ORALABS HOLDING CORP
Form 10KSB/A
December 23, 2005

U. S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Second Amendment
FORM 10-KSB/A

|X| Annual report under section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2004

|_| Transition report under section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _________to

COMMISSION FILE NUMBER: 000-23039

ORALABS HOLDING CORP.

(Name of small business issuer in its charter)

Colorado	14-1623047
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
18685 East Plaza Drive, Parker, Colorado	80134
(Address of principal executive offices)	(Zip Code)

(Issuer's telephone number: (303) 783-9499

Securities registered under Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
None	

Securities registered under Section 12(g) of the Act:

Common Shares, par value $0.001 per share
(Title of class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No___

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form and no disclosure will 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-KSB or any amendment to this Form 10-KSB. ___

State issuer's revenues for its most recent fiscal year: $13,130,579

As of April 4, 2005, the aggregate market value of common stock held by non-affiliates of the Registrant, computed by reference to the last trade of the

common stock on that date was approximately $2,586,317.

(Issuers involved in bankruptcy proceedings during the past five years) Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes ___ No ___

(Applicable only to corporate registrants) State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. As of April 4, 2005, there were 4,668,615 shares of common stock outstanding.

TRANSITIONAL SMALL BUSINESS DISCLOSURE FORMAT (CHECK ONE):

Yes ___ No X

EXPLANATORY NOTE

This Second Amendment to our Annual Report on Form 10-KSB amends our Annual Report on Form 10-KSB/A for the fiscal year ended December 31, 2004, that was originally filed on May 2, 2005. The only change made in this filing is the deletion of a clause in Item 8A, "Controls and Procedures". Except as otherwise expressly stated by reference to a specific later date, the disclosure in this Form 10-KSB/A has not been updated to reflect events occurring after the original filing or to modify or update those disclosures affected by subsequent events. Accordingly, except as otherwise expressly stated, this Form 10-KSB/A continues to describe conditions as of the date of the original filing, and we have not updated the disclosures contained herein to reflect events that occurred at a later date. Updated certifications of our Chief Executive Officer and our Chief Financial Officer are attached to this Form 10-KSB/A as exhibits.

PART I

Business Development. On May 1, 1997, OraLabs, Inc., a privately held company, became a wholly owned subsidiary of SSI Capital Corp. (the predecessor of the Company). SSI Capital Corp. subsequently merged with OraLabs Holding Corp., with OraLabs Holding Corp. becoming the surviving company. As a result of these transactions, the Company is the sole stockholder of OraLabs, Inc. The term "Company" or "OraLabs" will mean OraLabs Holding Corp., successor to SSI Capital Corp., and except where otherwise indicated, all discussions of the business of the Company includes the business of OraLabs, Inc. (the "Subsidiary").

The Subsidiary was formed in 1990 for the purposes of manufacturing and distributing tooth-whitening products. In 1992, in order to expand the product line, the Subsidiary's developed what became known as its flagship product, Ice Drops(R). Ice Drops are breath drop product sold in a small plastic bottle and introduced as an alternative to breath sprays and candy breath mints.

In 1999, the Company introduced its own brands of lip balm in traditional twist stick containers. The brands currently being marketed consist of Essential Lip Moisture, Lip Naturals(R), Chap Ice(R), Soothe & Shine(R), and Lip Rageous (R). These brands are sold in traditional twist up containers and the Company's patented mini-container, which was introduced in 1996. The Company also sells lip balms and glosses in unique new containers and hopes to be able to continue to distinguish itself from competition by innovative packaging.

In 2003, the Company acquired certain assets of Symbiosis, Inc. These assets included, but were not limited to, intellectual property consisting of trade names Leashables(R) and Chapgrip(R) and a patent for a lip balm holder.

The nutritional supplement brands contribute less than 5 % of the Company's revenues. The Company is not planning any material changes to this part of the business.

In addition, the Company has engaged in negotiations with other businesses and from time to time contacts persons involved in corporate finance matters to determine if there are businesses interested in a merger or other acquisition of or combination with the Company.

As previously announced by the Company in its Form 8-K filed on February 23, 2005, OraLabs entered into a Definitive Agreement with NVC Lighting Investment Holdings Limited under which OraLabs will acquire NVC and convey its ownership of OraLabs, Inc. to OraLabs' President, Gary H. Schlatter. Control of the Company would change from Mr. Schlatter to the owners of NVC. Closing under the Definitive Agreement is conditioned upon many requirements and there can be no assurance that the closing will occur. If the parties do not otherwise terminate the Definitive Agreement, then OraLabs, in anticipation of a meeting of its shareholders called to approve the transactions, will file with the Securities and Exchange Commission a Proxy Statement that will include more detailed information about the Definitive Agreement and the proposed transactions.

BUSINESS OF THE COMPANY.

Principal Products, Their Markets and Distribution. The general business of the Company is to produce and sell consumer products relating to oral care and lip care and to distribute nutritional supplements. The Company's products are currently sold in the USA nationally as well as numerous foreign countries. The products are sold through wholesale distributors as well as by direct sale to mass retailers, grocery stores, convenience stores and drug stores. The principal products produced by the Company can be categorized into three groups: breath fresheners, including liquid drops and sprays under the brand name Ice Drops((R)) and Sour Zone((TM)M) brand sour drops and sour sprays; lip balm products under the names Lip Rageous((R)), Chap Ice((R)), Lip Naturals((R)), Lip Rageous Glitters(TM), Essential Lip Moisture and Soothe & Shine((R)), as well as private label names, promotional products under the name Leashables (R),and nutritional supplement products consisting of 5-HTP and Cheat & Lean(R).

In general, the Company's distribution still covers the same markets that it always has, although 2004 saw an increase in the promotional products markets. As has been the case in recent years, sales and promotional expenses were predominantly to large retailers. The Company believes that the lip balm category will continue to be the Company's primary business. The Company has established itself as a viable competitor in the lip balm business, deriving approximately 80% of its revenue from this category. This is a category that the Company believes can grow in sales. However, it is possible that competitive pressures could further erode margins and increase promotional costs and selling expenses for the Company.

The sales of breath freshener and sour candies remained stable in year 2004. Convenience store and vending distribution has stayed somewhat stable, while dollar store distribution has varied significantly from year to year. This market remains very important and viable to the future of the Company. The Company's distribution network provides continual opportunities for sales of its breath freshening and sour candies products.

The Company's strategy for its breath freshener and lip balm products has been to establish name brands and to develop and sell products that fill niches. The price/value marketing strategy includes capitalizing on the distribution network that currently carries one or more of the Company's products, and building upon the business relationships that have been established.

The Company believes that nutritional supplement sales will remain less than 5%

part of its overall revenue. The Company is not planning any material changes to its nutritional supplement marketing plan.

The Company's products and packaging continue to be conceptualized and developed in-house. The Company's breath freshener and lip balm products are marketed from and packaged at the Company's manufacturing facility in Parker, Colorado. Most packaging, filling and automated manufacturing equipment has been designed, built and maintained by the Company's own staff. This allows the Company to rapidly introduce and manufacture new products, reducing lengthy lead times and some of the cost of capital expenditures associated with some new product introductions. It also allows the Company to test new products before committing capital to full-scale manufacturing endeavors. However, the Company has purchased some high speed filling and labeling equipment in order to help with capacities for well established products.

Products Launched in 2004. The Company did not add any material new products. However, brand extensions with different types of innovative, creative packaging were added.

Competitive Business Conditions. Competition from major branded competitors in the mass retail segment as well as private label manufacturing continues to be very significant.

With respect to the Company's breath freshening products, direct competitors who manufacture liquid or spray breath products consist of less than five. Breath mints and breath strips are a significant competitive force and continue to dominate shelf space in retail storefronts. The Company believes that there are more than 50 competitors in the category. The breath freshening category is always filled with numerous new product introductions from large competitors.

With respect to the Company's lip balm products, the Company believes that approximately 70% of the market is controlled by three dominant competitors (who sell Chapstick(R), Blistex(R) and Carmex(R), and the balance of the market consists of more than 50 different brands. It is estimated that there are only ten to twenty viable competitors from a manufacturing standpoint. Most of the competitors are also trying to introduce new products as a means of growth and market share. The retail stores have a finite amount of space, so getting new slots in retail stores is a challenge.

The Company has sought to distinguish itself by size and packaging of its products, as well as by competing with respect to pricing. The Company believes that for some of its products, its smaller size and lower price than that of its competitors is an advantage to the Company. However, other factors such as a competitor's greater brand recognition or preferable product placement of a competitor's products at retail locations may nullify or reduce whatever competitive advantage the Company's products have. Strong national brands are very difficult to displace and compete against. The price/value positioning and niche marketing opportunities are where the Company is focused.

With respect to nutritional supplement products, competition in this industry is very broad based. The Company has followed its strategy of maintaining a very narrowly focused effort for the products that it has determined to be financially viable. The Company determined that a broad base in this category is not a part of its plan at this time. It is also the Company's expectation that there will also be more and tighter regulation by the government in the future, making it more expensive to do business in this segment (see "Government Regulation" below).

