

CCA10K97

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the Fiscal Year Ended Commission File Number
November 30, 1997 2-85538-B

CCA INDUSTRIES, INC.
(Exact Name of Registrant as specified in Charter)

DELAWARE 04-2795439
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

200 Murray Hill Parkway, East Rutherford, New Jersey 07073
(Address of principal executive offices, including zip code)

(201) 330-1400
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, par value \$.01 per share
(Title of Class)

Class A Common Stock, par value \$.01 per share
(Title of Class)

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 requirement for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405
of Regulation S-K is not contained herein, and will not be contained, to the
best of Registrant's knowledge, in definitive proxy or information statements
incorporated by reference in Part III of this Form 10-K or any amendment to
this Form 10-K.

The aggregate market value of the voting stock held by non-affiliates of the
Registrant (i.e., by persons other than officers and directors of the
Registrant), at the average bid and asked prices, at February 6, 1998, was as
follows:

| Class of Voting Stock | Market Value | |
|--|---------------------|-----------------------|
| 5,636,721 shares; Common Stock, \$.01 par value | Bid \$13,387,212 | Asked \$14,091,803 |

At February 6, 1998 there were an aggregate of 7,259,581 shares of Common Stock and Class A Common Stock of the Registrant outstanding.

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CROSS REFERENCE SHEET

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| 1. Business | Business |
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| 4. Submission of Matters to a Vote of Security Holders | Submission of Matters to a Vote of Security Holders |
| 5. Market for Registrant's Common Equity and Related Stockholder Matters | Market for the Company's Common Stock and Related Shareholder Matters |
| 6. Selected Financial Data | Selected Financial Data |
| 7. Management's Discussion and Analysis of Financial Condition and Results of Operation | Management's Discussion and Analysis of Financial Condition and Results of Operations |
| 8. Financial Statements and Supplementary Data | Financial Statements and Supplementary Data |
| 9. Changes In and Dis- agreements With Accountants On Accounting and Financial Disclosure | Changes In and Dis- agreements With Accountants On Accounting and Financial Disclosure |
| 10. Directors and Executive Officers of the Registrant | Directors and Executive Officers |

- | | |
|--|--|
| 11. Executive Compensation | Executive Compensation |
| 12. Security Ownership of Certain Beneficial Owners and Management | Security Ownership of Certain Beneficial Owners and Management |
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November 30, 1997

Form 10-K
Item No.

- | | |
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| 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K | Exhibits, Financial Statement Schedules, and Reports on Form 8-K |
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PART I

Item 1. BUSINESS

(a) General

CCA INDUSTRIES, INC. (hereinafter, the "Company") was incorporated in Delaware on March 25, 1983.

The Company operates in one industry segment, which may be described generally as the health-and-beauty aids business, selling numerous products, in several health-and-beauty categories. Substantially all are manufactured by contract manufacturers, pursuant to the Company's specifications and formulations.

The Company owns (or owns license to use) registered trademarks for all of its brand-name products. Thus, its nail treatment products are sold under the trademarked names "Nutra Nail" and "Nutra 60"; hair treatment products are sold under the names "Pro Perm," "Wash 'n Curl," "Wash n Tint" and "Wash 'n Straight"; depilatory products under the name "Hair Off"; skin care products under the name "Sudden Change"; oral health-care products under the name "Plus+White"; and dietary products under the names "Eat 'n Lose," "Hungrex Plus" and "Permathene."

A substantial number of the Company's products are sold under exclusive license agreements. (See "Business-License Agreements") All of the licensed products and the Company's "wholly-owned" products, are sold to major drug and

food chains, mass merchandisers, and wholesale beauty-aids distributors throughout the United States and Canada. Foreign sales accounted for approximately 5.34% of sales.

Including the principal members of management (see Directors and Executive Officers), the Company, at November 30, 1997, had 132 sales, administrative, creative, accounting, receiving, and warehouse personnel in its employ.

(b) Manufacturing and Shipping

The Company manufactures its hot-wax depilatory 'in house.' Otherwise, the Company creates formulations, chooses colors and mixtures, and arranges with independent contractors for the manufacture of its products pursuant to Company specifications. Manufacturing and component-supply arrangements are maintained with several manufacturers and suppliers. Almost all orders and other product shipments are delivered from the Company's own warehouse facilities, which results in more effective inventory control, more efficient shipping procedures, and the realization of related economies.

(c) Marketing

The Company markets its products through an in-house sales force of employees, and independent sales representatives throughout the United States. Major drug, food and mass-merchandise retail chains, and leading wholesalers, are the primary focus of the overall sales effort.

The Company sells its products to approximately 600 accounts, most of which have numerous outlets. (The Company estimates that at least one of its brands is sold in approximately 40,000 stores.) During the fiscal year ended November 30, 1997, the Company's two largest customers accounted for approximately 25% (WalMart) and 12% (Walgreen) of the Company's sales revenues. (None other accounted for as much as 10%.) The loss of any of these principal customers could materially and negatively effect the Company's earnings.

Sales of the Company's products are not seasonally dependent. Nevertheless, certain products are sensitive to seasonal trends. For example, sales of depilatories and diet aids, customarily, are considerably stronger in spring and summer months.

The Company has an in-house advertising department. The advertising staff designs point-of-purchase displays (including 'blister cards'), sales brochures and packaging layouts. Actual production of displays, brochures, layouts and the like is accomplished through contract suppliers.

(d) License Agreements

On March 3, 1986, the Company entered into a license agreement with Alleghany Pharmacial Corporation (the "Alleghany Pharmacial License"). Under the terms of the Alleghany Pharmacial License, the Company was granted, and yet retains, the exclusive right to manufacture subject products, and to use their trademarks: "Nutra Nail," "Nutra 60," "Pro Perm," "Hair Off," "Permathane," "Hungrex Plus," and "IPR 3."

The Alleghany Pharmacial License requires the Company to pay royalties of 6% per annum on net sales of nail-enamel products sold under the "Nutra Nail" trademark, hair-care products ("Pro-Perm") and dietary products ("Permathane," "Hungrex Plus" and "IPR 3"), and a 1% royalty for nail-enamel products sold under the name "Nutra 60," and for the mitten product sold for use in connection with the "Hair-Off" line of depilatory products.

The Company is required to pay not less than \$360,000 per annum in order to maintain the Alleghany Pharmacial License rights. (Royalties have always exceeded the minimum; but, if they did not, the Company would be entitled to maintain the license rights by electing to pay the 'difference.' At the same

time, the Company would not be required to pay any fee in excess of actual royalties if sales did not yield 'minimum royalties' and the Company chose in such circumstance to concede the rights.)

The Alleghany Pharmacial License agreement provides that if, and when, in

aggregate, \$9,000,000 in royalties has been paid thereunder, the royalty-rate for those products now 'charged' at 6% will be reduced to 1%. As at November 30, 1997, the Company had paid or accrued \$5,671,760 in royalty payments.

The products subject of the Alleghany-Pharmaceutical License accounted for approximately 29.2% of sales in the fiscal year ended November 30, 1997.

The Company has entered into various other license agreements, none of which has had material impact upon the Company's sales or financial results.

The overwhelming majority of sales revenues other than those realized in respect of Alleghany-Pharmaceutical License products are from sales of the Company's own, 'wholly owned' products (e.g., Plus+White, Sudden Change, Wash-n-Curl and others).

(e) Advertising

The Company primarily utilizes local and national television advertisements to promote its leading brands. On occasion, print and radio advertisements are engaged. In addition and more-or-less continuously, store-centered product promotions are co-operatively undertaken with customers.

Each of the Company's brand-name products has attraction for a particular demographic segment of the consumer market, and advertising campaigns are directed to the respective market-segments.

The Company's in-house staff is responsible for the 'traffic' of its advertising. Placement is accomplished directly and through media-service companies.

(f) Trademarks

The Company owns, or owns licensed-use of numerous trademarks for health-and-beauty aids products, which serve to identify the products and the Company's proprietary interests, for and in respect of domestic and international sales. The Company considers these marks to be valuable assets, but there can be no assurance that trademark registration results, or will result, in 'enforceable' marketplace advantages.

(g) Competition

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The market for cosmetics, health-and-beauty aids, fragrances, and patent medicines is characterized by vigorous competition among producers, many of which have substantially greater financial, technological and marketing resources than the Company. Competitors such as Revlon, L'Oreal, Colgate, Del Laboratories, Unilever, and Procter & Gamble, have Fortune 500 or like status, and public recognition of their products is immediate and 'universal.' Moreover, the Company and its products compete with a large number of manufacturers and distributors of lesser renown that may also have greater resources than the Company.

(h) Government Regulation

All of the products that the Company markets, or which the Company may develop and plan for the market, are subject or potentially subject to particular regulation by government agencies, such as the U.S. Food and Drug Administration, the Federal Trade Commission, and various state and/or local regulatory bodies. In the event that any regulation or future regulation were to require particular regulatory approvals, the Company would attempt to obtain necessary approvals and/or licenses, assuming reasonable and sufficient market expectations for the regulated product(s) or planned product(s), but there can be no assurance, in the absence of particular circumstances, that any license requirements will result in approvals and issuance of licenses. In the event such license-requirement circumstances should arise, delays inherent in any application-and-approval process could have a material adverse affect upon any subject operations or plan of operations.

The principal executive offices of the Company are located at 200 Murray Hill Parkway, East Rutherford, New Jersey. There, under a net lease, the Company occupies approximately 62,500 square feet of space. Approximately 45,000 square feet in such premises is used for warehousing and 17,500 for offices. The annual rental is \$259,284. The lease expires on March 31, 2001, but the Company has a five-year renewal option.

The Company leases an additional 30,000 square feet of warehouse space in Paterson, New Jersey, on a net lease basis, for \$6,875 a month. That lease expires on September 30, 1998.

