

**Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines**

**The Stephan Co**  
**A Florida Corporation**

**2211 Reach Road, Suite B4, Williamsport,  
Pennsylvania 33610  
800-545-5300  
www.thestephanco.com  
ir@thestephanco.com  
2844**

**Quarterly Report  
For the Period Ending: September 30, 2022  
(the “Reporting Period”)**

As of **September 30, 2022** the number of shares outstanding of our Common Stock was: **4,108,051**

As of **June 30, 2022** the number of shares outstanding of our Common Stock was: **4,108,051**

As of **December 31, 2021** the number of shares outstanding of our Common Stock was: **4,068,051**

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company’s shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Indicate by check mark whether a Change in Control<sup>1</sup> of the company has occurred over this reporting period:

Yes: ☐ No: ☒

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<sup>1</sup> “Change in Control” shall mean any events resulting in:

(i) Any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the “beneficial owner” (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company’s then outstanding voting securities;

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company’s assets;

(iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or

(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

**1) Name of the issuer and its predecessors (if any)**

**In answering this item, provide the current name of the issuer any names used by predecessor entities, along with the dates of the name changes.**

The Stephan Co. a Florida corporation, was formed in 1952 and was reorganized in 1960 through a merger of the Stephan Cosmetic Corp., a California corporation; Stephan Products, Inc., a Massachusetts corporation; and Stepaco, Inc. a California corporation; into The Stephan Co. The predecessor company of Stephan Products, Inc., one of the merger partners, was organized in Massachusetts in 1897.

Effective December 31, 2015, the Company went through a reorganization to close out all of its dormant entities. Entities remaining after the reorganization in 2016 are The Stephan Company, Bowman Beauty & Barber Supply, Inc. and Morris Flamingo-Stephan, Inc.

In September 2017, the Company completed the acquisition of MD Barber Supply, LLC, a distributor of barber supplies and specialized products for the barber and consumer beauty industry.

In November 2018, the Company purchased inventory, assets, patents and trademarks that are used in connection with the business of the BarberMate Brand through an asset purchase agreement.

In July 2019, the Company purchased inventory, assets, patents and trademarks that are used in connection with the business of the Stix Fix and Pomade brand through an asset purchase agreement.

In June 2020, the Company purchased inventory, assets, patents and trademarks that are used in connection with the business of the Norva Barber Supply through an asset purchase agreement.

In October 2021, the company acquired the assets of 614 Barber Supply, the leading wholesale barber supply distributor in the Columbus, OH Metropolitan Area, which was formerly known as Columbus Barber and Beauty Supply.

In August 2022, the Company purchased inventory, assets, patents and trademarks that are used in connection with the business of the Appleton Barber Supply through an asset purchase agreement.

**The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):**

May 29, 1952, Florida, Active

**Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:**

No

**List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:**

In October 2021, the company acquired the assets of 614 Barber Supply, the leading wholesale barber supply distributor in the Columbus, OH Metropolitan Area, which was formerly known as Columbus Barber and Beauty Supply.

In August 2022, the Company purchased inventory, assets, patents and trademarks that are used in connection with the business of the Appleton Barber Supply through an asset purchase agreement.

**The address(es) of the issuer's principal executive office:**

2211 Reach Road, Suite B4, Williamsport, Pennsylvania 33610

**The address(es) of the issuer's principal place of business:**

*Check box if principal executive office and principal place of business are the same address:*

2211 Reach Road, Suite B4, Williamsport, Pennsylvania 33610

3590 Fishinger Blvd, Hilliard, OH 43026

**Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?**

Yes: ☐ No: ☒

**If this issuer or any of its predecessors have been the subject of such proceedings, please provide additional details in the space below:**

None

**2) Security Information**

Trading symbol: SPCO. PK  
Exact title and class of securities outstanding: Common Stock  
CUSIP: 858603103  
Par or stated value: \$0.01

Total shares authorized:	25,000,000	as of date: 09/30/2022
Total shares outstanding:	4,108,051	as of date: 09/30/2022
Number of shares in the Public Float <sup>2</sup> :	1,986,130	as of date: 09/30/2022
Total number of shareholders of record:	303	as of date: 09/30/2022

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<sup>2</sup> "Public Float" shall mean the total number of unrestricted shares not held directly or indirectly by an officer, director, any person who is the beneficial owner of more than 10 percent of the total shares outstanding (a "control person"), or any affiliates thereof, or any immediate family members of officers, directors and control persons.