Sources and Availability of Raw Materials. In general, the sources and

availability of materials used by the Company in its business are fairly widespread, and the Company believes that it could obtain secondary sources of raw materials at comparable prices to the extent that an existing business relationship terminates.

Dependence upon a Single Customer. The Company does not believe that its business with respect to any particular product or products is dependent upon any single customer. However, the Company had two major customers that accounted for approximately $1,950,000 and $1,400,000 respectively, or 15% and 11% of net sales for the year 2004. The Company is always at risk of its customers filing for bankruptcy or liquidation or being dropped by a major customer. This has happened in the past and could happen again in the future.

Patents, Trademarks, Licenses, Franchises and Concessions. Although there can be no assurance of proprietary protection respecting pending patents, patents and trademarks held by the Company (see, "Cautionary Statement Regarding Forward-Looking Statements, No Assurance of Proprietary Protection"), and although the Company intends to vigorously seek to enforce and protect its proprietary rights, the Company does not believe that the loss of any such proprietary right would in and of itself, adversely affect the Company in a material manner.

Seasonality. The demand for the Company's lip balm products tends to increase during the cold, dry weather months, but the inclusion of sun block in some of the lip balm products may help to offset some of the seasonality. Even though the sun block products help, sales of lip balm are still considered to be 50-70% seasonal.

Practices of the Company in the Industry. The Company's typical plans with respect to all of its products are to keep adequate inventory on hand for shipments within the required time frame to meet orders. The Company generally extends credit on purchases for a term of 30-90 days after shipment. The Company does not typically formally provide a right of customers to return merchandise. However, the Company believes that it is a common practice in the industry, and the Company subscribes to such practice on a case-by-case basis, to permit a retailer who has not sold all of the goods it has purchased within a reasonable time, to ask the Company to accept a return of the unsold merchandise. The Company estimates and records a reserve for returns upon sale. The Company also expects, as it is common practice in the industry, for retailers to take deductions for "un-saleable product", which are its products that have either been returned by a customer to the retailer or for which the packaging has somehow become un-saleable in the retailer's sole discretion.

Managing Manufacturing Requirements. The Company has done several things to position itself for stability in 2005. In positioning for stability and profitability, the Company has made changes to management, customer service, manufacturing, and sales and administrative personnel. These changes have come at costs that have put the Company in an unprofitable position for the year. The Company has been in its new facility since February of 2004. The extra space has helped to allow the Company to more efficiently process its orders. However the associated costs with the new facility have not yet been offset by increased revenues. The Company plans to reduce its product offerings in order that it will be able to lower its cost to produce fewer product offerings. The Company hopes to be able to return to a state of profitability, however there are no assurances that it will happen. See Trends section in Management Discussion and Analysis.

Government Regulation. The manufacturing, packaging, processing, formulation,

labeling, advertising, distribution and sale of some of the Company's products are subject to regulation by one or more governmental agencies, the most active of which is the Food and Drug Administration ("FDA"), which regulates those products under the Federal Food, Drug, and Cosmetic Act ("FDCA") and regulations promulgated there under. These products are also subject to regulation by the Federal Trade Commission ("FTC"), the Consumer Product Safety Commission ("CPSC"), the United States Department of Agriculture ("USDA") and the Environmental Protection Agency ("EPA"). The Company's activities are also regulated by various agencies of the states, localities and foreign countries to which the Company distributes its products and in which the Company's products are sold. The FDCA has been amended several times, including by the Nutrition Labeling and Education Act of 1990 ("NLEA") and the Dietary Supplement Health and Education Act of 1994 ("DSHEA"). The NLEA established a requirement for the nutrition labeling of most foods including dietary supplements. The DSHEA introduced a new statutory framework governing the composition and labeling of dietary supplements.

The DSHEA provides a regulatory framework to ensure safe, quality, dietary supplements and to foster the dissemination of accurate information about such products. The DSHEA provides, in the Company's judgment, certain regulatory benefits for the nutritional supplement industry. Products defined as dietary supplements under the DSHEA are regulated similarly to food; so much of the special regulatory clearance is eliminated. In addition, claims about how a supplement affects the structure or function of the body may be made (although any statement made must also state that the product is not intended to diagnose, treat, cure or prevent any disease). Under DSHEA, the FDA is generally prohibited from regulating the active ingredients in dietary supplements as food additives or drugs unless product claims are made that a product may diagnose, mitigate, treat, cure or prevent an illness, disease or malady, in which event the FDA may attach drug status to a product. An FDA Rule effective February 7, 2001 defines the types of statements that can be made concerning the effect of a dietary supplement on the structure or function of the body pursuant to DSHEA. The Rule establishes criteria for determining when a statement is a claim to diagnose, cure, mitigate, treat or prevent disease thereby making the product an unapproved new drug. That Rule has not had any material effect on the Company's existing products and the Company will comply with the provisions of the Rule for any new products.

As part of its regulatory authority, the FDA may periodically conduct audits of the physical facilities, machinery, processes and procedures that the Company uses to manufacture products. The FDA may perform these audits at any time without advance notice. As a result of these audits, the FDA may order the Company to make certain changes in its manufacturing facilities and processes. The Company may be required to make additional expenditures to comply with these orders or possibly discontinue selling certain products until it complies with these orders. As a result, the Company's business could be adversely affected.

In February 1997, the FDA issued a Proposed Rule entitled, "CGMP in Manufacturing, Packing, or Holding Dietary Supplements," which proposes current, good manufacturing practices (i.e., "CGMPs") specific to dietary supplements and dietary supplement ingredients. This Proposed Rule, if finalized, would have required some of the quality control provisions contained in the CGMPs for drugs. On March 13, 2003, the FDA published a proposed rule in the Federal Register which proposes comprehensive CGMPs for the manufacturing, packing and holding of dietary supplements, to help reduce risks seen by the FDA that are associated with adulterated or misbranded dietary supplement products. The FDA accepted public comments on the proposed CGMPs until August 11, 2003; but the FDA has not promulgated final CGMPs. The minimum standards include requirements for the design and construction of physical plants that are intended to facilitate maintenance, cleaning, and proper manufacturing operations, for quality control procedures, for testing final product or incoming and in-process materials, for handling consumer complaints, and for maintaining records.

On November 18, 1998, the FTC issued its "Dietary Supplements: An Advertising Guide for Industry." Such guide provides an application of FTC law to dietary supplement advertising and includes examples of how principles of advertisement interpretation and substantiation apply in the context of dietary supplement advertising. The Guide provides additional explanation but does not substantively change the FTC's existing policy that all supplement marketers have an obligation to ensure that claims are presented truthfully and to verify the adequacy of the support behind such claims.

The FTC, which exercises jurisdiction over the advertising of nutritional and dietary supplements under the Federal Trade Commission Act, has in the past several years instituted enforcement actions against several nutritional supplement companies alleging false and misleading advertising of certain products. These enforcement actions have resulted in the payment of fines and/or consent decrees by certain of the companies involved. The FTC continues to monitor advertising with respect to nutritional and dietary supplements. The Company has not been the subject of any FTC inquiries or actions.

Research and Development Expenses. The Company has not expended a material amount of its resources on research and development activities.

Costs and Expenses of Compliance with Environmental Laws. The Company does not have any material amount of cost related to environmental regulations and the Company does not expect to incur material expenses for that purpose in fiscal year 2005.

Number of Employees. The approximate number of employees working for the Company as of the end of fiscal year 2004 was 153.

ITEM 2. DESCRIPTION OF PROPERTY.

The Company's headquarters are located in an office-warehouse building of approximately 88,000 square feet located in Parker, Colorado, which the Company leases from an affiliate of the Company's President. The property includes the executive offices of the Company, as well as the Company's manufacturing and warehouse facilities. The Company's lease expires in September 30, 2006, and the Company believes that its rental rate is comparable to that which would be charged by an unaffiliated landlord. (See "Certain Relationships and Related Transactions")

ITEM 3. LEGAL PROCEEDINGS.

OraLabs, Inc. is a party to a legal proceeding that was brought in the Circuit Court of the First Judicial District of Heinz County, Mississippi that was served on the Company on February 26, 2004. The litigation was brought by individuals who allege that a five-year-old child ingested a portion of a bottle that allegedly was manufactured by OraLabs, Inc. for one of its products. The product was not specified in the complaint. The complaint alleges that the minor child suffered permanent injuries and damages as a result of the ingestion of the portion of the bottle, and the plaintiffs claim compensatory damages in an unstated amount and punitive damages in the amount of $1,925,000. OraLabs, Inc.'s insurance company is tendering a defense. Punitive damages, however, are not covered by the insurance policy. OraLabs, Inc. intends to vigorously defend the suit and believes that it has no liability to the plaintiffs. OraLabs further believes that even if liability is assessed against it, any compensatory damages assessed will be covered by its insurance policy. The Company believes that the possibility of any award of punitive damages against it is very remote. However, if a significant uninsured judgment is awarded against OraLabs, Inc.,

it could put an extreme financial strain upon it.