Item 3. LEGAL PROCEEDINGS

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The Company is not engaged in any material litigation, but is involved in various legal proceedings in the ordinary course of its business activities.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On July 15, 1997, the Company held its annual meeting of shareholders. At the meeting, David Edell, Ira W. Berman, Jack Polak, and Stanley Kreitman were elected as directors by the holders of Class A Common Stock. (No proxy was solicited therefor, whereas Messrs. Berman, Polak and David Edell own more than 98% of the Class A Common Stock, and they proposed themselves and Mr. Kreitman.) As proposed by the Board, Sidney Dworkin, Dunnan Edell and Rami Abada were elected as directors by the holders of the Common Stock, with 3,726,000 votes 'for' the slate and 161,473 votes withheld. Also, the Board's appointment of Sheft Kahn & Company LLP as the Company's independent certified public accountants for the 1997 fiscal year was approved, with 4,985,930 votes for and a total of 41,473 against or abstaining.

The Company has not submitted any matter to a vote of security holders since the 1997 Annual Meeting.

PART II

Item 5. MARKET FOR THE COMPANY'S COMMON STOCK AND RELATED SHAREHOLDER MATTERS

The Company's Common Stock is traded on NASDAQ. The range of high and low bids during each quarter of the 1996 and 1997 fiscal years is as follows:

| Quarter Ended | 1997 | 1996 |
|---------------|----------------|-----------------|
| February 28 | 3 3/8 - 2 1/16 | 2 1/2 - 1 1/16 |
| May 31 | 3 9/16 - 2 1/8 | 3 11/16 - 2 1/4 |
| August 31 | 3 3/8 - 2 9/16 | 5 1/8 - 3 |
| November 30 | 3 5/8 - 2 3/8 | 3 1/16 - 2 |

The published market value of the Common Stock as at February 6, 1998 was 2.438 high bid, and 2.5 low asked.

The only unregistered securities sold by the Company during the 1997

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fiscal year resulted from sales of Common Stock effected upon exercises of Stock Options previously issued pursuant to the Company's Stock Option Plans (see, "Executive Compensation"), as follows:

| Date | Purchaser | Number of Shares | Per Share Consideration |
|------|-----------|------------------|-------------------------|
|------|-----------|------------------|-------------------------|

| | | | |
|-----------|---------------|--------|--------|
| Dec. 1996 | David Edell | 30,000 | \$.50 |
| Dec. 1996 | Ira W. Berman | 30,000 | .50 |

Each of the Purchasers is a director and/or officer. (See, "Directors And Executive Officers") The registration exemption relied upon is that afforded by Section 4(2) of the Securities Act of 1933.

As at February 6, 1998, there were approximately 350 holders of shares of the Company's equity stock. (There are a substantial number of shares held of record in various street and depository trust accounts which represent approximately 1000 additional shareholders.)

The Company has never paid any Common Stock dividend.

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Item 6. SELECTED FINANCIAL DATA

<TABLE>

<CAPTION>

| | Year Ended November 30, | | | | |
|---|-------------------------|--------------|--------------|--------------|--------------|
| | 1997 | 1996 | 1995 | 1994 | 1993 |
| | (Restated) | (Restated) | (Restated) | (Restated) | (Restated) |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Statement of Income | | | | | |
| Sales | \$ 37,708,922 | \$39,469,098 | \$36,849,803 | \$47,311,591 | \$43,973,633 |
| Other income | 293,953 | 235,925 | 316,928 | 357,080 | 367,248 |
| | 38,002,875 | 39,705,023 | 37,166,731 | 47,668,671 | 44,340,881 |
| Costs and Expenses | 34,730,052 | 37,790,397 | 39,397,255 | 42,956,794 | 40,020,477 |
| Income (Loss) Before Provision for Income Taxes | 3,272,823 | 1,914,626 | (2,230,524) | 4,711,877 | 4,320,404 |
| Net Income (Loss) | 2,031,494 | 1,051,334 | (1,354,584) | 2,846,750 | 2,605,818 |
| Earnings Per Share: | | | | | |
| Net Income (Loss) | \$.25 | \$.13 | (\$.20) | \$.35 | \$.32 |
| Weighted Average Number of Shares Outstanding | 8,108,482 | 7,989,383 | 6,794,368 | 8,116,489 | 8,033,460 |

</TABLE>

<TABLE>

Balance Sheet Data:

<CAPTION>

| | As At November 30, | | | | |
|-----------------|--------------------|--------------|--------------|--------------|--------------|
| | 1997 | 1996 | 1995 | 1994 | 1993 |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Working Capital | \$11,331,810 | \$ 9,367,639 | \$ 8,191,830 | \$ 7,777,269 | \$ 5,576,218 |
| Total Assets | 19,224,291 | 17,038,752 | 18,138,359 | 20,236,182 | 18,370,094 |

| | | | | | |
|----------------------------|------------|------------|------------|------------|-----------|
| Total Liabilities | 5,139,768 | 4,983,870 | 7,287,570 | 8,293,534 | 9,127,235 |
| Total Stockholders' Equity | 14,084,522 | 12,054,882 | 10,850,788 | 11,942,648 | 9,242,859 |

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Under the terms of the Alleghany Pharmacal License (see "Business-License Agreements"), the royalty-rate for those Alleghany Pharmacal License products now 'charged' at 6% will be reduced to 1% after the sum of \$9,000,000 in royalties has been paid thereunder. (Certain products subject of the license are, even now, 'charged' at only 1%. See "Business-License Agreements")

As at November 30, 1997, the Company had paid or accrued \$5,671,760 in royalty payments.

Comparison of Results for Fiscal Years 1997 and 1996

The Company's revenues decreased from \$39,705,023 in fiscal 1996, to \$38,002,875 in fiscal 1997, due in part to the mergers and consolidations of major customers, which impacted upon previously planned sales promotions.

Gross margins for the year were 62% in both 1997 and 1996. Advertising, cooperative and promotional expenses were \$8,450,461 and 22% of sales, in 1997, and \$10,655,495 and 27% of sales, in 1996.

Selling, general and administrative expenses were \$11,146,894 and 29.5% of sales in 1997, and \$11,408,154 and 29% of sales in 1996.

Comparison of Results for Fiscal Years 1996 and 1995

The Company's revenues for fiscal 1996 increased to \$39,705,023, from \$37,166,730 in 1995. The increase was due principally to a substantial increase in foreign sales, and a slight increase in domestic sales.

Gross margins for the year were 62% in 1996 and 62% in 1995. Advertising, cooperative and promotional expenses were \$10,655,496, and 27% of sales, in 1996, and \$13,332,216, and 36% of sales, in 1995.

Selling, general and administrative expenses were \$11,408,154, and 29% of sales in 1996, and \$11,253,543, and 31% of sales, in 1995.

Liquidity and Capital Resources

As at November 30, 1997, the Company had working capital of \$11,024,121 as compared to \$9,070,115 at November 30, 1996. The ratio of total current assets

to current liabilities was 3.14 to 1, as compared to a ratio of 2.82 to 1 for the prior year. Stockholders' equity increased to \$13,727,991 from \$11,724,209.

The Company's cash position at year end increased to \$3,649,774 from \$1,422,783 as at November 30, 1996. The increase came mostly from net cash provided by operating activities of approximately \$3,194,000. The Company utilized approximately \$169,000 in the acquisition of property and equipment, \$20,000 for intangible assets, \$40,000 for loans to officers, \$5,000 to buy back treasury stock and \$60,000 to increase its marketable security portfolio.

Management adjusted its advertising budget in line with its sales projections for fiscal 1997, reducing its advertising, cooperative and promotional expenditures to \$8,450,461 from \$10,655,495.

Sales decreased \$1,760,176, from \$39,469,098 in 1996 to \$37,708,922 in 1997. Gross profit margin on 1997 sales remained at the 62% achieved in 1996. Thus, assuming that same 62% margin, the decrease in sales 'cost' \$1,091,309

in gross-profit-margin terms, but was more than offset by the \$2,205,034 decrease in advertising, cooperative and promotional expenses, which substantially accounted for the pre-tax profit of \$3,272,823 in 1997, compared to \$1,914,626 in 1996.

The Company's selling general and administrative expenses were substantially the same in 1997 and 1996 [\$11,146,894 vs. \$11,408,154]. Inventories [\$6,014,672 vs. \$5,875,742] were up \$138,930, and accounts receivable [\$3,931,273 vs. \$4,017,500] decreased \$86,227. Current liabilities [\$5,139,768 vs. \$4,983,870] increased by \$155,898. Cash at the beginning of the year was \$1,422,783, and increased to \$3,649,774 at year end.

As of November 30, 1997, the Company had paid the remainder of a term note from a banking institution, and still had a \$3,000,000 line of credit at 1% below prime. As at November 30, 1997, the Company was not utilizing any of the funds available under this credit line. The Company has issued a security agreement in connection with the bank financing.

Inventory, Seasonality, Inflation and General Economic Factors

The Company attempts to keep its inventory for every product at levels that will enable shipment against orders within a three week period. However, certain components must be inventoried well in advance of actual orders because of time-to-acquire circumstances. For the most part, purchases are based upon projected quarterly requirements, which are projected based upon sales indications received by the sales and marketing departments, and general

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business factors. All of the Company's contract-manufacture products and components are purchased from non-affiliated entities. Warehousing is provided at Company facilities, and all products are shipped from the Company's warehouse facilities.

The Company does not believe that any of its products are seasonal in nature other than its depilatory and diet brands, which are more active during the Spring and Summer seasons. The Company does not have a product that can be identified as a "Christmas" item.

Because its products are sold to retail stores (throughout the United States and, in small part, abroad), sales are particularly affected by general economic conditions. Accordingly, any adverse change in the economic climate can have an adverse impact on the Company's sales and financial condition. The Company does not believe that inflation or other general economic circumstance that would negatively affect costs can be predicted, but if such circumstances should occur, they could have material and negative impact on the Company's net sales and revenues, unless the Company were able to pass along related cost increases to its customers.

