

A S S E T S

(Note 7)

	November 30,	
	2000	1999
Current Assets		
Cash and cash equivalents (Note 15)	\$ 804,508	\$ 807,360
Short-term investments and marketable securities (Notes 2 and 6)	2,536,344	1,490,469
Accounts receivable, net of allowances of \$1,379,424 and \$1,183,576, respectively	6,329,755	7,371,532
Inventories (Notes 2 and 3)	5,735,427	6,235,270
Prepaid expenses and sundry receivables	324,980	822,816
Prepaid income taxes and refunds due	777,691	714,835
Deferred income taxes (Note 8)	1,529,522	1,178,513
Total Current Assets	18,038,227	18,620,795
Property and Equipment, net of accumulated depreciation and amortization (Notes 2 and 4)	675,790	739,728
Intangible Assets, net of accumulated amortization (Notes 2 and 5)	641,410	169,756
Other Assets		
Marketable securities (Notes 2 and 6)	845,101	1,809,770
Due from officers - Non-current (Note 14)	21,485	57,918
Deferred income taxes (Note 8)	34,517	42,031
Other	55,526	54,989
Total Other Assets	956,629	1,964,708
Total Assets	\$20,312,056	\$21,494,987

See Notes to Consolidated Financial Statements.

CCA INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' EQUITY

<u>2000</u>	<u>1999</u>	<u>November 30,</u>
Current Liabilities		
Notes payable (Note 7)	\$ 1,500,000	\$ 1,400,000
Accounts payable and accrued liabilities (Note 10)	<u>4,288,852</u>	<u>4,928,905</u>
Total Current Liabilities	<u>5,788,852</u>	<u>6,328,905</u>
Subordinated Debentures (Due August 1, 2005) (Note 7)	<u>556,656</u>	<u>-</u>
Commitments and Contingencies (Note 12)		
Shareholders' Equity		
Common stock, \$.01 par; authorized 15,000,000 shares; issued and outstanding 6,042,823 and 6,321,151 shares, respectively	60,428	63,212
Class A common stock, \$.01 par; authorized 5,000,000 shares; issued and outstanding and 1,020,930 shares, respectively	10,209	10,209
Additional paid-in capital	3,836,296	4,453,478
Retained earnings	10,300,693	10,955,203
Accumulated other comprehensive income (Note 6)	(64,846)	(150,854)
	<u>14,142,780</u>	<u>15,331,248</u>
Less: Treasury Stock (107,496 and 95,996 shares at November 30, 2000 and November 30, 1999, respectively)	<u>176,232</u>	<u>165,166</u>
Total Shareholders' Equity	<u>13,966,548</u>	<u>15,166,082</u>
Total Liabilities and Shareholders' Equity	<u>\$20,312,056</u>	<u>\$21,494,987</u>

See Notes to Consolidated Financial Statements.

CCA INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (LOSS)

	Years Ended November 30,					
	2000	1999	1998			
Revenues						
Sales of health and beauty aid products, net	\$38,451,980	\$39,028,936	\$41,083,974			
Other income	<u>186,284</u>	<u>285,469</u>	<u>318,296</u>			
	<u>38,638,264</u>	<u>39,314,405</u>	<u>41,402,270</u>			
Costs and Expenses						
Cost of sales	14,299,928	15,095,971	15,321,576			
Selling, general and administrative expenses	12,557,064	13,322,081	13,579,182			
Advertising, cooperative and promotions	10,299,475	9,242,767	8,882,106			
Research and development	555,462	581,340	562,708			
Provision for doubtful accounts	249,279	115,569	201,630			
Interest expense	<u>159,477</u>	<u>142,662</u>	<u>22,894</u>			
	<u>38,120,685</u>	<u>38,500,390</u>	<u>38,570,096</u>			
Income before Special Charge and Provision for Income Taxes	517,579	814,015	2,832,174			
Special Charge (Note 16)	(1,500,000)	-	-			
(Loss) Income before Provision for Income Taxes	(982,421)	814,015	2,832,174			
Provision (Benefit) for Income Tax	(327,911)	301,511	1,164,201			
Net (Loss) Income from Continuing Operations	(654,510)	512,504	1,667,973			
Discontinued Operations:						
(Loss) on abandonment of intangibles (net of income taxes (benefit) of (\$514,978) in 1999)	-	(803,603)	-			
(Loss) Income from Discontinued Operations	-	(803,603)	-			
Net (Loss) Income	<u>(\$ 654,510)</u>	<u>(\$ 291,099)</u>	<u>\$ 1,667,973</u>			
Weighted Average Shares Outstanding						
Basic	<u>7,153,013</u>	<u>7,174,203</u>	<u>7,243,956</u>			
Diluted	<u>7,153,013</u>	<u>7,660,796</u>	<u>8,075,169</u>			
Earnings Per Common Share (Note 2):	<u>Basic</u>	<u>Diluted</u>	<u>Basic</u>	<u>Diluted</u>	<u>Basic</u>	<u>Diluted</u>
Continuing Operations	<u>(\$.09)</u>	<u>(\$.09)</u>	<u>\$.07</u>	<u>\$.07</u>	<u>\$.23</u>	<u>\$.21</u>
Discontinued Operations	<u>\$ -</u>	<u>(\$ -)</u>	<u>(\$.11)</u>	<u>(\$.11)</u>	<u>\$ -</u>	<u>\$ -</u>
(Loss) on Abandoned Intangibles	<u>\$ -</u>	<u>\$ -</u>	<u>(\$.04)</u>	<u>(\$.04)</u>	<u>\$ -</u>	<u>\$ -</u>
Net	<u>(\$.09)</u>	<u>(\$.09)</u>	<u>(\$.04)</u>	<u>(\$.04)</u>	<u>\$.23</u>	<u>\$.21</u>

See Notes to Consolidated Financial Statements.