The litigation commenced by OraLabs, Inc. against Molded Container Corp. dba The Humphrey Line, previously disclosed by the Company, was amicably resolved by a settlement agreement entered into by the parties. The claims of the parties against each other were dismissed without prejudice and the dismissal will automatically convert to a dismissal with prejudice upon compliance with certain matters described in the settlement agreement. As part of the settlement, OraLabs gave Molded Container Corporation a non-exclusive license under the OraLabs' patents that were a subject of the litigation.

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

No matter was submitted to a vote of security holders during the fourth quarter of fiscal year 2004.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

(a) (i) Market Price of and Dividends on the Company's Common Stock. The common stock of the Company trades on the NASDAQ Small Cap Market under the symbol OLAB. The following sets forth the range of high and low bid information for the Company's common stock for fiscal years 2003 and 2004. The source of such information is as reported by NASDAQ. All of the following prices and numbers of shares have been adjusted to give effect to the one-for-two reverse stock split adopted by the Company on December 16, 2003.

	Reported High Bid	Reported Low Bid
First quarter, fiscal 2003	$1.76	$1.16
Second quarter, fiscal 2003	$1.56	$1.04
Third quarter, fiscal 2003	$1.98	$1.06
Fourth quarter, fiscal 2003	$1.96	$1.50
First quarter, fiscal 2004	$2.80	$1.50
Second quarter, fiscal 2004	$2.28	$1.47
Third quarter, fiscal 2004	$2.03	$1.36
Fourth quarter, fiscal 2004	$5.20	$1.03

The quotations reflect inter-dealer prices, without adjustment for retail mark-up, markdown or commission and may not necessarily present actual transactions.

(ii) Disclosure of Equity Compensation Plans. The Company maintains the 1997 Stock Plan (the "ISOP Plan"), pursuant to which the Company granted 250,000 stock options to employees in 1997. The Company also maintains the 1997 Non-Employee Directors' Option Plan ("Director Plan") under which the Company makes an initial grant of 10,000 options and annual grants thereafter of 2,500 options to its non-employee directors, subject to the provisions of the plan.

	Number of securities to be issued upon	Weighted-average exercise price of	Number of securities remaining available

Plan Category	exercise of outstanding options, warrants and rights (#)	outstanding options, warrants and rights ($)	for future issuance under equity compensation plans
Equity compensation plans approved by shareholders	105,400	$2.00	144,600
Equity compensation plans not approved by shareholders	42,500	$2.97	57,500
Total	147,900	$2.15	202,100

(b) As of April 4, 2005, there were approximately 879 record holders of the common stock of the Company.

(c) The Company has not paid any cash dividends and it is not intended that any cash dividends will be paid in the foreseeable future.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

CRITICAL ACCOUNTING POLICIES

We have identified the policies below as critical to our business operations and the understanding of our results of operations. The impact and any associated risks related to these policies on our business operations is discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations where such policies affect our reported and expected financial results.

In the ordinary course of business, we have made a number of estimates and assumptions relating to the reporting of results of operations and financial condition in the preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ significantly from these estimates under different assumptions and conditions. We believe that the following discussion addresses our most critical accounting policies, which are those that are most important to the portrayal of our financial condition and results of operations and require our most difficult, subjective, and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Although the Company believes that it has strict credit policies, it is not unusual, in the normal course of business, for a customer to file for bankruptcy or not pay for product purchased from the Company. The Company has estimated an allowance based upon current balances and historical information which is considered an operating expense. This estimate is subject to judgment and could vary based on the customer mix in the future.

ALLOWANCE FOR RETURNS

Product is returned by customers for various reasons and the Company has estimated an allowance based upon the historical rates of these returns. The sales are recorded net of this allowance. This estimate is subject to judgment as the historical mix of products sold could vary from the future mix of products sold. In addition, the customer mix may change in the future.

INVENTORY OBSOLESCENCE

As product mix shifts, the Company must identify any slow-moving and obsolete inventory it may have on hand. This inventory is reduced to its net realizable value based upon recent sales and similar transactions occurring in the open market. This inventory value is an estimate that is subject to changes in the open market such as demand and availability of product.

Results of Operations. For the period ending December 31, 2004 as compared with the period ending December 31, 2003.

Product sales decreased $937,641. Please refer to the Trends section for a detailed explanation.

Cost of goods sold decreased by $281,921. As a percentage of sales, gross profit was 29.1% in 2004, a decrease of 2.7% from 2003. An increase in overhead of $436,883 related to the new facility, an increase of freight costs of $162,133, and an increase in labor of $135,000 were offset by a decrease in raw materials costs of $1,025,433. The Company anticipates some efficiencies in manufacturing due to improvements in automation and reduced labor costs in 2005.

Engineering increased $68,841 or 27 %. The increase is due to an increase in costs related in large part to automation modifications for compatibility with the new facility. The Company anticipates slightly lower costs in year 2005 to that of year 2004.

Selling and marketing decreased $182,714 or 12%. Sales salaries increased by $35,000 due to headcount addition. The Company expects sales compensation to remain the same as a percentage of sales. Advertising increased by $74,000 as the Company began advertising in trade publications to promote a new segment of the business. The Company plans to continue this approach. These increases were offset by a decrease in bad debt expense. A portion of bad debts in year 2003, in the amount of approximately $230,000, was related to receivables written off in conjunction with the acquisition of assets.

General and administrative expenses increased $470,372 or 18%. An increase in salaries and related taxes and benefits of approximately $323,000 was largely due to additional staffing. The Company anticipates a modest increase in salaries in year 2005. Legal fees increased approximately $203,000 due in large part to fees involving litigation issues and other corporate legal services. The Company will have high legal fees in 2005 relating to the Definitive Agreement discussed below in "Trends". Moving expenses decreased by $115,000 in 2004.

Other operating expenses decreased by $316,362, or 91%, which was primarily due to approximately $308,000 loss on abandonment of leasehold improvements to the two Englewood, CO facilities in 2003, one of which was vacated in 2003 and the other vacated in February, 2004.

Interest and other income decreased $43,091. The decrease was due to state income tax credits of approximately $108,000 received in year 2003 related to prior periods. This was offset by a $87,000 increase in royalty income, and a decrease in interest income of $22,596. The Company anticipates Interest and

other income will be significantly less in 2004 as royalty income and interest income will decrease.

Other expenses decreased by $40,634 as approximately $69,000 was for costs related to manufacturing, distribution and marketing in a foreign country in 2003. The Company does not anticipate significant Other expenses in year 2005, but cannot guarantee against any unforeseen extraordinary events.

The Company had an after tax loss of $565,108 in 2004 compared to income of $1,222 for 2003. The effective tax rate decreased from 101% to 32%. For the year ended December 31, 2003, the Company recognized a tax benefit related to the completion of the Company's previous year's tax return and recognized the impact of previous tax credits related to enterprise zone credits and foreign territorial income exclusions not previously reflected. The change in the estimate of these credits and exclusions resulted in a one time effective tax rate of 101%.

LIQUIDITY AND CAPITAL RESOURCES.

At December 31, 2004, the Company had $866,432 of cash and a current ratio of approximately 4 to 1. The Company believes its current capital resources are sufficient to fund operations for the next twelve months.

Net cash used in operating activities was $653,318 consisting of the following items:

Accounts Receivable, net of Allowance for doubtful accounts, decreased $620,852. Receivables decreased $691,096 due to increased collections and write-offs of uncollectible accounts, while allowances were decreased $70,244. The Company believes there are adequate allowances given improved collection efforts as well as improved controls over customer credit approval. (See, "Allowance for Doubtful Accounts" above).

Inventory increased $456,601 as the Company carried approximately $273,917 more of work in process; approximately $107,626 more in cost of overhead due in large part to expanded facilities; and approximately $114,209 for cost of labor allocated to inventory. The Company anticipates inventory levels to remain similar to year-end numbers.

Income tax receivable increased $86,660 due to $194,168 of current year loss carried back against taxable income offset by other refunds received and receivable.

Deferred tax liability and asset increased $303,772; deferred tax liability long-term increased $14,915; deferred tax asset long-term increased $101,862; and deferred tax asset - current decreased $216,825. This is attributed to timing differences in the treatment of deductions for book verses tax income and net operating losses that will be carried forward and taken against future taxable income.

Prepaid expenses and deposits increased $161,866 substantially as the result of a larger deposit on production materials being produced abroad specifically for the Company by a third party manufacturer, as well as a prepaid expense for payment and implementation of the companies new software. The Company anticipates a drop in Prepaid expenses in 2005 when the software implementation is capitalized.

Accounts payable decreased $195,109. This is due to more timely payment of invoices as well as an improvement in raw material planning and purchasing procedures eliminating excess inventory.

Reserve for returns decreased $34,077 consistent with the decrease in sales from

2003 to 2004. The reserve for returns is calculated as a percentage of sales with a consideration of historical returns. As sales were flat, and the additional reserve notwithstanding, the reserve remained the same. Should the Company experience growth in sales during year 2005 then this reserve will grow proportionately. (See, "Allowance for Returns" above).