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Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Financial Statements are listed under Item 14 in this Form 10-K. The following financial data is a summary of the quarterly results of operations (unaudited) during and for the years ended November 30, 1997 and 1996:

Three Months Ended

| Fiscal 1997 | Feb. 28 | May 31 | Aug. 31 | Nov. 30 |
|----------------------------|-------------|--------------|--------------|-------------|
| Net Sales | \$8,617,289 | \$10,552,412 | \$10,227,594 | \$8,311,627 |
| Total Revenue | 8,698,517 | 10,625,347 | 10,309,203 | 8,369,808 |
| Cost of Pro- ducts Sold | 3,076,627 | 3,940,006 | 3,850,509 | 3,593,222 |
| Net Income | 310,001 | 706,712 | 726,253 | 262,669 |

| | | | | |
|--------------------------------|-----|-----|-----|-----|
| Net Income per common share | .04 | .09 | .09 | .03 |
|--------------------------------|-----|-----|-----|-----|

Three Months Ended

| | | | | |
|--------------------------------|--------------|--------------|--------------|-------------|
| Fiscal 1996 | Feb. 28 | May 31 | Aug. 31 | Nov. 30 |
| Net Sales | \$10,125,118 | \$10,498,104 | \$10,232,749 | \$8,613,127 |
| Total Revenue | 10,185,709 | 10,551,604 | 10,283,988 | 8,683,722 |
| Costs of Pro- ducts Sold | 3,855,577 | 4,002,443 | 3,872,840 | 3,440,195 |
| Net Income | 368,160 | 464,585 | 152,116 | 130,073 |
| Net Income per common share | .05 | .05 | .02 | .02 |

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS
ON ACCOUNTING AND FINANCIAL DISCLOSURE

The Company did not change its accountants within the twenty-four months prior to the date of the most recent financial statements (nor since), and

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had no reported disagreement with its accountants on any matter of accounting principles or practices.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS

The Executive Officers and Directors of the Company are as follows:

| NAME | POSITION | YEAR OF FIRST COMPANY SERVICE |
|------------------|---|----------------------------------|
| David Edell | President and Chief Executive Officer, Director | 1983 |
| Ira W. Berman | Chairman of the Board of Directors, Secretary, Executive Vice President | 1983 |
| Dunnan Edell | Executive Vice Pres.- Sales, Director | 1984 |
| Drew Edell | Vice President- Manufacturing and New Product Development | 1983 |
| Stanley Kreitman | Director | 1986 |
| John Bingman | Treasurer | 1986 |
| Jack Polak | Director | 1983 |
| Sidney Dworkin | Director | 1985 |
| Rami G. Abada | Director | 1997 |

David Edell, age 66, is President and Chief Executive Officer. Prior to his association with the Company he was a marketing and financial consultant; and, by 1983, he had extensive experience in the health and beauty aids field as an executive director and/or officer of Hazel Bishop, Lanolin Plus and Vitamin Corporation of America.

Ira W. Berman, age 66, is the Company's Executive Vice President and Corporate Secretary. He is also Chairman of the Board of Directors. Mr.

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Berman is an attorney who has been engaged in the practice of law since 1955. He received a Bachelor of Arts Degree (1953) and Bachelor of Laws Degree (1955) from Cornell University, and is a member of the American Bar Association.

Dunnan Edell, the 42 year-old son of David Edell, became a director in 1994. A Senior Vice President-Sales, he joined the Company in 1984, and was appointed Divisional Vice-President in 1986. He was employed by Alleghany Pharmacial Corporation from 1982 to 1984, and by Hazel Bishop from 1977 to 1981.

Drew Edell, the 40 year-old son of David Edell, is a graduate of Pratt Institute, where he received a Bachelor's degree in Industrial Design. He has been associated with the Company since 1983. In March 1985 he was appointed Vice President-Product Development and Production.

John Bingman, age 46, received a Bachelor of Science degree from Farleigh Dickenson University in 1973. He is a certified public accountant who practiced with the New Jersey accounting firm of Zarrow, Zarrow & Klein from 1976 to 1986.

Jack Polak, age 85, has been a private investment consultant since April 1982, and holds a tax consultant certification in The Netherlands. From 1977 until 1995, he was a director of Petrominerals Corporation, a public company engaged in oil and gas production, located in Tustin, California. From August 1993 until February 1995, he was a director of Convergent Solutions, Inc. Since February 1995 (upon a merger involving Convergent Solutions), he has been a director of K.T.I. Industries, Inc. of Guttenberg, NJ, and a member of its Board's Audit and Compensation Committee. K.T.I. is a public company engaged in the waste - to - energy business.

Stanley Kreitman, age 66, has been Vice Chairman of the Board of Manhattan Associates, an equity - investment firm, since 1994. He is also a director of Medallion Financial Corp., an SBIC. Mr. Kreitman has been Chairman of the Board of Trustees of the New York Institute of Technology since 1989, and of Crime- Stoppers Nassau County (NY), since 1994. He is also a director and/or executive committee member of the following organizations: The New York City Board of Corrections, The New York City Police Foundation, St. Barnabas Hospital, The New York College of Osteopathic Medicine, and the Police Athletic League. From 1975 until 1993, he was President of United States Banknote Corporation, a security printer.

Sidney Dworkin, age 77, has been a director since 1985. He was one of the founders, and from 1966 until 1987, was the President and Chairman of the Board of Revco D.S., Inc., one of the largest drug store chains in the United

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States. (He terminated his association with Revco in September 1987.) Mr. Dworkin is a certified public accountant and a graduate of Wayne State University. He is also a director of Northern Technologies, International, Inc., Crager Industries, Inc., Entile Company Inc., Q.E.P. Company, Inc., and Viragen Inc., and is Chairman of the boards of Comtrex Systems, Inc., MarbleEdge Group, Inc., and Interactive Technologies, Inc. He was a director of Neutrogena Corp. until its acquisition by Johnson & Johnson, and is a former Chairman of the National Association of Chain Drug Stores.

Rami G. Abada, age 38, is the President and Chief Operating Officer of the publicly-owned Jennifer Convertibles, Inc. He has been its Chief Operating Officer since April of 1994, and was Executive Vice President from April 1994 to December 1997. From 1982 to 1994, he was a Vice President of Operations in the Jennifer Convertibles organization. Mr. Abada, who is Ira Berman's

son-in-law, earned a B.B.A. in 1981 upon his graduation from Bernard Baruch College of The City University of New York.

Item 11. EXECUTIVE COMPENSATION

i. Summary Compensation Table

The following table summarizes compensation earned in 1997, 1996 and 1995 by all of the executive officers whose fiscal 1997 compensation exceeded \$100,000, including the Chief Executive Officer (the "named officers").

| Name and Principal Position | Annual Compensation | | Long-Term Compensation | | | |
|--|---------------------|-----------------|---|--------------------------------|---------------------|---|
| | Year | Salary Bonus | Number of Other Shares Long- Covered Term All Covered Term Other by com- pensation(1) | Stock Options Granted(2) | pen- sa- tion | |
| David Edell, President and Chief Executive Officer | 1997 | \$357,305 | \$171,254 | \$24,812 | 100,000 | 0 |
| | 1996 | 337,080 | 131,896 | 21,560 | - | 0 |
| | 1995 | 318,000 | 63,600 | 18,456 | - | 0 |
| Ira W. Berman, Secretary and Executive Vice President | 1997 | \$357,305(3) | \$171,254 | \$22,345 | 100,000 | 0 |
| | 1996 | 337,080(4) | 131,896 | 22,876 | - | 0 |
| | 1995 | 318,000(5) | 63,600 | 17,096 | - | 0 |

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| Name and Principal Position | Annual Compensation | | Long-Term Compensation | | | |
|--|---------------------|-----------------|---|--------------------------------|---------------------|---|
| | Year | Salary Bonus | Number of Other Shares Long- Covered Term All Covered Term Other by com- pensation(1) | Stock Options Granted(2) | pen- sa- tion | |
| Dunnan Edell, Executive Vice President -- Sales | 1997 | \$200,000 | \$25,000 | \$14,898 | 50,000 | 0 |
| | 1996 | 185,096 | 25,000 | 15,659 | - | 0 |
| | 1995 | 175,000 | 3,365 | 13,440 | 25,000 | 0 |
| Drew Edell, Vice Presi- dent-Manufact- uring | 1997 | \$131,800 | \$15,000 | \$ 2,283 | 50,000 | 0 |
| | 1996 | 112,100 | 15,000 | 12,063 | - | 0 |
| | 1995 | 98,000 | 1,885 | 2,925 | 25,000 | 0 |

(1) Includes the personal-use value of Company-leased automobiles, the value of Company-provided life insurance, and health insurance that is made available to all employees, plus directors fees paid to Messrs. David Edell, Ira Berman and Dunnan Edell.

(2) Information in respect of stock option plans appears below in the sub-topic, Employment Contracts/Executive Compensation Program.

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(3) Includes \$99,396 paid to Ira W. Berman & Associates, P.C.

(4) Includes \$110,046 paid to Ira W. Berman & Associates, P.C.

(5) Includes \$99,396 paid to the New York City law firm of Berman & Murray, where Mr. Berman was the Senior Partner through 1995.

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ii. 1997 Option Grants, Fiscal Year Option Exercises, Year-End Option Valuation

Fiscal 1997 Option Grants To Named Officers

| | % of Total Options Granted | | Potential | |
|-----------------------------------|-------------------------------------|-------------------------|-------------------------------------|---------------------|
| Number of Underlying Shares | To All Employees | Expir- ation Date | Realizable Values(1) 5% / 10% | |
| David Edell | 100,000 | 33.3 | Aug. 1, 2007 | \$157,224/\$398,436 |
| Ira W. Berman | 100,000 | 33.3 | Aug. 1, 2007 | 157,224/ 398,436 |
| Dunnán Edell | 50,000 | 16.7 | Aug. 1, 2007 | 78,612/ 199,218 |
| Drew Edell | 50,000 | 16.7 | Aug. 1, 2007 | 78,612/ 199,218 |

 (1) The figures shown as Potential Realizable Values are net gains that could be realized if assumed rates of appreciation of 5% and 10% per annum, were to result during the term of the options. The SEC requires the presentation of these assumptions and information based thereon, and no part is intended to forecast possible future appreciation. Actual net gains, if any, are dependent upon the actual future performance of the Company's Common Stock, and overall economic conditions.