CCA INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended November 30,		
	2000	1999	1998
Net (Loss) Income	(<u>\$ 654,510</u>)	(<u>\$ 291,099</u>)	<u>\$ 1,667,973</u>
Other Comprehensive Income			
Unrealized holding gain (loss) on investments	86,008	(132,511)	(15,606)
Provision (Benefit) for Taxes	<u>13,742</u>	(<u>50,166</u>)	(<u>6,559</u>)
Other Comprehensive Income (Loss) - Net	<u>72,266</u>	(<u>82,345</u>)	(<u>9,047</u>)
Comprehensive (Loss) Income	<u>(<u>\$ 582,244</u>)</u>	<u>(<u>\$ 373,444</u>)</u>	<u>\$1,658,926</u>
Earnings (Loss) Per Share:			
Basic	<u>(\$.08)</u>	<u>(\$.05)</u>	<u>\$.23</u>
Diluted	<u>(\$.08)</u>	<u>(\$.05)</u>	<u>\$.20</u>

See Notes to Consolidated Financial Statements.

CCA INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED NOVEMBER 30, 2000, 1999 AND 1998

	Common Stock Shares	Amount	Paid-In	Additional Capital	Retained	Marketable Earnings	Gain (Loss) on Securities	Unrealized (Loss) on Treasury Stock
Balance - December 1, 1997	7,213,551	\$72,136		\$4,454,763		\$ 9,578,329	(\$ 2,737)	(\$ 17,969)
Issuance of common stock	53,530	535		(535)		1,667,973	-	-
Net income for the year		-		-			-	-
Unrealized (loss) on marketable securities	-	-		-		-	(15,606)	-
Purchase of 82,019 shares of treasury stock	-	-		-		-	-	(137,640)
Balance - November 30, 1998	7,267,081	72,671		4,454,228		11,246,302	(18,343)	(155,609)
Issuance of common stock	75,000	750		(750)		-	-	-
Net (loss) for the year	-	-	-	-		(291,099)	-	-
Unrealized (loss) on marketable securities	-	-		-		-	(132,511)	-
Purchase of 6,477 shares of treasury stock	-	-		-		-	-	(9,557)
Balance - November 30, 1999	7,342,081	73,421		4,453,478		10,955,203	(150,854)	(165,166)
Issuance of debentures for acquisition of 278,328 shares of common stock	-	-		-		-	-	(619,965)
Purchase of 11,500 shares of treasury stock	-	-		-		-	-	(11,066)
Net income for the year	-	-		-		(654,510)	-	-
Unrealized (loss) on marketable securities	-	-		-		-	86,008	-
Retirement of treasury stock	(278,328)	(2,783)		(617,182)		-	-	(619,965)
Balance - November 30, 2000	<u>7,063,753</u>	<u>\$70,638</u>		<u>\$3,836,296</u>		<u>\$10,300,693</u>	<u>(\$ 64,846)</u>	<u>(\$176,232)</u>

See Notes to Consolidated Financial Statements.

CCA INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30,

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Cash Flows from Operating Activities:			
Net (loss) income	(\$ 654,510)	(\$ 291,099)	\$1,667,974
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	372,881	344,198	342,131
Amortization of bond discount	-	1,884	1,884
(Gain) loss on sale of securities	119,877	(10,914)	7,635
(Increase) decrease in deferred income taxes	(343,495)	(118,366)	(291,878)
Loss on abandonment of intangibles	-	418,612	-
Decrease (increase) decrease in accounts receivable	1,041,777	506,468	(3,946,727)
Decrease (increase) in inventory	499,843	2,137,022	(3,044,784)
(Increase) decrease in prepaid expenses and sundry receivables	497,836	(505,698)	(141,278)
(Increase) in prepaid income taxes and refunds due	(62,856)	(642,322)	-
(Decrease) increase in accounts payable and accrued liabilities	(640,053)	(1,331,062)	1,206,302
(Decrease) increase in income taxes payable	-	(600,720)	514,616
(Increase) decrease in miscellaneous assets	(537)	(100)	(2,277)
Decrease in net assets from discontinued operations	<u>-</u>	<u>752,729</u>	<u>-</u>
Net Cash Provided by (Used in) Operating Activities	<u>830,763</u>	<u>660,632</u>	<u>(3,686,402)</u>
Cash Flows from Investing Activities:			
Acquisition of property and equipment	(283,863)	(157,047)	(699,349)
Acquisition of intangible assets	(496,734)	(468,274)	(105,652)
Purchase of available for sale securities	(2,682,631)	(1,744,204)	(2,298,993)
Proceeds from sale of available for sale securities	2,567,555	2,126,189	2,268,851
Proceeds of money due from officers	36,433	7,332	1,500
Purchase of treasury stock	<u>(74,375)</u>	<u>(9,557)</u>	<u>(137,640)</u>
Net Cash (Used in) Investing Activities	<u>(933,615)</u>	<u>(245,561)</u>	<u>(971,283)</u>
Cash Flows from Financing Activities:			
Proceeds from borrowings	3,900,000	4,050,000	1,950,000
Payment on debt	(3,800,000)	(4,200,000)	(400,000)
Proceeds from issuance of stock	<u>-</u>	<u>-</u>	<u>200</u>
Net Cash Provided by (Used in) Financing Activities	<u>100,000</u>	<u>(150,000)</u>	<u>1,550,200</u>
Net (Decrease) Increase In Cash	(2,852)	265,071	(3,107,485)
Cash at Beginning of Year	<u>807,360</u>	<u>542,289</u>	<u>3,649,774</u>
Cash at End of Year	<u>\$ 804,508</u>	<u>\$ 807,360</u>	<u>\$ 542,289</u>

See Notes to Consolidated Financial Statements.

CCA INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30,

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the year for:			
Interest	\$161,895	\$ 119,664	\$ 14,589
Income taxes	97,629	1,152,883	1,013,975

See Notes to Consolidated Financial Statements.

CCA INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

CCA Industries, Inc. ("CCA") was incorporated in the State of Delaware on March 25, 1983.

CCA manufactures and distributes health and beauty aid products.

CCA has several wholly-owned subsidiaries (CCA Cosmetics, Inc., CCA Labs, Inc., Berdell, Inc., Nutra Care Corporation, and CCA Online Industries, Inc.), all of which are currently inactive.