Net cash used in investing activities was $1,194,484 consisting of investments in property and equipment of $1,191,079. During 2004, the Company invested in many capital projects to increase automation in the plant.

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Trends. The lip balm category, which was approximately 80% of revenues in both years 2004 and 2003, decreased in 2004. Revenues in 2004 were $10,569,614 as compared to $11,274,552 in year 2003, a 6% decrease. Collectively the volume of units sold and customer base decreased in 2004 primarily as the result of two major customers buying at a significantly reduced level. We expect 2005 to be in the range of 2004 with these customers. In 2005, the Company will, through its normal sales process, attempt to increase its lip balm business, however, there are no assurances that any increase will happen. The Company hopes to implement some cost cutting strategies to reduce its operating cost and to increase its gross margins. This includes product line trimming and a narrower focus on what the Company sells.

The sour drops and breath fresheners revenues were $2,166,262 in year 2004 compared to $2,211,111 in year 2003, or a 2% decrease. The decrease is not significant and sales should remain stable through 2005.

The nutritional supplement revenues, on a relatively smaller scale, were down to $414,594 in 2004 as compared to $582,557 in 2003, or a 29% decrease. The Company has been unable to develop additional customers for these products. Therefore, the Company anticipates these revenues will stay substantially the same.

The international business revenues were $918,104 in 2004 as compared to $870,175 in 2003, a 6% increase. This compares favorably to the 30% decrease in 2003. Although this business represents less than 10% of the Company's revenues it is still considered important to the overall success of the Company. Sales to certain countries significantly decreased in 2004, but were favorably offset by a spread of increased sales in numerous others. In 2004, the Company abandoned its manufacturing plans in South America. In 2005, the Company anticipates continued sales to its major international customers with hopes of expanding its distribution to new markets.

The following table shows aggregated information about contractual obligations as of December 31, 2004:

	Payments Due by Period		
	Total	Less Than 1 Year	1-3 Years
Long-Term Debt	$ 24,656	$ 12,581	$ 12,075
Building Lease	$780,000	$445,000	$ 335,000
Vehicle Lease	$ 6,000	$ 6,000	

Total	$810,656	$463,581	$347,075

Other than the above, OraLabs does not know of any other demands, commitments, uncertainties, or trends that will result in or that are reasonably likely to result in its liquidity increasing or decreasing in any material way.

Impact of Inflation. The Company's financial condition has not been affected by the modest inflation of the recent past. The Company believes that revenues will not be materially affected by inflation. The Company's lip care and oral care products are primarily very low retail price points and impulse items. The nutritional supplements are a small part (approximately 3%) of revenues in a category that is on a downward trend and could be negatively impacted by inflation.

As previously announced by the Company in its Form 8-K filed on February 23, 2005, OraLabs entered into a Definitive Agreement with NVC Lighting Investment Holdings Limited under which OraLabs will acquire NVC and convey its ownership of OraLabs, Inc. to OraLabs' President, Gary H. Schlatter. Control of the Company would change from Mr. Schlatter to the owners of NVC. Closing under the Definitive Agreement is conditioned upon many requirements and there can be no assurance that the closing will occur. If the parties do not otherwise terminate the Definitive Agreement, then OraLabs, in anticipation of a meeting of its shareholders called to approve the transactions, will file with the Securities and Exchange Commission a Proxy Statement that will include more detailed information about the Definitive Agreement and the proposed transactions.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS:

The provisions of the Private Securities Litigation Reform Act of 1995 (the "Reform Act") provide companies with a "safe harbor" when making forward-looking statements. This "safe harbor" encourages companies to provide prospective information about their companies without fear of litigation. The Company wishes to take advantage of this "safe harbor" and is including this section in its Annual Report on Form 10-KSB in order to do so. All statements in this Form 10-KSB that are not historical facts, including without limitation statements about management's expectations for any period beyond the fiscal year ended December 31, 2004, are forward-looking statements and involve various risks and uncertainties, many of which are beyond the control of the Company, and any one of which, or a combination of which, could materially reflect the results of the Company's operations and whether forward-looking statements made by the Company ultimately prove to be accurate.

The following discussion outlines certain risk factors that in the future could affect the Company's results and cause them to differ materially from those that may be set forth in any forward-looking statement made by or on behalf of the Company. The Company cautions the reader, however, that this list of risk factors and others discussed elsewhere in this report may not be exhaustive.

NASDAQ Listing. Although the Company believes that it has been in compliance with requirements for continued listing since it enacted a 1 for 2 reverse stock split in December, 2003, the Company can give no assurance that it will continue to meet the requirements for continued listing of its common stock on the NASDAQ SmallCap Market.

Competition. The businesses in which the Company is engaged are highly

competitive and are engaged in to a large extent by companies which are substantially larger and have significantly greater resources than the Company. Although the Company believes that its branded products have achieved some measure of name recognition, to a large extent the Company does not have the capital resources, marketing and distribution networks, manufacturing facilities, personnel, product name recognition or advertising budget of the larger companies. If the Company were to be forced out of the large mass retailers by larger, better financed competitors, it would be reliant on smaller niche markets that the larger, better financed competitors are not interested in. The same situation applies to international business, where there are larger more dominant competitors that the Company must always deal with. The industries in which the Company competes in experience consolidations of competitors from time to time and the Company's business could be adversely affected by such activities. There can be no assurance that the Company will be able to compete successfully in the future. To respond to competition the Company created added value packaging for promotions that resulted in increased cost of goods sold. There is an increased effort by all competitors for shelf and counter space and the cost of product placement is increasing. There is no assurance that the Company will be able to maintain its shelf and counter presence in the future.

Managing Manufacturing Requirements. The Company has done several things to position itself for stability in 2005, which the Company hopes will help it return to profitability. In positioning for stability and profitability, the Company has made changes to management, customer service, manufacturing, and sales and administrative personnel. These changes have come at costs that have put the Company in an unprofitable position for 2004. The Company has been in its new facility since February of 2004. The extra space has helped to allow the company to more efficiently process its orders. However the associated costs with the new facility have not yet been offset by increased sales or efficiencies. The Company plans to reduce its product offerings in order that it will be able to lower its cost to produce fewer product offerings. The Company hopes to be able to return to a state of profitability. However there are no assurances that it will. The added overhead from the new facility was a partial contributor to the loss in 2004.

The Company experienced a period of significant growth during fiscal years ended December 31, 1996 and 1997. Significant growth did not occur in fiscal year 1998, but it occurred again in 1999, 2000, 2001. The Company did not experience growth in 2002, 2003 or 2004. The volume of manufacturing has been similar for the past four years. The Company has had opportunities to grow its business but has not done so, in part, because of capacity issues in manufacturing. In addition, the loss of a significant number of customers, or a significant reduction in purchase volume by or financial difficulty of such customers, for any reason, could have a material adverse effect on the Company. Successful management of growth, if it occurs, will require the Company to improve its financial controls, operating procedures and management information systems, and to train, motivate and manage its employees.

Product Liability Insurance. Because the Company manufactures and sells certain products designed to be ingested, it faces the risk that materials used for the final products may be contaminated with substances that may cause sickness or other injury to persons who have used the products. Although the Company maintains standards designed to prevent such events, certain portions of the process of product development, including the production, harvesting, storage and transportation of raw materials, along with the handling, transportation and storage of finished products delivered to consumers, are not within the control of the Company. Furthermore, sickness or injury to persons may occur if products manufactured by the Company are ingested in dosages which exceed the dosage recommended on the product label or are otherwise misused. The Company cannot control misuse of its products by consumers or the marketing, distribution and resale of its products by its customers. With respect to product liability claims in the United States, the Company has $2 million per occurrence and $2

million in aggregate liability insurance. However, there can be no assurance that such insurance will continue to be available, or if available, will be adequate to cover potential liabilities. The Company generally does not obtain contractual indemnification from parties supplying raw materials or marketing its products and, in any event, any such indemnification is limited by its terms and, as a practical matter, to the creditworthiness of the indemnifying party.

Dependence on Key Personnel. The Company's future success depends in large part on the continued service of its key personnel. In particular, the loss of the services of Gary Schlatter, its President and Chief Executive Officer, could have a material adverse effect on the operations of the Company. The Company's subsidiary has an employment agreement with Mr. Schlatter which expires on April 30, 2006, but it is expected to be extended. The Company's future success and growth also depends on its ability to continue to attract, motivate and retain highly qualified employees. There can be no assurance that the Company will be able to do so.

Government Regulation. The manufacturing, processing, formulation, packaging, labeling and advertising of some of the Company's products are subject to regulation by one or more federal agencies and under various laws (see Description of Business-Government Regulation above). There can be no assurance that the scope of such regulations will not change or otherwise cause an increase in the expenses and resources of the Company which must be applied to complying with such regulations. As an example, the Company's sun-block lip balms are regulated by the FDA. If the FDA were to conclude that any of the Company's products violate FDA rules or regulations, the FDA may seek to restrict or remove such products from the market. Such action may be taken against the Company and any entity which manufactures products for the Company. As an additional example, regulations concerning good manufacturing practices with respect to OTC drugs and nutritional supplements do have an adverse impact upon the cost or methods of producing the products. It is anticipated that new labeling laws currently pending will result in increased costs, in order to be in compliance .