The next table identifies 1997 fiscal-year option exercises by named officers, and reports a valuation of their options.

Fiscal 1997 Aggregated Option Exercises and November 30, 1997 Option Values

| Number of Shares Acquired On Exercise | Number of Shares Covered by Unexercised Options at November 30, 1997 | Value of Unexer- cised In-the-Money Options at November 30, 1997(1) | | |
|--|--|---|---------|-------------|
| David Edell | 30,000 | \$49,687 | 567,500 | \$1,628,313 |

| | | | | |
|---------------|--------|--------|---------|-----------|
| Ira W. Berman | 30,000 | 49,687 | 492,000 | 1,612,500 |
| Dunnan Edell | -0- | -0- | 25,000 | -0- |
| Drew Edell | -0- | -0- | 25,000 | -0- |

(1) Represents the difference between market price and the respective exercise prices of options at November 30, 1997.

iii. Compensation of Directors

Each director was paid \$2,000 per meeting for attendance of board meetings in fiscal 1997 (without additional compensation for committee meetings); and directors Rami G. Abada, Stanley Kreitman and Sidney Dworkin were each granted 25,000 options on August 1, 1997, exercisable through August 1, 2007, at \$2.50 per share. The full board met three times in 1997.

iv. Executive Compensation Principles; Audit and Compensation Committee

The Company's Executive Compensation Program is based on guiding principles designed to align executive compensation with Company values and objectives, business strategy, management initiatives, and financial performance. In applying these principles the Audit and Compensation Committee of the Board of Directors, comprised of David Edell, Ira W. Berman, Stanley Kreitman and Jack Polak, which met three times in 1997, has established a program to:

- * Reward executives for long-term strategic management and the enhancement of shareholder value.
- * Integrate compensation programs with both the Company's annual and long-term strategic planning.
- * Support a performance-oriented environment that rewards performance not only with respect to Company goals but also Company performance as compared to industry performance levels.

v. Employment Contracts/Compensation Program

The total compensation program consists of both cash and equity based compensation. The Audit and Compensation Committee (the "Committee") determines the level of salary and bonuses, if any, for key executive officers other than

Messrs. David Edell and Ira Berman. The Committee determines the salary or salary range based upon competitive norms. Actual salary changes are based upon performance.

Bonuses (see the Summary Compensation Tables), other than Mr. David Edell's and Mr. Berman's, were awarded in consideration of the Company's performance during 1997.

On March 17, 1994, the Board of Directors approved 10-year employment contracts for David Edell and Ira Berman (with Mr. Edell and Mr. Berman abstaining). 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.

Long-term incentives are provided through the issuance of stock options.

vi. Stock Option Plans

The Company's 1984 Stock Option Plan covered 1,500,000 shares of its Common Stock.

The Company's 1986 Stock Option Plan covered 1,500,000 shares of its Common Stock.

The Company's 1994 Stock Option Plan covers 1,000,000 shares of its Common Stock.

The 1994 Option Plan provides (as had the 1984 and 1986 plans) for the granting of two (2) types of options: "Incentive Stock Options" and "Nonqualified Stock Options". The Incentive Stock Options (but not the Nonqualified Stock Options) are intended to qualify as "Incentive Stock Options" as defined in Section 422(a) of The Internal Revenue Code. The Plans are not qualified under Section 401(a) of the Code, nor subject to the provisions of the Employee Retirement Income Security Act of 1974.

Options may be granted under the Options Plans to employees (including officers and directors who are also employees) and consultants of the Company, provided, however, that Incentive Stock Options may not be granted to any non-employee director or consultant.

Option plans are administered and interpreted by the Board of Directors. (Where issuance to a Board member is under consideration, that member must abstain.) The Board has the power, subject to plan provisions, to determine the persons to whom and the dates on which options will be granted, the number

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of shares subject to each option, the time or times during the term of each when options may be exercised, and other terms. The Board has the power to delegate administration to a Committee of not less than two (2) Board members, each of whom must be disinterested within the meaning of Rule 16b-3 under the Securities Exchange Act, and ineligible to participate in the option plan or in any other stock purchase, option or appreciation right under plan of the Company or any affiliate. Members of the Board receive no compensation for their services in connection with the administration of option plans.

Option Plans permit the exercise of options for cash, other property acceptable to the Board or pursuant to a deferred payment arrangement. The 1994 Plan specifically authorizes that payment may be made for stock issuable upon exercise by tender of Common Stock of the Company; and the Executive Committee is authorized to make loans to option exercisers to finance optionee tax-consequences in respect of option exercise, but such loans must be personally guaranteed and secured by the issued stock.

The maximum term of each option is ten (10) years. No option granted is transferable by the optionee other than upon death.

Under the plans, options will terminate three (3) months after the optionee ceases to be employed by the Company or a parent or subsidiary of the Company unless (i) the termination of employment is due to such person's permanent and total disability, in which case the option may, but need not, provide that it may be exercised at any time within one (1) year of such termination (to the extent the option was vested at the time of such termination); or (ii) the optionee dies while employed by the Company or a parent or subsidiary of the Company or within three (3) months after termination of such employment, in which case the option may, but need not provide that it may be exercised (to the extent the option was vested at the time of the optionee's death) within eighteen (18) months of the optionee's death by the person or persons to whom the rights under such option pass by will or by the laws of descent or distribution; or (iii) the option by its terms specifically provides otherwise.

The exercise price of all nonqualified stock options must be at least equal to 85% of the fair market value of the underlying stock on the date of grant. The exercise price of all Incentive Stock Options must be at least equal to the fair market value of the underlying stock on the date of grant. The aggregate fair market value of stock of the Company (determined at the date of the option grant) for which any employee may be granted Incentive Stock Options in any calendar year may not exceed \$100,000, plus certain

carryover allowances. The exercise price of an Incentive Stock Option granted to any participant who owns stock possessing more than ten (10%) of the voting

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rights of the Company's outstanding capital stock must be at least 110% of the fair market value on the date of grant and the maximum term may not exceed five (5) years.

Consequences to the Company: There are no Federal income tax consequences to the Company by reason of the grant or exercise of an Incentive Stock Option.

As at November 30, 1997, 1,529,500 stock options, yet exercisable, to purchase 1,529,500 shares of the Company's Common Stock, were outstanding.

vii. Performance Graph

Set forth below is a line graph comparing cumulative total shareholder return on the Company's Common Stock, with the cumulative total return of companies in the NASDAQ Stock Market (U.S.) and the cumulative total return of Dow Jones's Cosmetics/Personal Care Index.

[Chart Appears Here]

Cumulative Total Return

11/92 11/93 11/94 11/95 11/96 11/97

| | | | | | | |
|----------------------------|--------|--------|--------|--------|--------|--------|
| CCA Industries, Inc. | 100.00 | 378.57 | 214.29 | 82.14 | 132.14 | 135.71 |
| DJ Equity Market | 100.00 | 109.88 | 110.77 | 152.58 | 195.23 | 250.10 |
| DJ Cosmetics/Personal Care | 100.00 | 98.25 | 119.12 | 160.96 | 216.14 | 262.08 |

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the ownership of the Company's Common Stock and/or Class A Common Stock as of February 6, 1998 by (i) all those known by the Company to be owners of more than five percent of the outstanding shares of Common Stock or Class A Common Stock, (ii) the "named officers," including the Chief Executive Officer (see Executive Compensation-Summary Compensation Table); (iii) each officer and director; and (iv) all officers and directors as a group. Unless otherwise indicated, each of the shareholders has sole voting and investment power with respect to the shares owned (subject to community property laws, where applicable), and is beneficial owner of them.

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| Name and Address | Ownership, As A Percentage of | | |
|---|-------------------------------|------------------------|------|
| | Number of Shares Owned: | All Shares Outstanding | |
| | Common Stock | Class A | |
| David Edell c/o CCA Industries, Inc. 200 Murray Hill Parkway East Rutherford, NJ 07073 | 234,685 | 484,615 | 8.69 |
| Ira W. Berman c/o CCA Industries, Inc. | 204,745 | 473,675 | 8.19 |
| Jack Polak | 25,000 | 47,700 | 0.88 |

90 Park Avenue
New York, NY 10016

Rami G. Abada - - -
c/o CCA Industries, Inc.

Stanley Kreitman - - -
c/o CCA Industries, Inc.

Dunnan Edell 51,250 - 0.62
c/o CCA Industries, Inc.

Drew Edell 51,250 - 0.62
c/o CCA Industries, Inc.

Sidney Dworkin 50,000 - 0.60
1550 No. Powerline Road
Pompano, FL 33069

John Bingman - - -
c/o CCA Industries, Inc.

Officers and Directors 616,930 1,005,930 19.60
as a group (9 persons)

(1) David Edell, Ira Berman and Jack Polak own over 98% of the outstanding shares of Class A Common Stock. Messrs. David Edell, Dunnan Edell and Ira Berman are officers and directors. Messrs. Bingman and Drew Edell are officers. Messrs. Abada, Kreitman, Polak, and Dworkin are directors.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

As at November 30, 1997, Company loans, to Drew Edell, an officer, and Dunnan Edell, a director and officer, in the principal sums of \$40,000 and \$25,250, respectively, were outstanding. The loans, secured by second mortgages upon real properties, carry interest at 1% over prime, payable semi-annually.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K

Financial Statements:

Table of Contents, Independent Auditors' Report, Consolidated Balance Sheets as of November 30, 1997 and 1996, Consolidated Statements of Income for the years ended November 30, 1997, 1996 and 1995, Consolidated Statements of Shareholders' Equity for the periods December 1, 1994 through November 30, 1996, Consolidated Statements of Cash Flows for the years ended November 30, 1997, 1996 and 1995, Notes to Consolidated Financial Statements.