## Transfer Agent

Name: American Stock Transfer & Trust Company, LLC

Phone: 800-934-5449

Email: Info@amstock.com

Is the Transfer Agent registered under the Exchange Act?<sup>3</sup> Yes: ☒ No: ☐

### 3) Issuance History

#### A. Changes to the Number of Outstanding Shares

Shares Outstanding as of Second Most Recent Fiscal Year End:									
Opening Balance									
Date 01/01/2020 Common: 4,006,215									
Preferred: Nil									
Date of Transaction	Transaction type (e.g. new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to (entities must have individuals with voting / investment control disclosed).	Reason for share issuance (e.g. for cash or debt conversion) OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
4/21/2020	Stock Repurchase	-164	Common						
8/21/2020	Stock Grants	10,000	Common	\$2.25	No	Joel Getz, Board of Director	Directors Incentive Share plan		
8/21/2020	Stock Grants	10,000	Common	\$2.25	No	Jad Fakhry, Board of Director	Directors Incentive Share plan		
8/21/2020	Stock Grants	10,000	Common	\$2.25	No	Brian Harper, Board of Director	Directors Incentive Share plan		
8/21/2020	Stock Grants	30,000	Common	\$2.25	No	Benjamin Large, Board of Director, interim CEO	Directors Incentive Share plan		

8/21/2020	Stock Grants	2,000	Common	\$2.25	No	Corey Cincotta, VP of Operations	Directors Incentive Share plan		
5/9/2022	Stock Grants	10,000	Common	\$2.16	No	Joel Getz, Board of Director	Directors Incentive Share plan		
5/9/2022	Stock Grants	10,000	Common	\$2.16	No	Jad Fakhry, Board of Director	Directors Incentive Share plan		
5/9/2022	Stock Grants	10,000	Common	\$2.16	No	Brian Harper, Board of Director	Directors Incentive Share plan		
5/9/2022	Stock Grants	10,000	Common	\$2.16	No	Benjamin Large, Board of Director, interim CEO	Directors Incentive Share plan		
Shares Outstanding on Date of This Report:									
<u>Ending Balance:</u>									
Date 09/30/2022									
Common: 4,108,051									
Preferred: NIL									

## B. Debt Securities, Including Promissory and Convertible Notes

NONE

### 4) Financial Statements

A. The following financial statements were prepared in accordance with:

☒ U.S. GAAP

☐ IFRS

B. The financial statements for this reporting period were prepared by (name of individual):

Name: Narasimha Rao Muppalla  
Title: Chief Financial Officer  
Relationship to Issuer: Consultant, Redge Global Services