In March of 1998 CCA acquired 80% of the newly organized Fragrance Corporation of America, Ltd. which manufactures and distributes perfume products. In 1999, the Company adopted a formal plan to discontinue the operations of the subsidiary. As of the third quarter of 2000, virtually all residual costs of discontinuing the operations had been recognized.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation:

The consolidated financial statements include the accounts of CCA and its majority-owned subsidiaries (collectively the "Company"). The minority interest in the discontinued consolidated subsidiary is no longer reflected in the financial statements. All significant inter-company accounts and transactions have been eliminated.

Use of Estimates:

The consolidated financial statements include the use of estimates, which management believes are reasonable. The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Short-Term Investments and Marketable Securities:

Short-term investments and marketable securities consist of corporate and government bonds and equity securities. The Company has classified its investments as Available-for-Sale securities. Accordingly, such investments are reported at fair market value, with the resultant unrealized gains and losses reported as a separate component of shareholders' equity.

Statements of Cash Flows Disclosure:

For purposes of the statement of cash flows, the Company considers all highly liquid instruments purchased with an original maturity of less than three months to be cash equivalents.

During fiscal 1998 and 1999, two officers/shareholders exercised in the aggregate 70,000 and 100,000 options, respectively, in exchange for previously issued common stock of 16,470 and 25,000, respectively. The common shares were put into treasury and were subsequently cancelled.

CCA INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statements of Cash Flows Disclosure (Continued):

During fiscal 2000, the Company repurchased 278,328 shares of common stock in exchange for the issuance of subordinated debentures totaling \$556,656. The total cost of the acquisition (including associated costs incurred of \$63,309) was charged to capital upon its retirement.

Inventories:

Inventories are stated at the lower of cost (first-in, first-out) or market.

Product returns are recorded in inventory when they are received at the lower of their original cost or market, as appropriate. Obsolete inventory is written off and its value is removed from inventory at the time its obsolescence is determined.

Property and Equipment and Depreciation and Amortization

Property and equipment are stated at cost. The Company charges to expense repairs and maintenance items, while major improvements and betterments are capitalized. When the Company sells or otherwise disposes of property and equipment items, the cost and related accumulated depreciation are removed from the respective accounts and any gain or loss is included in earnings.

Depreciation and amortization are provided on the straight-line method over the following estimated useful lives or lease terms of the assets:

Machinery and equipment	7-10 Years
Furniture and fixtures	5-7 Years
Tools, dies and masters	2-7 Years
Transportation equipment	7 Years
Leasehold improvements	7-10 Years or life of lease, whichever is shorter

Intangible Assets:

Intangible assets are stated at cost. Patents and trademarks are amortized on the straight-line method over a period of 17 years.

Financial Instruments:

The carrying value of assets and liabilities considered financial instruments approximate their respective fair value.

Income Taxes:

Income tax expense includes federal and state taxes currently payable and deferred taxes arising from temporary differences between income for financial reporting and income tax purposes.

Tax Credits:

Tax credits, when present, are accounted for using the flow-through method as a reduction of income taxes in the years utilized.

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Earnings Per Common Share:

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share" in 1998. Basic earnings per share is calculated using the average number of shares of common stock outstanding during the year. Diluted earnings per share is computed on the basis of the average number of common shares outstanding plus the effect of outstanding stock options using the "treasury stock method" and convertible debentures using the "if-converted" method. Common stock equivalents consist of stock options.

Revenue Recognition:

The Company recognizes sales at the time of shipment. Although no legal right of return exists between the customer and the Company, it is an industry-wide practice to accept returns from customers. The Company, therefore, records a reserve for returns equal to its gross profit on its historical percentage of returns on its last five months sales.

Reclassifications

In 1999, the Company formalized a plan to discontinue the operations of FCA, terminated all FCA employees, closed its Chicago facility, abandoned the majority of its inventory and discontinued almost all of the marketing of its product line. However, in 2000, after noting that there was still demand for the "Cherry Vanilla" and "Cloud Dance" perfumes, the Company decided to retain those product lines and purchased the trademarks owned by Shiara Holdings, Inc. Therefore, in accordance with EITF 90-16, certain prior year amounts have been reclassified to conform to the 2000 presentation.

Advertising Costs:

The Company's policy for fiscal financial reporting is to charge advertising cost to operations as incurred

CCA INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - INVENTORIES

At November 30, 2000 and 1999, inventories consist of the following:

	<u>2000</u>	<u>1999</u>
Raw materials	\$3,667,757	\$3,509,103
Finished goods	2,067,670	2,726,167
	<u>\$5,735,427</u>	<u>\$6,235,270</u>

At November 30, 2000 and 1999, the Company had a reserve for obsolete inventory of \$1,050,714 and \$1,056,789 respectively.

NOTE 4 - PROPERTY AND EQUIPMENT

At November 30, 2000 and 1999, property and equipment consisted of the following:

	<u>2000</u>	<u>1999</u>
Machinery and equipment	\$ 323,233	\$ 299,528
Furniture and equipment	922,386	742,547
Transportation equipment	10,918	10,918
Tools, dies, and masters	1,972,830	1,914,684
Leasehold improvements	169,820	147,647
	<u>3,399,187</u>	<u>3,115,324</u>
Less: Accumulated depreciation and amortization	<u>2,723,397</u>	<u>2,375,596</u>
Property and Equipment - Net	<u>\$ 675,790</u>	<u>\$ 739,728</u>

Depreciation and amortization expense for the years ended November 30, 2000, 1999 and 1998 amounted to \$347,801, \$283,982 and \$318,715, respectively.

NOTE 5 - INTANGIBLE ASSETS

Intangible assets consist of the following at November 30, 2000 and 1999:

	<u>2000</u>	<u>1999</u>
Patents and trademarks	\$738,330	\$241,596
Less: Accumulated amortization	96,920	71,840
Intangible Assets - Net	<u>\$641,410</u>	<u>\$169,756</u>

Amortization expense for the years ended November 30, 2000, 1999 and 1998 amounted to \$25,080, \$60,216 (\$49,662 from discontinued operations) and \$23,417 (\$10,087 from discontinued operations), respectively.