Financial Statement Schedules:

Schedule II Valuation Accounts; Years Ended Nov. 30, 1997, 1996 and 1995

Exhibits:

- (a) The Company's Articles of Incorporation and Amendments thereof, and its By-Laws, are incorporated by reference to their filing with the Form 10-K A filed April 5, 1995. (Exhibit pages 000001-23).
- (b) The Following Material Contracts and Amendments are incorporated by reference to their filing with the Form 10-KA filed April 5, 1995: Amended and Restated Employment Agreements, with David Edell and Ira Berman; License Agreement made February 12, 1986 with Alleghany Pharmacal Corporation (Exhibit pages 000056-90).
- (c) The Company's 1994 Stock Option Plan is incorporated by reference to its filing as an exhibit printed in the 1994 Proxy Statement, filed on or about May 15, 1994.
- (d) Exhibit 11: Statement re Per Share Earnings

No Form 8-K was filed during the last quarter of 1997.

Shareholders may obtain a copy of any exhibit not filed herewith by writing to CCA Industries, Inc., 200 Murray Hill Parkway, East Rutherford, New Jersey 07073.

PART IV, ITEM 14. (d) (Continued) EXHIBIT 11
<TABLE>

CCA INDUSTRIES, INC. AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER SHARE

<CAPTION>

| | Year Ended November 30, | | |
|---|-------------------------|--------------------|--------------------|
| | 1997 (Restated) | 1996 (Restated) | 1995 (Restated) |
| <S> | <C> | <C> | <C> |
| Primary: | | | |
| Average shares outstanding | 7,205,904 | 7,120,099 | 6,794,368 |
| Net effect of dilutive stock options--based on the treasury stock method using average market price | 902,578 | 869,284 | * |
| TOTALS | 8,108,482 | 7,989,383 | 6,794,368 |
| Net income (Loss) | \$ 2,031,494 | \$1,051,334 | (\$1,354,584) |
| Per share amount | \$.25 | \$.13 | (\$.20) |

| | | | |
|---|--------------|-------------|---------------|
| Fully Diluted: | | | |
| Average shares outstanding | 7,205,904 | 7,120,099 | 6,794,368 |
| Net effect of dilutive stock options--based on the treasury stock method using higher of ending or average market price | 902,578 | 869,284 | * |
| TOTALS | 8,108,482 | 7,989,383 | 6,794,368 |
| Net income (Loss) | \$ 2,031,494 | \$1,051,334 | (\$1,354,584) |
| Per share amount | \$.25 | \$.13 | (\$.20) |

</TABLE>

* Anti-dilutive

SIGNATURES

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

CCA INDUSTRIES, INC.

By: s/ David Edell
DAVID EDELL, President

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

| Signature | Title | Date |
|---|--|-------------------|
| s/ David Edell DAVID EDELL | President, Director, Chief Executive Officer, and Chief Financial Officer | February 25, 1998 |
| s/ Ira W. Berman IRA W. BERMAN | Chairman of the Board of Directors, Executive Vice President, Secretary | February 25, 1998 |
| s/ Dunnan Edell DUNNAN EDELL | Vice President, Director | February 25, 1998 |
| s/ Stanley Kreitman STANLEY KREITMAN | Director | February 25, 1998 |
| s/ Rami Abada RAMI ABADA | Director | February 25, 1998 |
| s/ Jack Polak JACK POLAK | Director | February 25, 1998 |
| s/ Sidney Dworkin SIDNEY DWORKIN | Director | February 25, 1998 |

CCA INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

(RESTATED)

NOVEMBER 30, 1997 AND 1996

C O N T E N T S

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS (RESTATED) 1

FINANCIAL STATEMENTS:

CONSOLIDATED BALANCE SHEETS (RESTATED) 2-3

CONSOLIDATED STATEMENTS OF INCOME (LOSS) (RESTATED) 4

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (RESTATED) 5

CONSOLIDATED STATEMENTS OF CASH FLOWS (RESTATED) 6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (RESTATED) 7-23

INDEPENDENT AUDITORS' REPORT

East Rutherford, New Jersey

We have audited the consolidated balance sheets of CCA Industries, Inc. and Subsidiaries as of November 30, 1997 and 1996, and the related consolidated statements of income (loss), shareholders' equity and cash flows for each of the three years in the period ended November 30, 1997. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements and related schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain a reasonable assurance about whether the financial statements and related schedules 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 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, 1997 and 1996, and the consolidated results of their operations and their cash flows for each of the three years in the period ended November 30, 1997, in conformity with generally accepted accounting principles.

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 part of the basic consolidated financial statements. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, present fairly, in all material respects, in relation to the basic consolidated financial statements.

As discussed in Note 17 to the financial statements, the Company restated the 1997, 1996 and 1995 financial statements to amend the application of accounting for income taxes.

SHEFT KAHN & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

January 30, 1998
Jericho, New York

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<TABLE>

CCA INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

A S S E T S

<CAPTION>

| | November 30, | |
|--|--------------|--------------|
| | 1997 | 1996 |
| | (Restated) | (Restated) |
| <S> | <C> | <C> |
| Current Assets | | |
| Cash and cash equivalents | \$ 3,649,774 | \$ 1,422,783 |
| Short-term investments and marketable securities (Notes 2 and 6) | 1,926,513 | 1,546,289 |
| Accounts receivable, net of allowances of \$664,325 and \$1,066,549, respectively (Note 8) | 3,931,273 | 4,017,500 |
| Inventories (Notes 2, 3 and 8) | 6,014,672 | 5,875,742 |
| Prepaid expenses and sundry receivables | 248,553 | 603,952 |

| | | |
|--|------------------|------------------|
| Due from officers - Current | 1,500 | 3,900 |
| Prepaid income taxes and refunds due | - | 87,552 |
| Deferred income taxes (Note 9) | 699,294 | 793,791 |
| Total Current Assets | 16,471,579 | 14,351,509 |
| Property and Equipment, net of accumulated depreciation and amortization (Notes 2 and 4) | 486,029 | 729,706 |
| Intangible Assets, net of accumulated amortization (Notes 2 and 5) | 163,640 | 155,037 |
| Other Assets | | |
| Marketable securities (Notes 2 and 6) | 1,874,175 | 1,634,592 |
| Due from officers - Non-current | 65,250 | 25,250 |
| Deferred income taxes (Note 9) | 111,006 | 88,441 |
| Other | 52,612 | 54,217 |
| Total Other Assets | 2,103,043 | 1,802,500 |
| Total Assets | \$19,224,291 | \$17,038,752 |

</TABLE>

See Notes to Consolidated Financial Statements.

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<TABLE>

CCA INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' EQUITY

<CAPTION>

| | | |
|--|--------------|------------|
| | November 30, | |
| | 1997 | 1996 |
| | (Restated) | (Restated) |

<S>

<C>

<C>

Current Liabilities

| | | |
|--|---------------|---------------|
| Notes payable - Current portion (Note 8) | \$ - | \$ 163,500 |
| Accounts payable and accrued liabilities (Note 11) | 5,053,665 | 4,794,865 |
| Income taxes payable (Note 9) | 86,104 | 25,505 |
| Total Current Liabilities | 5,139,769 | 4,983,870 |

Commitments and Contingencies
(Note 13)

Shareholders' Equity

| | | |
|---|------------|------------|
| Common stock, \$.01 par; authorized 15,000,000 shares; issued and outstanding 6,192,621 and 6,012,621 shares, respectively | 61,927 | 60,126 |
| Class A common stock, \$.01 par; authorized 5,000,000 shares; issued and outstanding 1,020,930 and 1,154,930 shares, respectively | 10,209 | 11,549 |
| Additional paid-in capital | 4,454,763 | 4,455,224 |
| Retained earnings | 9,578,329 | 7,546,836 |
| Unrealized gains (losses) on marketable securities (Note 6) | (2,737) | (6,353) |
| | 14,102,491 | 12,067,382 |
| Less: Treasury Stock (7,500 and 5,000 shares at November 30, 1997 and November 30, 1996, respectively) | 17,969 | 12,500 |

Total Shareholders' Equity 14,084,522 12,054,882

Total Liabilities and Shareholders' Equity \$19,224,291 \$17,038,752

</TABLE>

See Notes to Consolidated Financial Statements.

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<TABLE>

CCA INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

<CAPTION>

| | Year Ended November 30, | | |
|---|-------------------------|--------------|----------------|
| | 1997 | 1996 | 1995 |
| | (Restated) | (Restated) | (Restated) |
| <S> | <C> | <C> | <C> |
| Revenues | | | |
| Sales of health and beauty aid products, net | \$37,708,922 | \$39,469,098 | \$36,849,803 |
| Other income | 293,953 | 235,925 | 316,928 |
| | 38,002,875 | 39,705,023 | 37,166,731 |
| Costs and Expenses | | | |
| Cost of sales | 14,460,364 | 15,171,055 | 14,171,030 |
| Selling, general and administrative expenses | 11,146,894 | 11,408,154 | 11,253,593 |
| Advertising, cooperative and promotions | 8,450,461 | 10,655,495 | 13,332,216 |
| Research and development | 684,224 | 459,082 | 496,716 |
| Provision for doubtful accounts (| 17,779) | 45,855 | 87,697 |
| Interest expense | 5,888 | 50,756 | 56,003 |
| | 34,730,052 | 37,790,397 | 39,397,255 |
| Income (Loss) before Provision for Income Taxes | 3,272,823 | 1,914,626 | (2,230,524) |
| Provision for Income Tax (Benefit) | 1,241,329 | 863,292 | (875,940) |
| Net Income (Loss) | \$ 2,031,494 | \$ 1,051,334 | (\$ 1,354,584) |
| Weighted Average Shares Outstanding | 8,108,482 | 7,989,383 | 6,794,368 |
| Income Per Common Share (Note 2): | | | |
| Net Income (Loss) | \$.25 | \$.13 | (\$.20) |

</TABLE>

See Notes to Consolidated Financial Statements.