Publish Date	Title	Period End Date
08/15/2022	<a href="#">Quarterly Report - The Stephan Co. 2nd Quarter 2022 Report</a>	06/30/2022
04/29/2022	<a href="#">Quarterly Report - The Stephan Co. 1st Quarter 2022 Report</a>	03/31/2022
03/24/2022	<a href="#">Annual Report - The Stephan Co. Annual Report 2021</a>	12/31/2021
11/08/2021	<a href="#">Quarterly Report - The Stephan Co. 3rd Quarter 2021 Report</a>	09/30/2021
08/23/2021	<a href="#">Quarterly Report - The Stephan Co. 2nd Quarter 2021 Report</a>	06/30/2021
05/05/2021	<a href="#">Quarterly Report - The Stephan Co. 1st Quarter 2021 Report</a>	03/31/2021
02/17/2021	<a href="#">Quarterly Report - The Stephan Co. 4th Quarter 2020 Report</a>	12/31/2020
10/29/2020	<a href="#">Quarterly Report - The Stephan Co. 3rd Quarter 2020 Report</a>	9/30/2020
8/19/2020	<a href="#">Annual Report - The Stephan Co. Annual Report 2019</a>	12/31/2019
7/28/2020	<a href="#">Quarterly Report - The Stephan Co. 2nd Quarter 2020 Report</a>	6/30/2020
4/24/2020	<a href="#">Quarterly Report - The Stephan Co. 1st Quarter 2020 Report</a>	3/31/2020
3/5/2020	<a href="#">Quarterly Report - Quarterly Report - The Stephan Co 4th Quarter 2019 Report</a>	12/31/2019
11/19/2019	<a href="#">Quarterly Report - Correction to the 3rd Quarter 2019 Report</a>	9/30/2019
11/14/2019	<a href="#">Quarterly Report - The Stephan Co 3rd Quarter 2019 Report</a>	9/30/2019
8/2/2019	<a href="#">Quarterly Report - The Stephan Co. 2nd Quarter 2019 Report</a>	6/30/2019
7/26/2019	<a href="#">Annual Report - The Stephan Co. Annual Report 2018</a>	12/31/2018
4/29/2019	<a href="#">Quarterly Report - The Stephan Co. 1st Quarter 2019 Report</a>	3/31/2019
2/12/2019	<a href="#">Quarterly Report - The Stephan Co. 4th Quarter 2018 Report</a>	12/31/2018
11/6/2018	<a href="#">Quarterly Report - The Stephan Co. 3rd Quarter 2018 Report</a>	9/30/2018
10/29/2018	<a href="#">Annual Report - The Stephan Co - Annual Report 2017</a>	12/31/2017
8/14/2018	<a href="#">Quarterly Report - The Stephan Co 2nd Quarter 2018 Report</a>	6/30/2018
6/12/2018	<a href="#">Quarterly Report - The Stephan Co. 1st Quarter 2018 Report</a>	3/31/2018

The Stephan Co  
**CONSOLIDATED BALANCE SHEETS**  
At September 30, 2022 and December 31, 2021  
*(In thousands, except share and per share amounts)*

	<u><b>2022</b></u> (Unaudited)	<u><b>2021</b></u> (Unaudited)
<b><u>ASSETS</u></b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 895	\$ 650
Accounts receivable, net	122	212
Inventories, net	2,677	2,479
Prepaid expenses and other current assets	<u>187</u>	<u>81</u>
Total Current Assets	3,881	3,422
Other assets, net	151	260
Property and equipment, net	145	183
Deferred tax assets, net	3,384	3,384
Intangibles, net	1,204	854
Goodwill	<u>1,890</u>	<u>1,890</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 10,655</b></u>	<u><b>\$ 9,993</b></u>
<b><u>LIABILITIES &amp; STOCKHOLDERS' EQUITY</u></b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	<u>\$ 454</u>	<u>\$ 843</u>
Total Current Liabilities	454	843
<b>Long-term Liabilities</b>		
Loans payable	1,583	981
Total Long-term Liabilities	<u>1,583</u>	<u>981</u>
<b>TOTAL</b>	<u><b>\$ 2,037</b></u>	<u><b>\$ 1,824</b></u>
<b>LIABILITIES</b>		
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY</b>		
At September 30, 2022 and December 31, 2021:		
Preferred stock, \$.01 par value; 1,000,000 shares authorized; none issued or outstanding	---	---
Common stock, \$.01 par value; 25,000,000 shares authorized; 4,754,436 and 4,714,436 shares in 2022 and 2021, respectively issued		
(4,108,051 shares outstanding at September 30, 2022 and 4,068,051 shares outstanding at December 31, 2021)	47	47
Additional paid-in capital	18,863	18,777
Accumulated deficit	(9,026)	(9,389)
Treasury stock (646,385 shares at September 30, 2022 and 646,385 shares at December 31, 2021), at cost	<u>(1,266)</u>	<u>(1,266)</u>
TOTAL STOCKHOLDERS' EQUITY	<u>8,618</u>	<u>8,169</u>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<u><b>\$ 10,655</b></u>	<u><b>\$ 9,993</b></u>