On October 26, 2000, the Company acquired certain trademarks. See Note 12.

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - SHORT-TERM INVESTMENTS AND MARKETABLE SECURITIES

Short-term investments and marketable securities, which consist of stock and various corporate and government obligations, are stated at market value. The Company has classified its investments as Available-for-Sale securities and considers as current assets those investments which will mature or are likely to be sold in the next fiscal year. The remaining investments are considered non-current assets. The cost and market values of the investments at November 30, 2000 and 1999 were as follows:

		<u>2000</u>		<u>1999</u>
Current:	COST	MARKET	COST	MARKET
Corporate obligations	\$ 536,000	\$ 534,590	\$ 745,044	\$ 748,894
Government obligations (including mortgage backed securities)	<u>1,998,756</u>	<u>2,001,754</u>	<u>743,777</u>	<u>741,575</u>
Total	<u>2,534,756</u>	<u>2,536,344</u>	<u>1,488,821</u>	<u>1,490,469</u>
Non-Current:				
Corporate obligations	-	-	536,000	532,891
Government obligations	150,510	146,723	399,534	390,517
Preferred stock	612,561	586,448	612,561	571,535
Other equity investments	<u>148,465</u>	<u>111,930</u>	<u>414,177</u>	<u>314,827</u>
Total	<u>911,536</u>	<u>845,101</u>	<u>1,962,272</u>	<u>1,809,770</u>
Total	<u>\$3,446,292</u>	<u>\$3,381,445</u>	<u>\$3,451,093</u>	<u>\$3,300,239</u>

The market value at November 30, 2000 was \$3,381,445 as compared to \$3,300,239 at November 30, 1999. The gross unrealized gains and losses as at November 30, 2000 and 1999 were \$1,588 and (\$66,435) for 2000 and \$1,648 and (\$152,502) for 1999, respectively. The cost and market values of the investments at November 30, 2000 were as follows:

CCA INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - SHORT-TERM INVESTMENTS AND MARKETABLE SECURITIES (CONTINUED)

COL. A			COL. B	COL. C	COL. D	COL. E
Name of Issuer and <u>Title of Each Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	Number of Units-Principal Amount of Bonds and <u>Notes</u>	<u>Cost of Each Issue</u>	Market Value of Each Issue at Balance Sheet Date	Amount at Which Each Portfolio Of Equity Security Issues and Each Other Security Issue Is Carried in <u>Balance Sheet</u>
CORPORATE OBLIGATIONS:						
GMAC Smartnotes	10/15/01	5.950%	536,000	<u>\$536,000</u>	<u>\$534,590</u>	<u>\$534,590</u>

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - SHORT-TERM INVESTMENTS AND MARKETABLE SECURITIES (CONTINUED)

COL. A			COL. B	COL. C	COL. D	COL. E
			Number of Units-Principal Amount of Bonds and Notes	Cost of Each Issue	Market Value of Each Issue at Balance Sheet Date	Amount at Which Each Portfolio Of Equity Security Issues and Each Other Security Issue Is Carried in Balance Sheet
<u>Name of Issuer and Title of Each Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>				
GOVERNMENT OBLIGATIONS:						
FHLMC 1628-N	12/15/2023	6.500%	50,000	\$ 32,498	\$ 32,119	\$ 32,119
FNMA 93-224-D	11/25/2023	6.500	104,000	91,182	87,436	87,436
FNMA 92-2-N	1/25/2024	6.500	52,000	26,830	27,168	27,168
US Treasury Note	1/31/01	4.500	250,000	247,891	249,220	249,220
US Treasury Note	5/15/01	5.625	200,000	202,075	199,500	199,500
US Treasury Note	5/31/01	5.250	250,000	251,615	248,828	248,828
US Treasury Note	9/30/01	5.625	250,000	249,767	248,907	248,907
US Treasury Bill	12/21/00	5.940	189,000	186,323	188,301	188,301
US Treasury Bill	2/1/01	6.140	104,000	102,461	102,902	102,902
US Treasury Bill	2/8/01	6.150	274,000	269,979	270,811	270,811
US Treasury Bill	1/4/01	6.075	250,000	246,220	248,535	248,535
US Treasury Bill	4/5/01	6.040	250,000	<u>242,425</u>	<u>244,750</u>	<u>244,750</u>
				<u>2,149,266</u>	<u>2,148,477</u>	<u>2,148,477</u>

CCA INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - SHORT-TERM INVESTMENTS AND MARKETABLE SECURITIES (CONTINUED)

COL. A			COL. B	COL. C	COL. D	COL. E
<u>Name of Issuer and Title of Each Issue</u>	<u>Next Call Date</u>	<u>Dividend Rate</u>	<u>Number of Shares</u>	<u>Cost of Stock</u>	<u>Market Value of Stock at Balance Sheet Date</u>	<u>Amount at Which Each Portfolio Of Equity Security Issues and Each Other Security Issue Is Carried in Balance Sheet</u>
EQUITY:						
Preferred Stock:						
First Australia Prime Series I	Auct.	Variable	100,000	\$ 100,000	\$ 100,000	\$ 100,000
Tennessee Valley Authority (QIDS) Qtrly Income Debt Secs - Matures 3/31/2045	3/31/01	8.00%	13,600	362,561	347,698	347,698
Merrill Lynch Trust	9/30/08	7.28%	6,000	150,000	138,750	138,750
Other Equity Investments:						
Dreyfus Premier Limited Term High Income CL B				<u>148,465</u>	<u>111,930</u>	<u>111,930</u>
				<u>761,026</u>	<u>698,378</u>	<u>698,378</u>
				<u><u>\$3,446,292</u></u>	<u><u>\$3,381,445</u></u>	<u><u>\$3,381,445</u></u>

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - SHORT-TERM INVESTMENTS AND MARKETABLE SECURITIES (Continued)

During the years ended November 30, 2000, 1999 and 1998, available-for-sale securities were liquidated and proceeds amounting to \$2,567,555, 2,129,957 and \$2,268,851 were received, with resultant realized gains (losses) totaling (\$119,877), \$10,914 and \$7,635, respectively. Cost of available-for-sale securities includes unamortized premium or discount.