The Company's business is also regulated by various agencies of the states and localities in which the Company's products are sold and governmental regulations in foreign countries where the Company sells or may seek to commence sales. Such regulations could prevent or delay entry into a market or prevent or delay the introduction of Company products. For example, international sales are expected to be slowed by the long process of registering new products.

The Company may be subject to additional laws or regulations administered by the FDA or other federal, state or foreign regulatory authorities, the repeal or amendment of laws or regulations or more stringent interpretations of current laws or regulations, from time to time in the future. The Company is unable to predict the nature of such future laws, regulations, interpretations or applications, nor can it predict what effect additional governmental regulations or administrative orders, when and if promulgated, would have on its business in the future. They could, however: require reformulation of certain products to meet new standards; recall or discontinue certain products not able to be reformulated; impose additional record keeping requirements; expanded documentation of the properties of certain products; or expand or differentiate labeling and scientific substantiation regarding ingredients, product claims, safety or efficacy. Failure to comply with applicable FDA requirements could result in sanctions being imposed on the Company or the manufacturers of its products, including, warning letters, fines, product recalls and seizures. Any or all such requirements could have a material adverse effect on the Company's results of operations and financial condition.

Dependence upon Significant Distributors and Retailers. The Company had two major customers that accounted for approximately $1,950,000 and $1,400,000 respectively, or 15% and 11% of net sales during the year ended December 31, 2004. The Company had over 1,000 purchasing customers in fiscal 2004 and believes that the loss of revenues from any customer could gradually be replaced, but there could be adverse effects upon the Company's business until those revenues are replaced. The Company is always at risk for its customers filing for bankruptcy or liquidation. This has happened in the past and could happen again in the future.

Dependence upon Third Party Suppliers. With respect to some of the Company's products, the product itself is formulated and supplied to the Company by third party vendors, and the Company then packages the products for sale. For other products, the Company provides some or all of the raw materials and a third party completes preparation of the product and/or its packaging. Should these relationships terminate, or should these parties be otherwise unable to perform their obligations on terms satisfactory to the Company, the Company would be required to establish relationships with substitute parties. Although the Company believes that it can do so and that raw materials are available at comparable prices from several suppliers, there can be no assurance that this will be the case, in which case there could be a material adverse effect upon the Company.

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No Assurance of Proprietary Protection. The Company owns numerous patents. The Company also holds several domestic and international trademarks and has several applications pending. Certain aspects of the Company's business, although not the subject of patents, include formulations and processes considered to be proprietary in nature. There can be no assurance that any such "proprietary" information will not be appropriated or that the Company's competitors will not independently develop products that are substantially equivalent or superior to the Company's. Even if the pending trademark registrations are issued to the Company, there can be no assurance that the Company would be able to successfully defend its patents or trademarks against claims from or use by competitors, and there can be no assurance that the Company will be able to obtain patent or trademark protection for any new products. In addition, in the event that any of the Company's products are determined to infringe upon the patents or proprietary rights of others, the Company could be required to modify its products or obtain licenses for the manufacture or sale of the products, or could be prohibited from selling the products.

No Assurance of Scientific Proof. The Company's nutritional supplement products are intended to provide relief of certain symptoms or to otherwise aid in the health of the consumers. If scientific data were to conclude that the products do not do so, or if for any other reason the Company's products were not viewed by the public as providing any meaningful benefit, there could be an adverse effect upon the sales of the products. In addition, the nutritional supplement industry has been known to experience radical ups and downs of certain product sales in a short period of time which could adversely affect the Company's sales or inventory positions. Sometimes these cycles are the result of studies or the media creating a positive or negative impact on the industry and the public at large.

Limited Distribution for Nutritional Supplement Products. The Company began selling its nutritional supplement products in 1998. The nutritional supplement industry is influenced by products that become popular due to changing consumer tastes and media attention. The Company is competing against much larger and better established manufacturers in this business than in the Company's primary business. The Company does not expect its sales of nutritional products to significantly change.

ITEM 7. FINANCIAL STATEMENTS.

Financial Statements meeting the requirements specified in Item 7 of Form 10-KSB follow the signature page and are listed in Item 13 of this Annual Report on Form 10-KSB.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE. NONE.

ITEM 8A. CONTROLS AND PROCEDURES.

Control deficiencies have been identified by management in consultation with Ehrhardt Keefe Steiner & Hottman PC, the Company's independent auditors. Certain matters involving internal control deficiencies considered to be a material weakness and reportable conditions under standards established by the American Institute of Certified Public Accountants have been reported to the audit committee of the board of directors. The material weakness relates to adjustments made by the auditors in order for inventory to be properly stated. The reportable conditions include conditions surrounding the following: financial reporting and lack of oversight over the accounting processes. The Company has hired a CPA with experience in the manufacturing industry and implemented a widely used, mid-sized business accounting and inventory system to address its control deficiencies. The benefits of implementation of the new software along with training staff on the Company's new systems had not been fully realized at the end of 2004. As a result some of the Companies reportable conditions were still present at the end of 2004. Management believes that the aforementioned reportable conditions will be corrected during 2005.

Evaluation of Disclosure Controls and Procedures. The Company's Chief Executive Officer and its Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-14(c) and 15d-14(c) as of a date within 90 days of the filing date of this annual report on Form 10-KSB (the "Evaluation Date")), have concluded that as of the Evaluation Date, the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities, particularly during the period in which this annual report on Form 10-KSB was being prepared.

Our external auditors have not issued an attestation report on management's assessment of the Company's internal control over financial reporting, as it is not required for the Company at this time.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

The following table identifies each of the Company's directors and executive officers:

Name	Age	Positions with the Company	Yea Ele Bo Di

Gary H. Schlatter(2)............	48	Chief Executive Officer, President, Treasurer, Director
Allen R. Goldstone..............	52	Director
Michael I. Friess...............	55	Director(1), Secretary
Robert C. Gust..................	48	Director(1)
Emile J. Jordan.................	46	Chief Financial Officer

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(1) Audit Committee member

(2) See "Certain Relationships and Related Transactions" below.

Mr. Schlatter and Mr. Goldstone were elected to their positions in May 1997 upon consummation of the transaction by which the Company's subsidiary, OraLabs, Inc., was acquired by SSI Capital Corp. (the Company's predecessor). Mr. Friess was appointed as a Director on September 8, 1997 and Mr. Gust was elected as a director on May 26, 2000. All directors serve as such until their successors are elected and qualified. No family relationship exists among the Directors or between any of such persons and the Executive Officers of the Company. Mr. Goldstone resigned from the Board on August 24, 1999 and was reappointed to the Board on December 30, 1999.

Gary H. Schlatter is the founder (in 1990) of the Company's subsidiary, OraLabs, Inc., and has served as the President, Chief Executive Officer, Treasurer and Secretary of the subsidiary since that time. He also serves in the positions listed in the above table with respect to the Company. Mr. Schlatter holds his offices (other than the position of director) pursuant to an employment agreement (see, "Executive Compensation").

Michael Friess is a self-employed attorney licensed to practice law in the State of Colorado. He was a partner from January 1983 to December 1993 in the New York City law firm of Schulte, Roth & Zabel, where his practice emphasized taxation.

Allen R. Goldstone is the managing member of Creative Business, LLC, a company that is engaged in business consultation, and he has held that position since 1998 (and prior thereto he was and still serves as president of Creative Business Strategies, Inc., another business consulting firm). Mr. Goldstone has also served as a management consultant since 1988. For calendar year 1997, Mr. Goldstone was an employee of the Company's subsidiary, in which capacity he was in charge of investor relations.

Robert C. Gust is the co-founder (January 2002) and Partner of Apogee Group, a business brokerage and consulting firm. From April 1997 to December 2001, Mr. Gust was co-founder and Senior Vice-President of Business Development for Protocol Communications, Inc., a Massachusetts company engaged in the business of owning and operating integrated marketing services companies. From June 1993 until the formation of Protocol Communications, Inc., Mr. Gust was Vice-President of Sales (North America) for Indigo America.

Emile J. Jordan has served as the Comptroller of the Company since May 1997. He has served as Comptroller of the subsidiary, OraLabs, Inc. on a full time basis since April 1, 1994. Mr. Jordan is the Chief Financial Officer of the Company. Mr. Jordan was elected to his position by the Board of Directors of the Company and holds his office at the discretion of the Board of Directors or until his

earlier death or resignation.

Additional information with respect to the Board of Directors.