The Stephan Co  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
Three Months Ended September 30, 2022 and September 30, 2021  
*(in thousands, except per share data)*

	<b><u>2022</u></b> (Unaudited)	<b><u>2021</u></b> (Unaudited)
Revenue	\$ 2,683	\$ 2,369
Cost of revenue	<u>1,959</u>	<u>1,669</u>
Gross profit	724	700
Selling, general and administrative expenses	620	558
Depreciation and amortization	<u>17</u>	<u>16</u>
Operating income/ (loss)	87	126
Other income/ (expenses), net	<u>(29)</u>	<u>108</u>
Income/ (loss) from operations before taxes	58	234
Income tax benefit (expense)	-	(30)
NET INCOME/ (LOSS)	<u>\$ 58</u>	<u>\$ 204</u>
Per common share:		
Income from continuing operations	\$ 0.01	\$ 0.05
Income from discontinued operations	<u>---</u>	<u>---</u>
Net income	<u>\$ 0.01</u>	<u>\$ 0.05</u>
Weighted average common shares outstanding	4,108,051	4,068,051



The Stephan Co  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
 Nine Months Ended September 30, 2022 and September 30, 2021  
*(in thousands, except per share data)*

	<u><b>2022</b></u> (Unaudited)	<u><b>2021</b></u> (Unaudited)
Revenue	\$ 7,792	\$ 6,812
Cost of revenue	<u>5,492</u>	<u>4,723</u>
Gross profit	2,300	2,089
Selling, general and administrative expenses	1,940	1,678
Depreciation and amortization	<u>53</u>	<u>44</u>
Operating income/ (loss)	307	367
Other income/ (expenses), net	<u>56</u>	<u>319</u>
Income/ (loss) from operations before taxes	363	686
Income tax benefit (expense)	-	(30)
NET INCOME/ (LOSS)	<u>\$ 363</u>	<u>\$ 656</u>
Per common share:		
Income from continuing operations	\$ 0.09	\$ 0.16
Income from discontinued operations	<u>---</u>	<u>---</u>
Net income	<u>\$ 0.09</u>	<u>\$ 0.16</u>
Weighted average common shares outstanding	4,090,273	4,068,051

The Stephan Co  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
 Nine Months Ended September 30, 2022  
*(in thousands, except share information)*

	<u>Shares Issued</u>	<u>Par Value</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Treasury Stock</u>	<u>Stockholders' Equity</u>
Balance at December 31, 2021 (Unaudited)	4,714,436	\$ 47	\$ 18,777	\$ (9,389)	\$ (1,266)	\$ 8,169
Stock based compensation	40,000	-	86			86
Net Income	--	-	-	363	-	363
Balance at September 30, 2022 (Unaudited)	<u>4,754,436</u>	<u>\$ 47</u>	<u>\$ 18,863</u>	<u>\$ (9,026)</u>	<u>\$ (1,266)</u>	<u>\$ 8,618</u>

The Stephan Co  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
 Nine Months Ended September 30, 2022 and September 30, 2021  
*(in thousands)*

	<u><b>2022</b></u> (Unaudited)	<u><b>2021</b></u> (Unaudited)
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
NET INCOME	\$ 363	\$ 656
Net cash flows provided by operating activities:		
Deferred income taxes	-	-
Stock based compensation	86	-
Depreciation and amortization	53	44
Changes in operating assets & liabilities:		
(Increase) decrease in accounts receivable, net	90	(79)
(Increase) decrease in inventories, net	(198)	(372)
(Increase) decrease in prepaid expenses and other assets	3	(28)
Increase in accounts payable and accrued expenses	<u>(389)</u>	<u>240</u>
Net cash provided by operating activities - continuing operations	8	461
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Cash paid for acquisition	(350)	-
Purchases of property and equipment	<u>(15)</u>	<u>(76)</u>
Net cash used in investing activities	(365)	(56)
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Loans received, net	<u>602</u>	<u>85</u>
Net cash used in financing activities	602	85
<b>NET (DECREASE) IN CASH</b>	245	470
CASH AT BEGINNING OF PERIOD	<u>650</u>	<u>811</u>
CASH AT END OF THE PERIOD	<u>\$ 895</u>	<u>\$ 1,281</u>