NOTE 7 - NOTES PAYABLE AND SUBORDINATED DEBENTURES

The Company has an available line of credit of \$7,000,000. Interest is calculated on the outstanding balance at prime minus 1% or Libor plus 150 basis points. The line of credit is collateralized by all the Company's assets. As of November 30, 2000 and 1999, the Company was utilizing \$1,500,000 and \$1,400,000, respectively, of its available line. The interest rate charged at November 30, 2000 was 8 1/2%.

On August 1, 2000, the Company repurchased (pursuant to a tender offer) 278,328 shares of its outstanding common stock by issuing subordinated debentures equal to \$2 per share, which accrue interest at 6% and are due to mature on August 1, 2005. The interest is payable semi-annually.

NOTE 8 - INCOME TAXES

CCA and its subsidiaries file a consolidated federal income tax return. No returns have been examined by the Internal Revenue Service.

At November 30, 2000 and 1999, respectively, the Company has temporary differences arising from the following:

	<u>November 30, 2000</u>			
<u>Type</u>	<u>Amount</u>	<u>Deferred Tax</u>	<u>Short- Term</u>	<u>Classified As Long- Term Asset (Liability)</u>
-				
Depreciation	\$ 86,741	\$ 34,517	\$ -	\$34,517
Reserve for bad debts	323,257	128,634	128,634	-
Reserve for returns	1,056,167	420,280	420,280	-
Reserve for obsolete inventory	1,050,714	418,110	418,110	-
Section 263A costs	235,609	93,756	93,756	-
Charitable contributions	254,492	101,270	101,270	-
Deferred tax benefit from discontinued operations	1,204,950	<u>367,472</u>	<u>367,472</u>	<u>-</u>
Net deferred income tax		<u>\$1,564,039</u>	<u>\$1,529,522</u>	<u>\$34,517</u>

NOTE 8 - INCOME TAXES (Continued)

November 30, 1999

<u>Type</u>	<u>Amount</u>	<u>Deferred Tax</u>	<u>Classified As</u>	
			<u>Short- Term Asset (Liability)</u>	<u>Long- Term</u>
Depreciation	\$ 105,625	\$ 42,031	\$ -	\$42,031
Reserve for bad debts	327,920	128,802	128,802	-
Reserve for returns	855,846	333,481	333,481	-
Reserve for obsolete inventory	972,537	387,001	387,001	-
Section 263A costs	252,609	100,405	100,405	-
Deferred tax benefit from discontinued operations	1,167,883	105,109	105,109	-
Charitable contributions	310,895	<u>123,715</u>	<u>123,715</u>	<u>-</u>
Net deferred income tax		<u>\$1,220,544</u>	<u>\$1,178,513</u>	<u>\$42,031</u>

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

	November 30, 2000		
	<u>Federal</u>	<u>Local</u>	<u>Total</u>
Current tax benefit	(\$229,509)	(\$35,097)	(\$264,606)
Deferred tax benefit	(54,416)	(8,889)	(63,305)
	<u>(\$283,925)</u>	<u>(\$43,986)</u>	<u>(\$327,911)</u>

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CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - INCOME TAXES (Continued)

	November 30, 1999		
	State &		
	<u>Federal</u>	<u>Local</u>	<u>Total</u>
Current tax expense	\$438,605	\$131,664	\$570,269
Deferred tax expense	(237,345)	(31,413)	(268,758)
<u>\$201,260</u>	<u>\$100,251</u>	<u>\$301,511</u>	
	November 30, 1998		
	State &		
	<u>Federal</u>	<u>Local</u>	<u>Total</u>
Current tax expense	\$1,136,235	\$348,574	\$1,484,809
Tax credits	(28,730)	-	(28,730)
Deferred tax expense	(228,328)	(63,550)	(291,878)
	<u>\$ 879,177</u>	<u>\$285,024</u>	<u>\$1,164,201</u>

Prepaid income taxes and refund due are made up of the following components:

	State &		
	<u>Federal</u>	<u>Local</u>	<u>Total</u>
November 30, 2000	<u>\$599,564</u>	<u>\$178,127</u>	<u>\$777,691</u>
November 30, 1999	<u>\$666,524</u>	<u>\$ 48,311</u>	<u>\$714,835</u>

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - INCOME TAXES (Continued)

A reconciliation of income tax expense computed at the statutory rate to income tax expense at the effective rate for each of the three years ended November 30, 2000 is as follows:

	<u>2000</u>		<u>1999</u>		<u>1998</u>	
	Percent Of Pretax		Percent of Pretax		Percent of Pretax	
	<u>Amount</u>	<u>Income</u>	<u>Amount</u>	<u>Income</u>	<u>Amount</u>	<u>Income</u>
Income tax expense at statutory rate	(\$334,023)	(34.00%)	\$276,765	34.00%	\$ 962,939	34.00%
Increases (decreases) in taxes resulting from:						
State income taxes, net of federal income tax benefit	(58,355)	(5.94)	51,333	6.31	179,068	6.32
Non-deductible expenses and other adjustments	64,467	6.56	(26,587)	(3.27)	50,924	1.79
Utilization of tax credits	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u>(28,730)</u>	<u>(1.00)</u>
Income tax expense at effective rate	<u>(\$327,911)</u>	<u>(33.38%)</u>	<u>\$301,511</u>	<u>37.04%</u>	<u>\$1,164,201</u>	<u>41.11%</u>

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - STOCK OPTIONS

On November 15, 1984, the Company authorized the granting of incentive stock options as well as non-qualified options. The plan was amended in 1986 and again in 1994. The following summarizes the stock options outstanding under these plans as of November 30, 2000:

<u>Date Granted</u>	<u>Number Of Shares</u>	<u>Per Share Option Price</u>	<u>Expiration</u>
December 1987	17,000	.50	2002
January 1988	342,500	.55	2002
March 1989 (1)	200,000	.75	2004
January 1990 (2)	200,000	.63	2005
June 1995 (3)	50,000	1.50(4)	2005
August 1997	375,000	1.50(5)	2007
	<u>1,184,500</u>		

(1) These options were originally scheduled to expire March 1999 but were extended for an additional five years.