The Company has a standing Audit Committee consisting of Michael I. Friess and Robert C. Gust. The Audit Committee reviews the consolidated financial statements and independent auditors' report, including recommendations from the independent auditors regarding internal controls and other matters. The Audit Committee held one meeting during fiscal year 2004 to discuss the financial statements to be part of the Company's Form 10-KSB for fiscal year 2003, and held one meeting with the Company's independent auditors with respect to the Company's Annual Report on Form 10-KSB for fiscal year 2004. The meetings were held by telephone conference call. The Board of Directors adopted a revised written charter for the Audit Committee in March 2004, which was attached as Appendix A to the Company's Proxy Statement filed on April 20, 2004.

During the fiscal year ended December 31, 2004, the Board of Directors did not meet in person but met three times by telephone conference, and each Director participated in the meeting. The Board also took action on numerous occasions without a formal meeting.

Section 16(a) Beneficial Ownership Reporting Compliance.

Section 16(a) of the Securities and Exchange Commission requires our directors, executive officers and holders of more than 10% of our common stock to file with the Securities and Exchange Commission reports regarding their ownership and changes in ownership of our securities. The Company believes that during fiscal year 2004, its directors, executive officers and 10% owners complied with all Section 16(a) filing requirements with the following exceptions: directors Friess, Goldstone and Gust each filed a late report with respect to options awarded to each of them in June 2004 under the Company's 1997 Non-employee Directors Option Plan.

Code of Ethics. Our Board of Directors adopted a code of ethics that applies to our Principal Executive Officer, Gary H. Schlatter, and our Principal Financial Officer, Emile Jordan. Both of these individuals signed an acknowledgement of his receipt of our code of ethics. We are filing a copy of our code of ethics with the Securities and Exchange Commission by including it as Exhibit 14.1 to this report.

ITEM 10. EXECUTIVE COMPENSATION.

The following table sets forth information regarding compensation for services rendered, in all capacities, awarded or paid to or earned by the Chief Executive Officer of the Company during the last three fiscal years and earned by Emile Jordan in fiscal year 2004. No other executive officer of the Company received a total annual salary and bonus in excess of $100,000 during any of the last three fiscal years.

Summary Compensation Table

		Annual Compensation				Long Term
Name and Principal Position	Year	Salary ($)	Bonuses ($)	Other ($)	Other	Shar lying

Gary H. Schlatter, CEO	2004	393,105(1)	0	22,699(3)	0	30
	2003	370,346(1)	0	22,339(3)	0	30
	2002	335,468(1)	0	27,009(2)	0	30
Emile Jordan, CFO	2004	109,400	0	0	0	25

(1) Includes 30,500 shares underlying 30,500 options granted in the fiscal year ended December 31, 1997 to Mr. Schlatter's spouse, an employee of the Company, under the Company's 1997 Stock Plan and a $10,000 annual salary to the spouse. Beneficial ownership of such securities and spouse's salary is disclaimed by Mr. Schlatter.

(2) Includes expenses for automobiles and related insurance and other automobile expenses, as well as payments made to a company owned by Mr. Schlatter for computer equipment and furniture.

(3) Includes expenses for automobiles and related insurance and other automobile expenses.

STANDARD COMPENSATION ARRANGEMENTS FOR DIRECTORS

The directors other than Mr. Schlatter are compensated monthly for services provided as directors. Currently, all three non-employee directors receive $2,000 monthly as director's fees. The Company may modify those arrangements at any time. There were no other arrangements pursuant to which any director of the Company was compensated during the past fiscal year for any service provided as a director. However, the Company has a Non-Employee Director Stock Option Plan under which directors who are not employees are granted (at the time of initial election or appointment to the Board) 10,000 options to purchase common stock and are thereafter granted 2,500 options annually so long as they continue to serve as non-employee directors. All of the options are exercisable at the market price of the common stock at the time of grant and vest proportionately over a four year period.

AGREEMENTS WITH EXECUTIVE OFFICERS

The only employment contract between the Company and any executive officer of the Company who received total salary and bonus during fiscal year 2004 in excess of $100,000 is an Amended and Restated Employment Agreement with Gary H. Schlatter. Except for that Agreement as described below, the Company has not entered into any compensatory arrangement pursuant to which any executive officer of the Company will receive payment from the Company as a result of the executive officer's resignation, retirement or termination of employment or as a result of a change in control of the Company. There is no employment contract between the Company and Emile J. Jordan. Effective May 1, 2003, the Company's subsidiary, OraLabs, Inc., entered into an Amended and Restated Employment Agreement ("Employment Agreement") with Gary Schlatter. The Employment Agreement extended the term of Mr. Schlatter's employment through April 30, 2006, unless terminated earlier pursuant to the provisions of the Employment Agreement. Under the Employment Agreement, Mr. Schlatter agrees to devote such time and attention to the business of OraLabs, Inc. as may be required to fulfill his duties, which is expected to require a substantial amount of his working time.

Under the Employment Agreement, Mr. Schlatter is paid a base salary of $392,645 per year for the first twelve (12) months, $431,909 per year for the next twelve (12) months, and $475,100 for the final twelve (12) months. Bonus compensation is payable to Mr. Schlatter as may be determined by the Board of Directors in its discretion. Mr. Schlatter also is paid or reimbursed for lease and insurance

expenses for automobile and cellular telephone expenses. Under the Employment Agreement, Mr. Schlatter has agreed that during its term and for a period of one (1) year thereafter, he will not participate in any business competitive to that of the business of OraLabs, Inc., except with respect to limited passive investments, and that he will never disclose or utilize any trade secrets or proprietary information of OraLabs, Inc. except within the scope of his employment.

Under specified circumstances involving a change in control, Mr. Schlatter may terminate the Employment Agreement and receive a lump sum payment equal to all of the compensation to which he otherwise would have been entitled had the Employment Agreement remained in effect for its entire term.

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ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table sets forth, as of April 4, 2005, information regarding the beneficial ownership of Common Stock (i) by each Director,(ii) by each Executive Officer listed in the Summary Compensation table below, (iii) by all Directors and current Executive Officers as a group (five persons), and (iv) by each person or group known by the Company to own beneficially in excess of five percent (5%) of the Common Stock:

Name and Address of Beneficial Owner(6)	Amount and Nature of Beneficial Ownership	Percent o
Gary H. Schlatter 18685 East Plaza Drive Parker, Colorado 80134	3,729,350 shares(1)	78.21
Allen R. Goldstone 5353 Manhattan Circle Suite 101 Boulder, Colorado 80303	36,250 shares (2)	*
Michael I. Friess 5353 Manhattan Circle Suite 101 Boulder, Colorado 80303	8,750 shares (3)	*
Robert C. Gust 7N551 Cloverfield Circle St. Charles, IL 60175	24,750 shares (4)	*
Emile Jordan 18685 East Plaza Drive Parker, CO 80134	25,500 shares (5)	
All directors and executive officers as a group (five persons)	3,824,600 shares (1), (2), (3), (4),(5)	7

* Less than one percent

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(1) Includes 100,000 shares held by The Schlatter Family Partnership, of which Gary H. Schlatter and his spouse are the general partners. Mr. Schlatter's spouse may be deemed the beneficial owner of some or all of the shares. Does not include 30,500 shares that Mr. Schlatter's spouse, an employee of the Company, has the right to acquire on April 4, 2005, or within sixty (60) days thereafter, pursuant to outstanding options.

(2) Includes 3,750 shares that he has the right to acquire on April 4, 2005, or within sixty (60) days thereafter, pursuant to outstanding options.

(3) Includes 6,250 shares that he has the right to acquire on April 4, 2005 or within sixty (60) days thereafter, pursuant to outstanding options.

(4) Includes 13,750 shares that he has the right to acquire on April 4, 2005 or within sixty (60) days thereafter, pursuant to outstanding options.

(5) Includes 25,500 shares that he has the right to acquire on April 4, 2005 or within sixty (60) days thereafter, pursuant to outstanding options(.)

(6) Unless otherwise noted, the stockholders identified in this table have sole voting and investment power. The sole person known to the Company to be the beneficial owner of more than five percent (5%) of the class of outstanding stock is Gary H. Schlatter, whose address is c/o OraLabs Holding Corp., 18685 East Plaza Drive, Parker, Colorado 80134.

CHANGE IN CONTROL.

As previously announced by the Company in its Form 8-K filed on February 23, 2005, OraLabs entered into a Definitive Agreement with NVC Lighting Investment Holdings Limited under which OraLabs will acquire NVC and convey its ownership of OraLabs, Inc. to OraLabs' President, Gary H. Schlatter. Control of the Company would change from Mr. Schlatter to the owners of NVC. Closing under the Definitive Agreement is conditioned upon many requirements and there can be no assurance that the closing will occur. If the parties do not otherwise terminate the Definitive Agreement, then OraLabs, in anticipation of a meeting of its shareholders called to approve the transactions, will file with the Securities and Exchange Commission a Proxy Statement that will include more detailed information about the Definitive Agreement and the proposed transactions.