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<TABLE>

CCA INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED NOVEMBER 30, 1997, 1996 AND 1995

<CAPTION>

| | Common Stock Shares | Additional Paid-In Capital | Unrealized Gain (Loss) on Retained Earnings | Unrealized Gain (Loss) on Marketable Securities |
|----------------------------|---------------------|----------------------------|---|---|
| <S> | <C> | <C> | <C> | <C> |
| Balance - December 1, 1994 | | | | |

| | | | | | |
|--|-----------|----------|-------------|--------------|-------------|
| (Restated) | 6,789,451 | \$67,895 | \$4,275,534 | \$7,667,796 | (\$250,867) |
| Prior period adjustment | - | - | - | 182,289 | - |
| Issuance of common stock | 5,700 | 57 | 6,473 | - | - |
| Net loss for the year (Restated) | - | - | - | (1,354,584) | - |
| Unrealized gain on marketable securities | - | - | - | 256,195 | |
| Balance - December 1, 1995 | | | | | |
| (Restated) | 6,795,151 | 67,952 | 4,282,007 | 6,495,501 | 5,328 |
| Issuance of common stock | 372,400 | 3,724 | 173,216 | - | - |
| Net Income for the year (Restated) | - | - | - | 1,051,334 | - |
| Unrealized (loss) on marketable securities | - | - | - | (11,681) | |
| Purchase of Treasury Stock | (5,000) | (50) | (12,450) | - | - |
| Balance - December 1, 1996 | | | | | |
| (Restated) | 7,162,551 | 71,626 | 4,442,773 | 7,546,835 | (6,353) |
| Issuance of common stock | 46,000 | 460 | (460) | - | - |
| Net Income for the year (Restated) | - | - | - | 2,031,494 | - |
| Unrealized gain on marketable securities | - | - | - | 3,616 | |
| Purchase of Treasury Stock | (2,500) | (25) | (5,444) | - | - |
| Balance - November 30, 1997 | | | | | |
| (Restated) | 7,206,051 | \$72,061 | \$4,436,869 | \$9,578,329 | (\$ 2,737) |

</TABLE>

See Notes to Consolidated Financial Statements.

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<TABLE>

CCA INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED NOVEMBER 30,

<CAPTION>

1997 1996 1995
(Restated) (Restated) (Restated)

<S>

<C> <C> <C>

Cash Flows from Operating Activities:

| | | | |
|--|-------------|--------------|---------------|
| Net income (loss) | \$2,031,494 | \$1,051,334 | (\$1,354,584) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | | |
| Depreciation and amortization | 376,381 | 400,790 | 332,802 |
| Amortization of bond discount | 1,948 | 2,041 | 6,576 |
| Decrease (increase) in deferred income taxes | 71,932 | 244,263 | (397,339) |
| Loss (gain) on disposal of assets | 1,009 | (18,237) | 5 |
| Decrease in accounts receivable | 86,227 | 26,920 | 1,294,608 |
| (Increase) decrease in inventory | (138,930) | 538,355 | 1,104,429 |
| Decrease (increase) in prepaid expenses and sundry receivables | 355,399 | 288,741 | (608,999) |
| Increase (decrease) in accounts payable and accrued liabilities | 258,800 | (2,083,560) | (721,688) |
| Increase (decrease) in income taxes payable | 148,150 | 25,505 | (6,354) |
| Decrease (increase) in security | | | |

| | | | |
|--|--------------|--------------|------------|
| deposits | 1,605 | 8,447 | (12,094) |
| Net Cash Provided by (Used in) | | | |
| Operating Activities | 3,194,015 | 484,599 | (362,638) |
| Cash Flows from Investing Activities: | | | |
| Acquisition of property and equipment | (168,520) | (407,206) | (355,719) |
| Proceeds from sale of property | 40,960 | - | - |
| Payment for intangible assets | (20,448) | (36,664) | (49,764) |
| Purchase of marketable securities | (3,269,674) | (1,102,669) | (116,475) |
| Proceeds from sale of marketable securities | 2,657,227 | 2,253,778 | 1,353,894 |
| Proceeds of money due from officers | 2,400 | - | 19,731 |
| Loan to officers | (40,000) | - | - |
| (Decrease) in other assets | - | - | (6,192) |
| Net Cash Provided (Used In) | | | |
| Investing Activities | (798,055) | 707,239 | 845,475 |
| Cash Flows from Financing Activities: | | | |
| Proceeds from borrowings | - | 1,769,152 | 688,320 |
| Payment on debt | (163,500) | (2,014,797) | (966,242) |
| Proceeds from exercise of stock options | - | 176,940 | 6,530 |
| Purchase of treasury stock | (5,469) | (12,500) | - |
| Net Cash (Used In) | | | |
| Financing Activities | (168,969) | (81,205) | (271,392) |
| Net Increase In Cash | 2,226,991 | 1,110,633 | 211,445 |
| Cash at Beginning of Year | 1,422,783 | 312,150 | 100,705 |
| Cash at End of Year | \$3,649,774 | \$1,422,783 | \$ 312,150 |
| Supplemental Disclosures of Cash Flow Information: | | | |
| Cash paid during the year for: | | | |
| Interest | \$ 7,025 | \$ 54,487 | \$ 72,021 |
| Income taxes | 1,052,850 | 26,245 | 102,625 |

</TABLE>

See Notes to Consolidated Financial Statements

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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 subsidiaries (CCA Cosmetics, Inc., CCA Labs, Inc., and Berdell, Inc.), all of which are currently inactive.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (RESTATED)

Principles of Consolidation:

The consolidated financial statements include the accounts of CCA and its wholly-owned subsidiaries (collectively the "Company"). 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 1997, two officers/shareholders exercised in the aggregate 60,000 options in exchange for previously issued common stock. The common shares were put into treasury and were subsequently cancelled.

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CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Credits:

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

Income Per Common Share:

Income per common share has been computed using the weighted average number of shares of common stock outstanding during the periods based on the treasury stock method using average market price.

Fully diluted earnings per share are not presented because they are either anti-dilutive or result in dilution of less than 3%.

Revenue Recognition:

The Company recognizes sales at the time delivery occurs. 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.

Advertising Costs:

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

NOTE 3 - INVENTORIES

At November 30, 1997 and 1996, inventories consist of the following:

| | 1997 | 1996 |
|----------------|--------------|-------------|
| Raw materials | \$ 4,017,838 | \$4,065,961 |
| Finished goods | 1,996,834 | 1,809,781 |
| | \$ 6,014,672 | \$5,875,742 |

As at November 30, 1997 and 1996, the Company had reserves for inventory obsolescence of \$860,417 and \$679,675, respectively.

NOTE 4 - PROPERTY AND EQUIPMENT

At November 30, 1997 and 1996, property and equipment consisted of the following:

| | 1997 | 1996 |
|--|------------|------------|
| Machinery and equipment | \$ 236,582 | \$ 288,067 |
| Furniture and equipment | 329,526 | 280,942 |
| Transportation equipment | - | 1,917 |
| Tools, dies, and masters | 1,584,346 | 1,465,425 |
| Leasehold improvements | 108,474 | 108,474 |
| | 2,258,928 | 2,144,825 |
| Less: Accumulated depreciation and amortization | 1,772,899 | 1,415,119 |

Property and Equipment - Net \$ 486,029 \$ 729,706

Depreciation and amortization expense for the years ended November 30, 1997, 1996 and 1995 amounted to \$364,536, \$390,625 and \$325,609, respectively.

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - INTANGIBLE ASSETS

Intangible assets consist of the following at November 30, 1997 and 1996:

| | 1997 | 1996 |
|--------------------------------|----------------|---------------|
| Patents and trademarks | 211,596 | \$191,148 |
| Less: Accumulated amortization | 47,956 | 36,111 |
| Intangible Assets - Net | \$ 163,640 | \$155,037 |

Amortization expense for the years ended November 30, 1997, 1996 and 1995 amounted to \$11,845, \$10,165 and \$7,193, respectively.