## Management's Discussion and Analysis

### Business overview

The Stephan Co. (“SPCO”) has six operating brands: Williamsport Bowman, Morris Flamingo, MD Barber, Norva, 614 Barber Supply and Appleton Barber Supply. Our Williamsport Bowman subsidiary is a wholesale barber distributor selling third party and proprietary branded products directly to barbershops. Morris Flamingo is a two-step wholesale distributor selling primarily our proprietary branded barber products to other Barber distributors. MD Barber sells its owned brands and third party brands through various online channels. Norva and Appleton are wholesale barber distributors selling third party products to barbershops. 614 Barber Supply is a wholesale barber supply distributor in the Columbus, OH metropolitan area, has a walk-in showroom location in Hilliard, OH that includes service and repair. SPCO also owns a portfolio of barber brands including LatherKing, Campbell’s, Stephan’s, BarberMate, StixFix, and MD Barber, among others. The company continues to pursue an acquisition program and is actively pursuing barber brands and distribution assets.

In August 2022 the company acquired Appleton Barber Supply structured as an asset purchase. Appleton Barber supply sells professional barber supplies through its website at [appletonbarbersupply.com](http://appletonbarbersupply.com). SPCO’s acquisition of Appleton business assets was financed with cash on hand as well as a new bank financing. The purchase price for Appleton business was \$769,000 and included the purchase of \$419,000 of Appleton Inventory. No liabilities were assumed in the asset purchase. Appleton generates approximately \$1.2 million in annual revenue.

SPCO remains focused on growing through acquisitions of brands and distributors at attractive valuations. SPCO is hoping to continue expanding its operations .

### **Summary of Q3 2022**

	Q3 2022	Q3 2021
<b>Net Income</b>	58	204
Depreciation & Amortization	17	16
Non-recurring consultation & legal expenses	30	
Other (Income)- PPP forgiveness		(110)
Interest (Income)/ Expenses	13	4
Acquisition Cost	16	
Income tax		30
<b>Adjusted EBITDA</b>	<b>134</b>	<b>144</b>

In Q3 2022, revenues grew +13.2%, and Adjusted EBITDA remains comparable to Q3 2021. Gross margins declined by 2.5% as higher product pricing was more than offset by discounting on excess inventory, which, along with the lack of vendor purchase discounts, was the primary cause of the gross margin declines in Q3 2022. While demand continues to be soft in the industry, we saw declines in our catalog business at WB Barber and one of our key owned brand products declined in sales as we were not able to meet demand due to component and labor shortages. We are overcoming this component shortage, but demand is still greater than we can handle given supply constraints. Organic revenues in the catalog channel and web

channel were down slightly. We are excited about adding the Appleton customers to our platform. We continue to work to drive down excess inventory as product availability in our supply chain improves. We are focused on adding the right products and improving product mix, as well as adding higher margin repair services.

Our inventory remains at elevated levels due to supply chain constraints which resulted in over ordering in certain categories to ensure adequate in-stock levels.. As supply chain constraints ease, we will further reduce inventories, generating more cash for the business to reinvest. We expect to continue reducing excess inventories in the coming quarters. Once the excess inventory is cleared, we expect that the margin pressure from clearance sales will decline.

We continue to seek attractively priced acquisitions of barber brands and distributors and our pipeline of new deals is keeping us busy. As always, we will remain financially disciplined, but when the time comes for a deal, we will move quickly to acquire and integrate brands and distributors that allow us to add new customers and to scale our business while adding incremental cash flow to grow value per share.

We continue to grow the business given the attractive incremental returns we are enjoying from acquisitions like 614 Barber Supply and Appleton. This strategy also allows us to maximize the use of our substantial federal tax assets.