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ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Gary H. Schlatter, through an affiliated entity, is the owner of the property leased by OraLabs (the Company's subsidiary) that serves as the Company's headquarters, manufacturing facility and warehouse facility. The lease expires on September 30, 2006. Prior to the Company's relocation in 2004, Mr. Schlatter individually and an affiliated entity respectively leased the two facilities from which the Company conducted its business. Total rent paid by the Company for rent of those facilities in 2004 was $83,690. Rent paid to Mr. Schlatter's affiliated entity in 2004 after the relocation was $446,088. The Company believes that its rental rate is comparable to that which would be paid to unaffiliated parties, and the Company believes that if the leases were not to be renewed, the Company could obtain alternative space.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K.

(a) The following documents are filed as a part of this Form 10-KSB immediately following the signature pages:

1. Consolidated Financial Statements (OraLabs Holding Corp. and Consolidated Subsidiaries): Independent Auditors' Report Consolidated Balance Sheet - December 31, 2004 Consolidated Statements of Operations for the years ended December 31, 2004 and December 31, 2003 Consolidated Statement of Stockholders' Equity from December 31, 2002 through December 31, 2004 Consolidated Statements of Cash Flows for the years ended December 31, 2004 and 2003 Notes to Consolidated Financial Statements

2. Exhibits required to be filed are listed below:

Certain of the following exhibits are hereby incorporated by reference pursuant to Rule 12(b)-32 as promulgated under the Securities and Exchange Act of 1934, as amended, from the reports noted below:

Exhibit No.	Description
3.1(i)(1)	Articles of Incorporation
3.1(ii)(2)	Amended and Restated Bylaws
3.1(ii)(4)	Second Amended and Restated Bylaws
4(2)	Specimen Certificate for Common Stock
10.1(2)	1997 Stock Plan
10.2(2)	1997 Non-Employee Directors' Option Plan <
10.3(3)	Amended and Restated Employment Agreement Between the Company's Subsidiary and Gary Schlatter
10.4(2)	Stock Option Grant under 1997 Non-Employee Directors' Option Plan
10.5(i)(5)	Business Lease between the Company's Subsidiary and Gary Schlatter (September 1, 2000)
10.5(iii)(8)	Amended Business Lease between the Company's Subsidiary and 2780 South Raritan, LLC effective October 15, 2000.
10.5(iv)(9)	Lease between the Company's Subsidiary and 18501 East Plaza Drive, LLC dated September 4, 2003
10.9(7)	Agreement (effective May 1, 2000, amending the Employment Agreement listed above as Exhibit 10.3).
10.10(10)	Amended and Restated Employment Agreement between the Company's Subsidiary and Gary Schlatter dated May 1, 2003
10.11(11)	Stock Exchange Agreement between the Company, NVC Lighting Investment Holdings Limited and others dated February 23, 2005
11	No statement re: computation of per share earnings is required since such earnings computation can be clearly determined from the material contained in this Annual Report on Form 10-KSB.
14.1(12)	Code of Ethics
21(2)	List of Subsidiaries of the Company
23.1(12)	Consent of Independent Public Accountants (Ehrhardt Keefe Steiner & Hottman P.C.)
31.1(12)	Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 302 Of The Sarbanes-Oxley Act Of 2002
31.2(12)	Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 302 Of The Sarbanes-Oxley Act Of 2002
32.1(12)	Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act Of 2002
32.2(12)	Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act Of 2002

(1) Incorporated herein by reference to Exhibit C of the Definitive Information Statement filed by the Company's predecessor, SSI Capital Corp., on July 24, 1997.

(2) Incorporated herein by reference to the Company's Form 10-K filed for fiscal year 1997.

(3) Incorporated herein by reference to Exhibit B of the Form 8-K filed by the Company's predecessor, SSI Capital Corp., on May 14, 1997.

(4) Incorporated herein by reference to the Company's Form 10-KSB filed for fiscal year 1998.

(5) Incorporated herein by reference to the Company's Form 10-QSB filed for the quarter ended September 30, 2000.

(6) N/A

(7) Incorporated herein by reference to the Company's Form 10-QSB filed for the quarter ended March 31, 2000.

(8) Incorporated herein by reference to the Company's Form 10-KSB filed for fiscal year 2000.

(9) Incorporated herein by reference to the Company's Form 10-QSB filed for the quarter ended September 30, 2003.

(10) Incorporated herein by reference to the Company's Form 10-QSB filed for the quarter ended June 30, 2003.

(11) Incorporated herein by reference to the Company's Form 8-K filed February 24, 2005.

(12) Filed herewith.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The following table presents fees for professional audit services rendered by Ehrhardt Keefe Steiner & Hottman P.C. ("EKS&H") for the audit of our annual financial statements for the years ended December 31, 2004 and December 31, 2003, and the reviews of the financial statements included in each of our quarterly reports on Form 10-QSB during the fiscal years ended December 31, 2004 and 2003:

	2004	2003
Audit Fees	$65,500	$62,000
Audit-Related Fees	$0	$0
Tax Fees	$0	$0
All Other Fees	$0	$0

Audit Fees are fees incurred in connection with the audit of the Company's consolidated annual financial statements and the review of financial statements in the Company's quarterly reports on Form 10-QSB. All Other Fees are incurred for services other than those described above. The Audit Committee will pre-approve the performance by EKS&H of any services other than those relating to the audit or review of the Company's financial statements, but no other services are anticipated at this time.

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SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ORALABS HOLDING CORP.

BY: /S/ GARY H. SCHLATTER
GARY H. SCHLATTER, PRESIDENT

BY: /S/ EMILE JORDAN
EMILE JORDAN, CHIEF FINANCIAL OFFICER

DATE: DECEMBER 19, 2005

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/S/ GARY H. SCHLATTER GARY H. SCHLATTER	DIRECTOR, PRESIDENT, CHIEF EXECUTIVE OFFICER	DECEMBER 20, 2005
/S/ MICHAEL I. FRIESS MICHAEL I. FRIESS	DIRECTOR, SECRETARY	DECEMBER 20, 2005
/S/ ALLEN R. GOLDSTONE ALLEN R. GOLDSTONE	DIRECTOR	DECEMBER 20, 2005
/S/ ROBERT C. GUST ROBERT C. GUST	DIRECTOR	DECEMBER 20, 2005

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Consolidated Financial Statements And
Independent Auditors' Report December 31, 2004

ORALABS HOLDING CORP. AND SUBSIDIARIES

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders OraLabs Holding Corp.
Parker, Colorado

We have audited the consolidated balance sheet of OraLabs Holding Corp. and Subsidiaries as of December 31, 2004 and the consolidated statements of operations, changes in stockholders' equity and cash flows for the years ended December 31, 2004 and 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial condition of OraLabs Holding Corp. and Subsidiaries, as of December 31, 2004, and the results of their operations and their cash flows for the years ended December 31, 2004 and 2003,

in conformity with accounting principles generally accepted in the United States of America.

EHRHARDT KEEFE STEINER & HOTTMAN PC

April 8, 2005
Denver, Colorado

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ORALABS HOLDING CORP. AND SUBSIDIARIES

Consolidated Balance Sheet

December 31, 2004

Assets

Current assets	
Cash	$ 866,432
Accounts receivable, net of allowance for doubtful accounts of $345,177	1,275,820
Inventories	2,878,755
Deferred tax asset - current	285,117
Income taxes receivable	329,648
Prepaid expenses	264,451
Deposits and other assets	158,720
Total current assets	6,058,943
Non-current assets	
Deferred tax asset- long-term	45,336
Property and equipment, net	1,668,675
Total non-current assets	1,714,011
Total assets	$ 7,772,954

Liabilities and Stockholders' Equity

Current liabilities	
Accounts payable - trade	$ 850,157
Accrued liabilities	131,812
Reserve for returns	362,342
Current portion of long-term debt	12,581
Total current liabilities	1,356,892
Non-current liabilities	
Long-term debt, less current portion	12,075
Total non-current liabilities	12,075
Commitments and contingencies	
Stockholders' equity	

Preferred stock, $.001 par value, 1,000,000 authorized; none issued and outstanding	-
Common stock, $.001 par value; 25,000,000 shares authorized; 4,668,615 issued and 4,580,615 outstanding (2004) and 4,580,615 issued and outstanding (2003)	4,669
Additional paid-in capital	1,463,044
Retained earnings	4,936,274
Total stockholders' equity	6,403,987
Total liabilities and stockholders' equity	$ 7,772,954

See notes to consolidated financial statements.

ORALABS HOLDING CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31, 2004	2003
Product sales	$ 13,130,579	$ 14,068,220
Cost of goods sold	9,315,940	9,597,861
Gross profit	3,814,639	4,470,359
Operating expenses		
Engineering	319,828	250,987
Selling and marketing	1,325,935	1,508,649
General and administrative	3,047,940	2,577,568
Other	32,218	348,580
Total operating expenses	4,725,921	4,685,784
Loss from operations	(911,282)	(215,425)
Other income (expense)		
Interest and other income	110,965	154,056
Other expense	(35,359)	(75,993)
Total other income (expense)	75,606	78,063
(Loss) Income before income taxes	(835,676)	(137,362)
Income tax benefit (expense)		
Current	194,648	72,245
Deferred	75,920	66,339
Total income tax benefit	270,568	138,584
Net (loss) income	$ (565,108)	$ 1,222
Basic weighted average common shares outstanding	4,668,615	4,580,615

Basic (loss) income per common share	$ (0.12)	$ 0.00
Diluted weighted average common shares outstanding	4,668,615	4,580,615
Diluted (loss) income per common share	$ (0.12)	$ 0.00

See notes to consolidated financial statements.