(2) These options were originally scheduled to expire January 2000 but were extended for an additional five years.

(3) These options were originally scheduled to expire June 2000 but were extended for an additional five years.

(4) These stock options were repriced from \$4.50 to \$1.50 in June of 2000 when they were extended.

(5) These stock options were repriced from \$2.50 on November 3, 1998. The following summarizes the activity of shares under option for the two years ended November 30, 2000:

	<u>Number Of Shares</u>	<u>Per Share Option Price</u>	<u>Value</u>
Balance - November 30, 1998	1,284,500	\$.50 - \$4.50	\$1,310,750
Granted	-	-	-
Repriced	-	-	-
Exercised	(100,000)	.50 - 4.50	(51,375)
Expired	-	-	-
Cancelled	-	-	-
Balance - November 30, 1999	1,184,500	\$.50 - \$4.50	\$1,259,375
Granted	-	-	-
Repriced	-	(3.00)	(150,000)
Exercised	-	-	-
Expired	-	-	-
Cancelled	-	-	-
Balance - November 30, 2000	<u>1,184,500</u>	<u>\$.50 - \$1.50</u>	<u>\$1,109,371</u>

In 1998 and 1999, two shareholders/officers exercised 70,000 and 100,000 stock options to purchase an equal number of shares of stock, respectively. The exercise of the options were paid for by the return of 16,470 and 25,000 shares of the Company's stock, respectively.

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - STOCK OPTIONS (Continued)

Pro Forma Disclosure

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation", issued in October 1995. Accordingly, compensation cost has been recorded based on the intrinsic value of the option only. The Company recognized no compensation cost in 1999 and 1998, respectively, for stock-based employee compensation awards. The pro forma compensation cost for stock-based employee compensation awards was \$.8 million, \$1.3 million and \$1.2 million in 2000, 1999 and 1998, respectively. If the Company had elected to recognize compensation cost based on the fair value of the options granted at grant date as prescribed by SFAS No. 123, net income and earnings per share would have been changed to the pro forma amounts indicated in the table below:

	2000		1999		1998	
	<u>As Reported</u>	<u>Pro Forma</u>	<u>As Reported</u>	<u>Pro Forma</u>	<u>As Reported</u>	<u>Pro Forma</u>
Net income	(\$654,510)	(\$1,447,726)	(\$291,099)	(\$1,606,582)	\$1,660,375	\$471,352
Diluted earnings per share	(\$.09)	(\$.20)	(\$.04)	(\$.22)	\$.21	\$.06

The above pro forma amounts, for purposes of SFAS No. 123, reflect the portion of the estimated fair value of awards earned in 2000, 1999 and 1998. For purposes of pro forma disclosures, the estimated fair value of the options is amortized over the options' vesting period (for stock options). The effects on pro forma disclosures of applying SFAS 123 are not likely to be representative of the effects on pro forma disclosures of future years.

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - STOCK OPTIONS

The Company used the Black-Scholes model to value stock options for pro forma presentation. The assumptions used to estimate the value of the options included in the pro forma amounts and the weighted average estimated fair value of options granted are as follows:

	Stock Option Plan Shares		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Average expected life (years)	3.76	3.78	4.64
Expected volatility	193.18%	213.55%	214.39%
Risk-free interest rate	6.3%	5.6%	5.6%
Weighted average fair value at grant - Exercise price equal to market price	\$.66	\$ 1.20	\$ 1.29

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, the Black-Scholes model requires the input of highly subjective assumptions, including the expected stock price volatility and option life.

Because the Company's stock options granted to employees have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, existing models do not necessarily provide a reliable measure of the fair value of its stock options granted to employees. For purposes of this model, no dividends have been assumed.

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - ACCRUED EXPENSES AND OTHER ACCOUNTS PAYABLE

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

	<u>2000</u>	November 30, <u>1999</u>
	<u>(In Thousands)</u>	
Media advertising	\$ *	\$ 560
Coop advertising	242	*
Accrued returns	<u>983</u>	<u>630</u>
	<u>\$1,225</u>	<u>\$1,190</u>

All other liabilities were for trade payables or individually did not exceed 5% of total current liabilities.

* under 5%

NOTE 11 - OTHER INCOME

Other income was comprised of the following:

	<u>2000</u>	November 30, <u>1999</u>	<u>1998</u>
Interest income	\$222,459	\$213,335	\$286,805
Dividend income	42,461	50,657	16,963
Realized gain on sale of available-for-sale securities	6,262	11,211	7,635
Realized (loss) on sale of available-for-sale securities	(126,139)	(297)	-
Royalty income	37,500	-	-
Miscellaneous	<u>3,741</u>	<u>10,563</u>	<u>6,893</u>
	<u>\$186,284</u>	<u>\$285,469</u>	<u>\$318,296</u>

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Leases

The Company leases approximately 62,500 square feet of office and warehouse space at an annual rental of \$267,684 plus CAM charges. This lease on the Company's premises expires March 31, 2005, but has a renewal option for an additional five years. The Company leases an additional 51,000 square feet of warehouse space in Paterson, NJ on a net lease basis at a rental of approximately \$13,000 per month, which matures May 31, 2001. The Company extended the lease through May 31, 2002 at a monthly cost of approximately \$15,000.

The Company has entered into various operating leases with expiration dates ranging through October 2003.

Rent expense for the years ended November 30, 2000, 1999 and 1998 was \$498,227, \$449,051 and \$588,083, respectively.

Future commitments under noncancellable operating lease agreements for each of the next five (5) years and in the aggregate are as follows:

Year Ending November 30,

2001	\$ 411,964
2002	299,191
2003	278,272
2004	267,684
2005	90,428
Total	<u>\$1,347,539</u>

Royalty Agreements

On March 3, 1986, the Company entered into a License Agreement (the "Agreement") with Alleghany Pharmacal Corporation ("Alleghany") under the terms of which the Company was granted the exclusive right to use the licensed products and trademarks for the manufacture and distribution of the products subject to the license. Under the terms of the Agreement, on July 5, 1986, the Company paid to Alleghany a non-refundable advance payment of \$1,015,000. The license runs for an indeterminate period. An additional \$525,000 non-refundable advance payment was paid to Alleghany on July 5, 1987.