Labor remains a key challenge for the company given the inflationary wage pressures and the tight supply of labor in our markets. We continue to seek to fill open positions and acquisitions can be an excellent way to acquire talented team members.

The Barber industry has a lot of exciting traction into 2022 as pandemic effects ease, important product launches are expected, and Barber related events are resuming. SPCO has carried above average inventory in the last year to protect ourselves from out-of-stocks.

We have made some progress on our legal exposure, as our insurance carriers have agreed to fund a significant portion of our current expenses and SPCO has been dismissed from some cases. There still remain many lawsuits and we will continue to work to reduce our exposure over time. It is difficult to determine the overall liability of our legal exposure and it is possible that the exposure may overwhelm our insurance coverage.

#### **Results of Operations Three Months Ended September 30, 2022 vs. Three Months Ended September 30, 2021**

Reported revenues for the three months ended September 30, 2022 were \$2,683,000 compared to \$2,369,000 for the three months ended September 30, 2021 or an increase in revenue of 13.2%. The revenue growth was driven by adding in the acquired 614 Barber Supply and Appleton Barber Supply Revenues. Gross profit margins decreased to 27% from 29.5% compared to the prior period due to product mix and discounting on excess inventory. Selling, general and administrative increased by \$62,000 compared to the prior period primarily due to the addition of 614.

## **Liquidity and Capital Resources**

We held cash of \$895,000 on September 30, 2022. Our cash was maintained in FDIC and NCUA-insured bank accounts.

Our continuing operations provided cash flows of approximately \$8,000 for the nine months ended September 30, 2022, after cash was used for the purchase of inventory of \$419,000 from Appleton as part of our acquisition. We have adequate liquidity and do not foresee the need for additional capital for day-to-day operations in the next year and maintained approximately \$3.2 million in working capital and had total net worth of \$8.6 million.

We have no off-balance sheet financing arrangements except for operating leases primarily related to our distributor operations.

### **Nine Months Ended September 30, 2022 and September 30, 2021** *(in thousands)*

	<b><u>2022</u></b>	<b><u>2021</u></b>
Sales	7,792	6,812
% change	14.4%	(1.7)%
Gross profit	2,300	2,089
% of sales	29.5%	30.7%
SG&A	1,940	1,678
% of sales	24.9%	24.6%
Adjusted EBITDA (3)	491	416
% of sales	6.3%	6.1%
Capex	15	76
Working capital (1)	2,345	1,326
Invested capital (2)	2,828	1,703
LTM Adjusted EBITDA	527	512
Cash ROIC	18.6%	30.0%

Note: (1) Working capital = Inventory plus AR less AP

(2) Invested capital = total tangible assets less cash and payables and accruals.

(3) Adjusted EBITDA= Net Income plus depreciation, interest, taxes and one time expenses minus one time income

	YTD Sep 2022	YTD Sep 2021
<b>Net Income</b>	362	656
Depreciation & Amortization	53	44
Board of Directors stock grants expenses	86	
Non-recurring legal and consultation expenses	71	
Acquisition cost	16	
Interest (Income)/Expenses	29	11
Other (Income)- ERC Credit	(101)	
Other (Income)- Trademark sale	(25)	
Other (Income)- PPP Loan forgiveness		(325)
Income tax		30
<b>Adjusted EBITDA</b>	<b>491</b>	<b>416</b>

Please read our Audited 2020 Annual Report, which can be found at [www.otcmarkets.com](http://www.otcmarkets.com) (symbol: SPCO.PK), for further information about the Company's financial results and future plans.