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, 1997 and 1996 were as follows:

| | 1997 | | 1996 | |
|---|-----------------|-----------------|-----------------|-----------------|
| | CURRENT | NON-CURRENT | CURRENT | NON-CURRENT |
| Corporate obligations | \$ 99,006 | \$ 99,448 | \$447,384 | \$450,319 |
| Government obligations (including mortgage backed securities) | 1,827,503 | 1,827,065 | 886,711 | 891,346 |
| Preferred stock | - | - | 200,000 | 204,624 |
| Total | 1,926,509 | 1,926,513 | 1,534,095 | 1,546,289 |
| Non-Current: | | | | |
| Corporate obligations | 741,893 | 744,921 | 199,006 | 198,282 |
| Government obligations | 1,135,023 | 1,129,254 | 1,454,133 | 1,436,310 |
| Total | 1,876,916 | 1,874,175 | 1,653,139 | 1,634,592 |
| Total | \$3,803,425 | \$3,800,688 | \$3,187,234 | \$3,180,881 |

<TABLE>

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The market value at November 30, 1997 was \$3,800,688 as compared to \$3,180,881 at November 30, 1996. The cost and market values of the investments at November 30, 1997 were as follows:

<CAPTION>

| COL. A | COL. B | COL. C | COL. D | COL. E |
|---|------------------|---|--|---|
| Name of Issuer and Title of Each Issue | Maturity Date | Number of Units-Principal Amount of Interest Rate | Market Value of Each Issue Bonds and Notes | Amount at Which Each Portfolio Of Equity Security Issues and Each Other Security Cost of at Balance Sheet Date |
| | | | | Issue Carried in Balance Sheet |

CORPORATE OBLIGATIONS:

| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
|---------------------------|----------|--------|-----------|-----------|-----------|-----------|-----|
| AT&T | 6/01/98 | 4.750% | \$100,000 | \$ 99,006 | \$ 99,448 | \$ 99,448 | |
| Florida Power & Light | 7/01/99 | 5.500% | 300,000 | 295,776 | 297,537 | 297,537 | |
| Virginia Electric & Power | 4/01/00 | 6.481% | 250,000 | 246,117 | 248,510 | 248,510 | |
| GMAC Smartnotes | 10/15/99 | 5.950% | 200,000 | 200,000 | 198,874 | 198,874 | |
| | | | 840,899 | 844,369 | 844,369 | | |

</TABLE>

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<TABLE>

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

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

<CPATION>

| COL. A | | COL. B | COL. C | COL. D | COL. E | | |
|---|------------------|---|--------------------|----------------------------------|---|-------------------------------|-----------------------------------|
| Name of Issuer and Title of Each Issue | Maturity Date | Number of Units-Principal Amount of Interest Rate | Bonds and Notes | Market Value of Each Issue | Of Equity Issues and Other Security | Cost of at Balance Date | Issue Carried in Balance Sheet |

GOVERNMENT OBLIGATIONS:

| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
|----------------------------|----------|--------|-----------|-----------|-----------|-----------|-----|
| Tennessee Valley Authority | 3/04/98 | 5.125% | \$100,000 | \$100,000 | \$ 99,848 | \$ 99,848 | |
| US Treasury Note | 10/31/98 | 4.750 | 100,000 | 99,684 | 99,094 | 99,094 | |
| US Treasury Note | 10/31/98 | 4.750 | 200,000 | 199,992 | 198,188 | 198,188 | |
| US Treasury Note | 10/15/98 | 7.125 | 250,000 | 250,000 | 252,970 | 252,970 | |
| US Treasury Note | 4/30/98 | 5.125 | 190,000 | 189,883 | 189,645 | 189,645 | |
| US Treasury Note | 4/30/98 | 5.125 | 10,000 | 9,992 | 9,981 | 9,981 | |
| US Treasury Note | 7/31/98 | 5.250 | 250,000 | 249,834 | 249,375 | 249,375 | |
| US Treasury Note | 2/28/99 | 5.875 | 250,000 | 249,953 | 250,235 | 250,235 | |
| US Treasury Note | 11/15/99 | 5.875 | 250,000 | 249,141 | 250,313 | 250,313 | |
| US Treasury Note | 1/31/98 | 5.125 | 200,000 | 199,695 | 199,750 | 199,750 | |
| US Treasury Zero Coupon | 8/15/99 | 5.920 | 148,000 | 134,040 | 134,331 | 134,331 | |
| US Treasury Zero Coupon | 5/15/98 | 5.410 | 215,000 | 210,007 | 209,741 | 209,741 | |
| US Treasury Bill | 12/04/98 | 5.210 | 200,000 | 197,436 | 199,850 | 199,850 | |
| US Treasury Bill | 12/04/97 | 5.210 | 120,000 | 118,466 | 119,911 | 119,911 | |

</TABLE>

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<TABLE>

CCA INDUSTRIES, INC. AND SUBSIDIARIES
MARKETABLE SECURITIES - OTHER INVESTMENTS

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

| COL. A | | COL. B | COL. C | COL. D | COL. E | | |
|---|------------------|---|--------------------|----------------------------------|---|-------------------------------|-----------------------------------|
| Name of Issuer and Title of Each Issue | Maturity Date | Number of Units-Principal Amount of Interest Rate | Bonds and Notes | Market Value of Each Issue | Of Equity Issues and Other Security | Cost of at Balance Date | Issue Carried in Balance Sheet |

GOVERNMENT OBLIGATIONS: (Continued)

| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
|----------------|------------|--------|-------------|-------------|-------------|-----------|-----|
| FHLMC 1628-N | 12/15/2023 | 6.500% | 50,000 | \$ 48,024 | \$ 46,763 | \$ 46,763 | |
| EE Bonds | - | 7.180 | 90,000 | 97,812 | 97,812 | 97,812 | |
| FNMA 93-G-26-B | 8/25/2022 | 7.000 | 10,000 | 6,694 | 6,673 | 6,673 | |
| FNMA 93-224-D | 11/25/2023 | 6.500 | 104,000 | 101,873 | 94,951 | 94,951 | |
| FNMA 92-2-N | 1/25/2024 | 6.500 | 52,000 | 47,424 | 45,718 | 45,718 | |
| FHLMC 1702-U | 3/24/2024 | 7.000 | 4,000 | 2,626 | 2,608 | 2,608 | |
| FNMA | 11/10/98 | 5.050 | 200,000 | 199,950 | 198,562 | 198,562 | |
| | | | 2,962,526 | 2,956,319 | 2,956,319 | | |
| | | | \$3,803,425 | \$3,800,688 | \$3,800,688 | | |

</TABLE>

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CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

During the year ended November 30, 1997 available-for-sale securities were liquidated and proceeds amounting to \$2,657,227 were received, with resultant realized gains totaling \$5,692. Cost of available-for-sale securities includes unamortized premium or discount.

NOTE 7 - PREPAID ROYALTY EXPENSE (DEFERRED)

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.

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, 1997, \$5,671,760 of royalties have been paid or accrued and only \$3,328,240 still remains until the \$9,000,000 level is reached.

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CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - LONG-TERM DEBT

Note payable - Bank represents the balance of a \$1,119,067 loan that was due in monthly installments of \$24,000 plus interest to February 1996. Interest was calculated on the outstanding balance at prime. In connection with this loan, the bank has been given a secured interest in all of the

accounts receivable and inventory of the Company and its subsidiaries. At November 30, 1997, the bank's prime rate was 8 1/4%.

In May 1996 the Company refinanced \$327,000 (representing the balance on its term note) at prime. The note was due in installments of \$27,250 plus interest through May 1997.

The Company has an available line of credit of \$3,000,000. Interest is calculated on the outstanding balance at prime minus 1% or Libor plus 150 basis points. As of November 30, 1997, the Company was not utilizing any of its available line.

NOTE 9 - INCOME TAXES (RESTATED)

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

At November 30, 1997 and 1996, respectively, the Company has temporary differences arising from the following:

| Type | November 30, 1997 | | | |
|--------------------------------|-------------------|-----------|-----------------------------|-----------|
| | Classified As | | | |
| | Deferred Amount | Short-Tax | Long-Term Asset (Liability) | Long-Term |
| Depreciation | \$ 276,221 | \$111,006 | \$ - | \$111,006 |
| Reserve for bad debts | 120,131 | 48,278 | 48,278 | - |
| Reserve for returns | 544,194 | 218,698 | 218,698 | - |
| Reserve for obsolete inventory | 860,417 | 345,780 | 345,780 | - |
| Section 263A costs | 215,335 | 86,538 | 86,538 | - |
| Net deferred income tax | \$2,016,298 | \$810,300 | \$699,294 | \$111,006 |

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CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - INCOME TAXES (Restated)(Continued)

| Type | November 30, 1996 | | | |
|--------------------------------|-------------------|-----------|-----------------------------|-----------|
| | Classified As | | | |
| | Deferred Amount | Short-Tax | Long-Term Asset (Liability) | Long-Term |
| Depreciation | \$ 220,070 | \$ 88,441 | \$ - | \$88,441 |
| Reserve for bad debts | 143,647 | 57,728 | 57,728 | - |
| Reserve for obsolete inventory | 679,675 | 273,144 | 273,144 | - |
| Reserve for returns | 922,902 | 370,892 | 370,892 | - |
| Section 263A costs | 228,995 | 92,027 | 92,027 | - |
| Net deferred income tax | \$2,195,289 | \$882,232 | \$793,791 | \$88,441 |

The tax asset valuation allowance decreased by \$25,859 and \$63,600 during the years ended November 30, 1997 and 1996, respectively.

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

| | November 30, 1997 | | |
|----------------------|-------------------|---------------|-------------|
| | Federal | State & Local | Total |
| Current tax expense | \$967,319 | \$244,553 | \$1,211,872 |
| Tax credits | (42,475) | - | (42,475) |
| Deferred tax benefit | 56,827 | 15,105 | 71,932 |

\$981,671 \$259,658 \$1,241,329

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CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - INCOME TAXES (Restated) (Continued)

| | November 30, 1996 | | |
|----------------------|-------------------|-----------|-----------|
| | State & | | Total |
| | Federal | Local | Total |
| Current tax expense | \$ 32,821 | \$ 27,695 | \$ 60,516 |
| Deferred tax benefit | 629,581 | 173,195 | 802,776 |
| | \$662,402 | \$200,890 | \$863,292 |

The current tax expense for the year ended 1996 includes a utilization of net operating loss carryforward for federal and state of approximately \$492,000 and \$50,000, respectively.

| | November 30, 1995 | | |
|------------------------|-------------------|-------------|-------------|
| | State & | | Total |
| | Federal | Local | Total |
| Current tax expense | \$ - | \$ 1,530 | \$ 1,530 |
| Deferred tax (benefit) | (692,306) | (185,164) | (877,470) |
| | (\$692,306) | (\$183,634) | (\$875,940) |

Income taxes payable are made up of the following components:

| | State & | | |
|-------------------|----------|----------|----------|
| | Federal | Local | Total |
| November 30, 1997 | \$44,453 | \$41,651 | \$86,104 |
| November 30, 1996 | \$24,598 | \$ 907 | \$25,505 |

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CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - 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, 1997 is as follows:

<TABLE>
<CAPTION>

| | 1997 | | 1996 | | 1995 | |
|--|-------------------|--------|-------------------|--------|-------------------|----------|
| | Percent Of Pretax | | Percent of Pretax | | Percent of Pretax | |
| | Amount | Income | Amount | Income | Amount | Income |
| | <C> | <C> | <C> | <C> | <C> | <C> |
| Income tax (benefit) expense at statutory rate | \$1,112,760 | 34.00% | \$650,973 | 34.00% | (\$758,379) | (34.00%) |
| Increases (decreases) in taxes | | | | | | |

resulting from:

| | | | | | | |
|---|-------------|----------|-----------|--------|-------------|----------|
| State income taxes, net of federal income tax benefit | 155,378 | 4.75 | 167,667 | 8.76 | (129,921) | (5.83) |
| Non-deductible expenses and other adjustments | 15,666 | .48 | 44,652 | 2.33 | 12,360 | .56 |
| Utilization of tax credits | (42,475) | (1.30) | - | - | - | - |
| Income tax expense at effective rate | \$1,241,329 | 37.93% | \$863,292 | 45.09% | (\$875,940) | (39.27%) |

</TABLE>

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CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - 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, 1997:

| Date Granted | Number Of Shares | Per Share Option Price | Expiration |
|---------------|------------------|------------------------|------------|
| December 1987 | 234,500 | .50 | 2002 |
| January 1988 | 370,000 | .55 | 2002 |
| March 1989 | 200,000 | .75 | 1999 |
| January 1990 | 200,000 | .63 | 1999 |
| June 1995 | 50,000 | 4.50 | 2000 |
| December 1995 | 100,000 | 1.50 | 2000 |
| August 1997 | 375,000 | 2.50 | 2007 |
| | 1,529,500 | | |

The following summarizes the activity of shares under option for the two years ended November 30, 1997:

| | Number Of Shares | Per Share Option Price | Value |
|-----------------------------|------------------|------------------------|-------------|
| Balance - November 30, 1995 | 1,515,600 | \$.40 - \$4.50 | \$1,041,440 |
| Granted | 100,000 | \$1.50 | 150,000 |
| Exercised | (373,600) | \$.40 - \$.50 | (176,940) |
| Balance - November 30, 1996 | 1,242,000 | \$.50 - \$4.50 | 1,014,500 |
| Granted | 375,000 | \$2.50 | 937,500 |
| Exercised | (60,000) | .50 | (30,000) |
| Expired | (27,500) | .50 | (13,750) |
| Balance - November 30, 1997 | 1,529,500 | \$.50 - \$4.50 | \$1,908,250 |

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CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - 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:

| |
|----------------|
| November 30, |
| 1997 1996 |
| (In Thousands) |

| | | |
|-------------------|----------|--------|
| Media advertising | \$ 401 | \$* |
| Coop advertising | 375 | 321 |
| Accrued returns | 712 | 505 |
| Royalty payable | 269 | * |
| Bonus | 286 | * |
| | \$ 2,043 | \$ 826 |

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

* Under 5%

NOTE 12 - OTHER INCOME

Other income was comprised of the following:

| | November 30, | | |
|--|--------------|-----------|-----------|
| | 1997 | 1996 | 1995 |
| Interest income | \$272,677 | \$195,234 | \$271,505 |
| Dividend income | 15,131 | 16,511 | 16,164 |
| Realized gain (loss) on disposal of assets | (1,009) | 18,237 | (5) |
| Royalty income | - | - | 11,648 |
| Miscellaneous | 7,154 | 5,943 | 17,616 |
| | \$293,953 | \$235,925 | \$316,928 |

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CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 - COMMITMENTS AND CONTINGENCIES

On April 1, 1995, the Company renewed their lease for approximately 62,500 square feet of office and warehouse space at an annual rental of \$259,284. This lease on the Company's premises expires March 31, 2001, but has a renewal option for an additional five years. On September 22, 1995 the Company leased an additional 30,000 square feet of warehouse space in Paterson, NJ on a net lease basis at a rental of \$6,875 per month. The lease was due to expire on September 30, 1997 but was extended until September 30, 1998.

The Company has entered into various operating leases with expiration dates ranging through December 2001.

Rent expense for the years ended November 30, 1997, 1996 and 1995 was \$458,706, \$426,621 and \$414,907, 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,

| | |
|-------|-------------|
| 1998 | \$ 402,856 |
| 1999 | 314,297 |
| 2000 | 280,710 |
| 2001 | 90,954 |
| 2002 | - |
| Total | \$1,088,817 |

On March 3, 1986, the Company entered into a License Agreement with Alleghany Pharmacal Corporation (See Note 7).

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.

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CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)

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.

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.

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.

NOTE 14 - RELATED PARTY TRANSACTIONS

As at November 30, 1996, one of the members of the board was indebted to the Company for \$12,500 used to exercise stock options. The note was repaid in full, with interest, in January 1997

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 \$25,250 and 40,000 from its Vice President in charge of Sales and Vice President in charge of Manufacturing, respectively; which were made to aid them in obtaining a first mortgage on their homes. The loans are secured by a second mortgage and carry an interest rate at 1% over prime. Interest is payable semi-annually. Both Vice Presidents are the sons of Mr. David Edell, the President of the Company.

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CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 - CONCENTRATION OF RISK (RESTATED)

During the years ended November 30, 1997, 1996 and 1995, certain customers each accounted for more than 5% of the Company's total sales, as follows:

| Customer | 1997 | 1996 | 1995 |
|----------|------|------|------|
| A | 24% | 22% | 22% |
| B | 12 | 9 | 7 |
| C | 6 | 7 | 7 |
| D | 7 | 6 | 5 |
| E | 7 | * | * |
| F | 6 | * | * |

Foreign Sales 5.34% 7.57% *

* Under 5%

NOTE 16 - SUBSEQUENT EVENTS

In December 1997 David Edell and Ira W. Berman exercised stock options and purchased 50,000 and 20,000 shares of the Company's common stock respectively, at \$.50 per share. They paid for the stock by giving back to the Company 11,765 and 4,705 shares, respectively, of the Company's own stock valued at approximately \$2 1/8 per share.

In December 1997 75,000 stock options at \$.50 expired, 159,500 stock options at \$.50 were extended until 2002, and 100,000 stock options at \$1.50 were canceled.

NOTE 17 - RESTATEMENT OF FINANCIAL STATEMENTS

The accompanying financial statements for the years ended 1997, 1996 and 1995 have been adjusted to reflect the elimination of the valuation allowance for the Company's deferred tax assets. The effect of the restatement was to increase net income by \$25,859 and \$211,984, or \$.0 and \$.03 earnings per share for the years ended November 30, 1997 and 1995, respectively, and decrease net income by \$63,600, or \$.01 earnings per share for the year ended November 30, 1996. In addition, retained earnings at the beginning of 1995 has been adjusted for the effects of the restatement on prior years.

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SCHEDULE II

CCA INDUSTRIES, INC. AND SUBSIDIARIES

VALUATION ACCOUNTS

YEARS ENDED NOVEMBER 30, 1997, 1996 AND 1995

(RESTATED)

| COL. A | COL. B | COL. C | COL. D | COL. E |
|---------------------------------------|------------------------------------|-------------------------------------|-------------------|-------------------|
| Description | Additions | | Balance At End | Balance At End |
| | Balance at Beginning Of Year | Charged To Costs and Expenses | | |
| Year ended November 30, 1997: | | | | |
| Allowance for doubtful accounts | \$143,647 | (\$ 17,779) | \$ 5,739 | \$120,131 |
| Reserve for returns | \$922,902 | \$3,465,866 | \$3,844,574 | \$544,194 |
| Reserve for inventory obsolescence | \$679,675 | \$ 486,742 | \$ 300,000 | \$860,417 |
| Year ended November 30, 1996: | | | | |
| Allowance for doubtful accounts | \$157,204 | \$ 45,855 | \$ 59,412 | \$143,647 |
| Reserve for returns | \$747,749 | \$4,555,422 | \$4,380,269 | \$922,902 |
| Reserve for inventory obsolescence | \$1,147,627 | \$ 57,068 | \$ 525,020 | \$679,675 |

Year ended November 30, 1995:

Allowance for doubtful accounts \$208,863 \$ 139,355 \$ 191,014 \$157,204

Reserve for returns \$770,933 \$2,841,439 \$2,864,623 \$747,749

Reserve for inventory
obsolescence \$563,280 \$ 584,347 \$ - \$1,147,627

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| <FISCAL-YEAR-END> | | NOV-30-1997 | NOV-30-1996 |
| <PERIOD-END> | | NOV-30-1997 | NOV-30-1996 |
| <CASH> | | 3,649,774 | 1,422,783 |
| <SECURITIES> | | 3,800,688 | 3,180,881 |
| <RECEIVABLES> | | 4,595,598 | 5,084,049 |
| <ALLOWANCES> | | (664,325) | (1,066,549) |
| <INVENTORY> | | 6,014,672 | 5,875,742 |
| <CURRENT-ASSETS> | | 16,471,579 | 14,351,509 |
| <PP&E> | | 2,470,524 | 2,335,973 |
| <DEPRECIATION> | | (1,820,855) | (1,451,230) |
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| <COMMON> | | 72,136 | 71,675 |
| <OTHER-SE> | | 14,030,355 | 11,983,207 |
| <TOTAL-LIABILITY-AND-EQUITY> | | 19,224,291 | 17,038,752 |
| <SALES> | | 37,708,922 | 39,469,098 |
| <TOTAL-REVENUES> | | 38,002,875 | 39,705,023 |
| <CGS> | | 14,460,364 | 15,171,055 |
| <TOTAL-COSTS> | | 34,730,052 | 37,790,397 |
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| <LOSS-PROVISION> | | (17,779) | 45,855 |
| <INTEREST-EXPENSE> | | 5,888 | 50,756 |
| <INCOME-PRETAX> | | 3,272,823 | 1,914,626 |
| <INCOME-TAX> | | 1,241,329 | 863,292 |
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