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)

From the period March 3, 1986 to June 3, 1986, the Company was required to pay a 7% royalty on all net sales. Thereafter, it is required to pay a 6% royalty on net sales but no less than \$360,000 per annum to maintain its license. After the sum of \$9,000,000 in royalties has been paid to Alleghany, the royalty is reduced to 1% of net sales. The Company has expanded the lines licensed from Alleghany and pays only 1% royalty on various new products created by the Company. As of November 30, 2000, \$7,451,454 of royalties have been paid or accrued and only \$1,548,546 still remains until the \$9,000,000 level is reached.

In March 1998, the Company entered into a License Agreement with Shiara Holdings, Inc., pursuant to which the Company acquired exclusive license to use the trademark names used by Fragrance Corporation of America, Ltd. (FCA). The Shiara-Holdings, Inc. license requires the Company to pay royalties of 5% per annum on net sales of all products sold under the "Cherry Vanilla", "Mandarin Vanilla", and "Cloud Dance" trademarks until royalties totaling \$2,000,000 are paid, and royalties of one-half of 1% thereafter. (No royalties are payable in respect of sales of products under these Shiara license trademarks: "Vision", "Sunset Cafe", and "Amber Musk".) A minimum of \$100,000 was required to be paid for the period from commencement (April 1998) through June 1999, and a minimum of \$150,000 for each subsequent twelve-month period, in order to retain the exclusive license-rights.

On October 26, 2000, the Company purchased the Trademarks of Shiara Holding, Inc. for \$450,000. Effectively, any future royalties which would have been payable under the FCA License agreements above were cancelled. See Note 5.

In May of 1998, the Company entered into a License Agreement with Solar Sense, Inc. for the marketing of sun care products under trademark names. The Company's License Agreement with Solar Sense, Inc. is for the exclusive use of the trademark names "Solar Sense" and "Kids Sense", in connection with the commercial exploitation of sun care products that the Company only recently commenced marketing. The Company will pay a 5% royalty until a total of \$1 million of royalties have been paid and 1%, thereafter. If minimum royalties of \$30,000 do not result, the license may be terminated unless the Company chooses to pay the "difference" between realized royalties and \$30,000.

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CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)

The Company has entered into various other License Agreements, none of which materially affect the Company's sales, financial results, financial condition, or should materially affect its future results of operations.

Employment Contracts

During fiscal 1994, the Board of Directors approved 10-year employment contracts for two officers/shareholders. Pursuant thereto, each was provided a base salary of \$300,000 in fiscal 1994, with a year-to-year CPI or 6% increment, and each is paid 2 1/2% of the Company's pre-tax income, less depreciation and amortization, plus 20% of the base salary, as bonus. During 1998 the contracts were amended, commencing in fiscal 1999, to limit the amount of advertising expense charged against pre-tax income for purposes of the 2 1/2% calculation to \$8,000,000.

Collective Bargaining Agreement

On December 1, 1998, the Company signed a collective bargaining agreement with Local 734, L.I.U. of N.A., AFL-CIO. Other than standard wage, holiday, vacation and sick day provisions, the agreement calls for CCA to provide certain medical and dental benefits and to contribute to the Local 734 Educational Fund \$.01 per hour for each hour the employees are paid. The agreement expires on November 30, 2001.

Litigation

There are various matters in litigation that arose out of the normal operations of the Company which, in the opinion of management, will not have a material adverse effect on the financial condition of the Company.

The Company is a defendant in an action pending in the United States District Court for the District of New Jersey. The suit claims damages of \$450,000 for the alleged sale of defective merchandise for which the Company was paid approximately \$170,000. Outside counsel has advised that at this stage in the proceedings they cannot offer an opinion as to the probable outcome. The Company believes the suit is without merit and intends to vigorously defend its position.

NOTE 13 - PENSION PLANS

The Company has adopted a 401(K) Profit Sharing Plan that covers most of their non-union employees with over one year of service and attained Age 21. Employees may make salary reduction contributions up to twenty-five percent of compensation not to exceed \$10,500 and may make additional discretionary contributions. The Plan provides for partial vesting after two years and full vesting after six years of service for all earnings and losses. The Company is not obligated to, nor has it matched any of the employees' contributions.

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CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 - RELATED PARTY TRANSACTIONS

The Company has retained the law firm of Berman & Murray as its general counsel. Ira W. Berman, a former member of the firm, is the Secretary, Chairman of the Board and a principal shareholder of the Company.

The Company has outstanding loans of \$21,485 from its Vice President in charge

of Sales; which was made to aid him in obtaining a first mortgage on his home. The loan is secured by a second mortgage and carries an interest rate at 1% over prime. Interest is payable semi-annually. The Vice President is the son of Mr. David Edell, the President of the Company.

NOTE 15 - CONCENTRATION OF RISK

All of the Company's products are sold to major drug and food chains merchandisers, and wholesale beauty-aids distributors throughout the United States and Canada.

During the years ended November 30, 2000, 1999 and 1998, certain customers each accounted for more than 5% of the Company's net sales, as follows:

<u>Customer</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
A	26%	27%	29%
B	13	11	9
C	6	5	7
D	6	6	6
E	6	5	5
F	6	8	7
Foreign Sales	2.50%	4.50%	5.00%

The loss of any one of these customers could have a material adverse affect on the Company's earnings and financial position.

During the years November 30, 2000, 1999 and 1998, certain products accounted for more than 10% of the Company's net sales as follows:

<u>Product</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Plus+White	36%	36%	22%
Sudden Change	19	20	17
Hair-Off	*	10	*
NutraNail	14	10	*
Bikini Zone	10	*	*

* under 10%

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 - CONCENTRATION OF RISK

The Company maintains cash balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. In addition, the Company maintains accounts with several brokerage firms. The accounts contain cash and securities. Balances are insured up to \$500,000 (with a limit of \$100,000 for cash) by the Securities Investor Protection Corporation.