## 5) Issuer's Business, Products and Services

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

The Stephan Co operates six distribution brands: Williamsport Bowman Barber Supply, Morris Flamingo, MD Barber Supply, Norva Barber Supply, Appleton Barber Supply and 614 Barber Supply. Our Williamsport Bowman is a wholesale barber distributor selling third party and proprietary branded products directly to barbershops. Morris Flamingo is a two-step wholesale distributor selling primarily our proprietary branded barber products to other Barber distributors. MD Barber sells its owned brands and third party brands through various online channels. Norva is a wholesale barber distributor selling third party products to barbershops. 614 Barber Supply has a walk-in showroom location in Hilliard, OH and also provides service and repair. Appleton Barber Supply is a wholesale barber distributor. The Company also owns a portfolio of barber brands including LatherKing, Campbell's, Stephan's, BarberMate, StixFix and MD Barber, among others.

B. Please list any subsidiaries, parents, or affiliated companies.

The Stephan Co has the following 100% owned subsidiaries and brands

- Bowman Beauty and Barber Supply, Inc
- Morris Flamingo- Stephan, Inc
- MD Barber Supply LLC
- Bowman NBS, Inc dba Norva Barber Supply
- Bowman NBS, Inc dba Appleton Barber Supply
- 614 Barber Supply, Inc

C. Describe the issuers' principal products or services.

We have one reportable operating segment, which includes a Master Distributor as well as Distributors of barber and beauty supplies for professionals and consumers. Our Master Distributor segment consists of sales to distributors, schools, correctional institutions and supply stores. Our Distributor segment

consists of sales to the barber and beauty professionals for use in the barbershops and salons as well as consumers and end users through various marketplaces.

## 6) Issuer's Facilities

The Company occupies 26,465 Sq. Ft of leased space and the lease term will expire on September 30, 2024.

Office Address: 2211 Reach Road, Suite B4, Williamsport, PA 17701

The company has a 3,861 square foot walk-in showroom in Hilliard, Ohio

Office Address: 3600 Fishinger Blvd, Hilliard, OH 43026

## 7) Officers, Directors, and Control Persons

Name of Officer/Director or Control Person	Affiliation with Company (e.g. Officer/Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Note
Brian Harper	Director/ more than 5% Holder	Longmont, CO	537,430	Common Shares	13.1%	Mr. Harper is a Partner and Portfolio Manager at Inlight Wealth Management, LLC, a Registered Investment Advisor.
Jad Fakhry	Director/ more than 5% Holder	Burlingame, CA	1,489,690	Common Shares	36.3%	Jad Fakhry and Poplar Point Capital together own 36.3% of the company's outstanding common shares. Jad Fakhry is the founder and Managing member of Poplar Point Capital Management LLC
Benjamin Large	CEO/Director	Williamsport, PA	47,500	Common Shares	1.2%	
Joel Getz	Director	New Haven, CT	42,201	Common Share	1.0%	



## 8) Legal/Disciplinary History

A. Please identify whether any of the persons listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

None

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

None

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

None

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such a person's involvement in any type of business or securities activities.

None

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

The Company has been named in more than 100 lawsuits related to talc products it previously manufactured, usually as a contract manufacturer for larger brands. In each case, the Company is one of a large number of defendants named. We have made some progress on our legal exposure and SPCO has been dismissed from some cases. There still remain many lawsuits and we will continue to work to reduce our exposure over time. The Company cannot currently estimate the cost of defending itself in these potential lawsuits or the potential legal liability. The Company will vigorously defend itself and believes the cases are without merit. While the expenses to defend the Company could be material, we cannot predict the outcome of this or any other legal contingency and our insurance carriers have agreed to fund a significant portion of our current expenses.

## 9) Third Party Providers

### Auditors

Firm: Cherry Bekaert LLP  
Address 1: 401 East Jackson St., Suite 1200  
Address 2: FL 33602  
Phone: 813-251-1010

### Accountants

Firm: Redge Global Services  
Address 1: 405 Sai Paragon Meadows, 4<sup>th</sup> Street, BEML Layout Bangalore-560066  
Phone: 918-398-0155  
Email: contact@redgeglobal.com

## 10) Issuer Certification

*Principal Executive Officer:*

I, Benjamin Large certify that:

1. I have reviewed this Quarterly disclosure statement of The Stephan Co
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

November 13, 2022

**/s/ Benjamin Large**

[CEO's Signature]