NOTE 16 - SPECIAL CHARGE

During the fourth quarter of 2000, the Company contacted its accounts and instructed them to return its "Permathene" and "Mega 16" products, which contain phenylpropanolimine ("PPA"), as a result of a general FDA health-warning concerning PPA (a key ingredient in numerous cold-remedies and appetite suppressants, which had been "on the market" for some 50 years). The Company's revenues from sales of those now discontinued products, in fiscal 2000, were approximately \$2,500,000 (6.5% of sales).

In conjunction with the recall, the Company expects to incur \$1,500,000 in costs (\$255,000 for inventory on hand and \$1,245,000 for returns, allowances, and other costs related to the recall. As of November 30, 2000, there had been approximately \$150,000 in returns and the Company provided for approximately another \$1,100,000 of anticipated costs.

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 - DISCONTINUED OPERATIONS

On March 19, 1998, the Company formed a majority-owned subsidiary, Fragrance Corporation of America, Ltd. (FCA). FCA is primarily engaged in the manufacture and distribution of perfume products. The results of operations of FCA is included in the accompanying financial statements since the date of inception.

CCA advanced FCA approximately \$3,000,000 during fiscal 1998 for working capital and the initial purchase of the existing inventory of Shiara, Inc. in the amount of \$1,141,711. In conjunction with the purchase of inventory, FCA entered into a license agreement with Shiara Holdings, Inc. for the right to sell the products acquired. Former accounts of Shiara have attempted to offset obligations due to FCA as a result of Shiara's obligations which FCA did not assume. An agreement was entered into in February 1999 between Shiara Holdings, Inc. and FCA whereby all royalties due as of February 1, 1999 were deemed off-set by these contingent holdbacks.

Net sales of perfume products were approximately \$3,700,000 during fiscal 1998, but decreased to \$2,100,000 in fiscal 1999. In February of 1999, employment agreements with FCA's minority shareholders (included in the 1998 Shareholders Agreement) were replaced by short-term consulting agreements, which were terminated in October of 1999. Contemporaneously, the Company formalized a plan to discontinue the operations of FCA, terminated all FCA employees, closed its Chicago facility, abandoned the majority of its inventory, and discontinued the marketing of all of its products except "Cherry Vanilla" and "Cloud Dance." (See "License Agreement-Shiara") The marketing of those perfumes has been assumed by CCA.

In 1999, the Company credited FCA with the tax benefit to be received from the loss incurred by it. This resulted in reducing the intercompany advances from approximately \$3 million to approximately \$2.15 million. However, in 2000, after noting that there was still a demand for the "Cherry Vanilla and "Cloud Dance" perfumes the Company decided to retain those product lines and purchased the trademarks owned by Shiara Holdings, Inc. Therefore, in accordance with EITF 90-16, the only items presented as a "Loss from Discontinued Operations" are those assets which were abandoned or deemed worthless. (See Item 7, Management's Discussion And Analysis of Financial Condition And Results of Operations, and the Financial Statements and Notes included in Item 14.)

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 - EARNINGS PER SHARE

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

	Year Ended November 30,		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Net (loss) income available for common shareholders, basic and diluted	<u>(\$654,510)</u>	<u>(\$291,099)</u>	<u>\$1,660,375</u>
Weighted average common stock outstanding- Basic	7,153,013	7,174,203	7,243,956
Net effect of dilutive stock options	<u>*</u>	<u>486,593</u>	<u>831,213</u>
Weighted average common stock and common stock equivalents - Diluted	<u>7,153,013</u>	<u>7,660,796</u>	<u>8,075,169</u>
Basic earnings per share	<u>(\$.09)</u>	<u>(\$.04)</u>	<u>\$.23</u>
Diluted earnings per share	<u>(\$.09)</u>	<u>(\$.04)</u>	<u>\$.21</u>
*Antidilutive			

SCHEDULE II

CCA INDUSTRIES, INC. AND SUBSIDIARIES

VALUATION ACCOUNTS

YEARS ENDED NOVEMBER 30, 2000, 1999 AND 1998

COL. A	COL. B	COL. C	COL. D	COL. E
<u>Description</u>	<u>Balance at Beginning Of Year</u>	<u>Additions Charged To Costs and Expenses</u>	<u>Deductions</u>	<u>Balance At End Of Year</u>
Year Ended November 30, 2000:				
Allowance for doubtful accounts	<u>\$ 327,919</u>	<u>\$ 249,279</u>	<u>\$ 253,941</u>	<u>\$ 323,257</u>
Reserve for returns	<u>\$ 855,657</u>	<u>\$4,758,078</u>	<u>\$4,557,568</u>	<u>\$1,056,167</u>
Reserve for inventory obsolescence	<u>\$1,056,709</u>	<u>\$ 839,702</u>	<u>\$ 845,777</u>	<u>\$1,050,714</u>
Year ended November 30, 1999:				
Allowance for doubtful accounts	<u>\$ 273,982</u>	<u>\$ 115,569</u>	<u>\$ 61,632</u>	<u>\$ 327,919</u>
Reserve for returns	<u>\$1,044,203</u>	<u>\$4,866,293</u>	<u>\$5,054,839</u>	<u>\$ 855,657</u>
Reserve for inventory obsolescence	<u>\$ 836,805</u>	<u>\$ 380,454</u>	<u>\$ 160,470</u>	<u>\$1,056,789</u>
Year ended November 30, 1998:				
Allowance for doubtful accounts	<u>\$ 120,131</u>	<u>\$ 201,630</u>	<u>\$ 47,779</u>	<u>\$ 273,982</u>
Reserve for returns	<u>\$ 544,194</u>	<u>\$3,455,118</u>	<u>\$2,955,109</u>	<u>\$1,044,203</u>
Reserve for inventory obsolescence	<u>\$ 860,417</u>	<u>\$ 61,113</u>	<u>\$ 172,664</u>	<u>\$ 748,866</u>