ORALABS HOLDING CORP. AND SUBSIDIARIES
Consolidated Statement of Changes in Stockholders' Equity

For the Years Ended December 31, 2004 and 2003

	Common Stock		Additional	Retained
	Shares	Amount	Paid-in Capital	Earnings
Balance - December 31, 2002	4,580,615	4,581	1,221,484	5,500,160
Net income	-	-	-	1,222
Balance - December 31, 2003	4,580,615	$ 4,581	$ 1,221,484	$ 5,501,382
Stock options exercised, net of tax benefit	88,000	88	241,560	
Net loss	-	-	-	(565,108)
Balance - December 31, 2004	4,668,615	$ 4,669	$ 1,463,044	$ 4,936,274

See notes to consolidated financial statements.

ORALABS HOLDING CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended
December 31,

	2004	2003
Cash flows from operating activities		
Net (loss) income	$ (565,108)	$ 1,222
Adjustments to reconcile net (loss) income to net cash provided by operating activities		
Depreciation	380,022	436,938
Allowance for doubtful accounts	(70,244)	56,221
Deferred tax liability and asset	(151,464)	224,470
Income tax receivable	(194,168)	-
Loss on sale of assets	11,211	308,858
Changes in assets and liabilities		
Accounts receivable - trade	691,096	(159,856)
Inventories	(456,601)	(418,610)
Prepaid expenses and deposits	(161,866)	10,531
Accounts payable - trade	(195,108)	637,566
Accrued liabilities	(14,519)	(158,858)
Reserve for returns	(34,077)	(142,699)
Income taxes receivable (payable)	107,508	(513,077)
	(88,210)	281,484
Net cash (used in) provided by operating activities	(653,318)	282,706
Cash flows from investing activities		
Purchase of property and equipment	(1,194,484)	(376,330)
Net cash used in investing activities	(1,194,484)	(376,330)
Cash flows from financing activities		
Payments of principal on long-term debt	(22,874)	(22,875)
Stock options exercised	176,000	
Net cash provided by (used in) financing activities	153,126	(22,875)
Net decrease in cash	(1,694,676)	(116,499)
Cash - beginning of year	2,561,108	2,677,607
Cash - end of year	$ 866,432	$ 2,561,108

Supplemental disclosure of cash flow information:

Cash paid for:	Income taxes
2004	$ -
2003	$ 150,000

Supplemental disclosure of non-cash transactions:

During 2004, the Company received a tax benefit of $65,648 related to the exercise of options.

See notes to consolidated financial statements

NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

OraLabs Holding Corp. and Subsidiaries, (the Company), was formed in June 1997. SSI Capital Corp. (SSI) a New York Corporation was incorporated on January 30, 1981. Effective August 22, 1997, SSI was merged into the Company and the outstanding shares of SSI were converted to shares of the Company on one-for-two basis. In December, 2003, the Company effected a one-for-two reverse stock split. All references to common stock in the Company's financial statements have been retroactively adjusted for the merger and the two separate one-for-two reductions in shares outstanding.

OraLabs Inc. (ORALABS), a Colorado corporation was incorporated on August 10, 1990. ORALABS is in the business of manufacturing and distributing lip balm, fresh breath and other products. ORALABS is a wholly owned subsidiary of the Company.

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of ORALABS and the accounts of SSI since the date of the reverse acquisition and the accounts of OL Sub Corp. (an inactive entity) since inception. The Company established a 90% owned subsidiary of OraLabs, Inc. in Brazil during 2003, with no business activity during that year. The activity during the 2004 year was minimal and therefore immaterial to the overall business. The Company is making plans to close the subsidiary by the end of the 2nd quarter 2005. All inter-company accounts and transactions have been eliminated in consolidation.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company continually monitors its positions with, and the credit quality of, the financial institutions it invests with. As of the balance sheet date, and periodically during the year, the Company has maintained balances in various operating accounts in excess of federally insured limits.

ACCOUNTS RECEIVABLE

Accounts receivable represents receivables from customers for product purchased. Such amounts are recorded gross of any discounts. Promotional discounts and bad debts are estimated and accounted for in the allowance for doubtful accounts. Management continually monitors and periodically adjusts the allowances associated with these receivables.

INVENTORIES

Inventories consist of raw materials, work-in-process and finished goods, and are stated at the lower of cost or market, determined using the average cost method.

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost. Depreciation is provided utilizing the straight-line method over the estimated useful lives for owned assets, ranging from 5 to 7 years, and the related lease terms for leasehold improvements.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the

financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION

The Company recognizes revenue in accordance with the criteria set forth in SFAS 48. Revenue is recognized as product is shipped net of estimated returns. The Company allows for returns for defective product and records an estimate of these returns based on historical operations and experience.

INCOME TAXES

The Company recognizes deferred tax liabilities and assets based on the differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years.

RECLASSIFICATIONS

Certain amounts in the 2003 consolidated financial statements have been reclassified to conform to the 2004 presentation.

ADVERTISING COSTS

The Company expenses advertising costs as incurred.

Advertising expenses were as follows:

For the Year Ended December 31,

2004	$ 79,883
2003	$ 1,769

RESEARCH AND DEVELOPMENT COSTS

Expenditures made for research and development are charged to expense as incurred. Total research and development costs of $16,946 and $37,172 for December 31, 2004 and 2003, respectively, were expensed in operations.

BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE

BASIC LOSS PER SHARE

The Company applies the provisions of Financial Accounting Standard No. 128, "Earnings Per Share" (FAS 128). For the years ended December 31, 2004 and 2003, The Company had 147,900 and 250,900 stock options, respectively that were not included in the computation of earnings (loss) per share because their effect was anti-dilutive; however, if the Company were to achieve profitable operations in the future, they could potentially dilute such earnings.

STOCK-BASED COMPENSATION

The Company has determined the value of stock-based compensation arrangements under the provisions of APB Opinion No. 25 "Accounting for Stock Issued to Employees"; and will make pro forma disclosures required under SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123 permits the use of either a fair value based method of the method defined in APB No. 25 which

requires the disclosure of pro forma net income (loss) and earnings per share that would have resulted from the use of the fair value based method.

	2004
Net (loss) income available to common shareholders-as reported	$ (565,108)
Total stock-based employee compensation expense determined under fair market value method for an award	(7,581)
Net loss available to common shareholders-pro forma	$ (572,689)
Basic loss per common share- as reported	$ 0.12
Basic loss per common share- pro forma	$ 0.12

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. All option are granted at fair market value on the date of the grant. No options have been re-priced or had their maturities extended during 2004. In terms of the provisions of our Incentive Option Plan, employees, with vested options, who leave the employment of the Company, are required to exercise or forfeit their options within 90 days after leaving employment regardless of the exercise period of the initial grant.

The following are the weighted-average assumptions used at December 31, 2004 and 2003 for all Black-Scholes calculations in the financial statements:

	December 31, 2004	December 31, 2003
Approximate risk free rate	3.74%	4%
Average expected life	5 years	5 years
Dividend yield	0%	0%
Volatility	73%	73%

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RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In December 2004, the FASB issued SFAS 123R "share-Based Payment," a revision to FASB No 123, SFAS 123R replaces existing requirements under SFAS No. 123 and APB Opinion NO. 25, and requires public companies to recognize a compensation expense an amount equal to the fair value of share-based payments granted, such as employee stock options. This is based on the grant-date fair value of those instruments. SFAS 123R also affects the pattern in which compensation cost is recognized, the accounting for employee share purchase plans, and the accounting for income tax effects of share-based payment transactions. For small-business filers such as us, SFAS 123R will be effective for interim periods beginning after December 15, 2005. The Company is currently determining what impact the proposed statement would have on its results of operations and financial position. The impact will largely be due to the selection of either the Black-Scholes or the binominal lattice model for valuing options. The adoption of this standard, in the first quarter of 2006, will have no impact on the Company's cash flows.

In November 2004, the FASB issued SFAS No. 151, Inventory Costs, an amendment of

ARB No. 43. This statement requires that certain abnormal costs associated with the manufacturing, freight, and handling costs associated with inventory be charged to current operations in the period in which they are incurred. The Company believes the adoption of this statement will not have a material effect on its results of operations, cash flows or financial position.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments including cash and cash equivalents, receivables, prepaids, accounts payable and accrued expenses approximated fair value as of December 31, 2004 because of the relatively short maturity of these instruments.

CONCENTRATION OF BUSINESS AND CREDIT RISK

The Company is engaged primarily in the manufacture and sale of lip balm, fresh breath and other products throughout North America and Internationally. The potential for severe financial impact can result from negative effects of economic conditions within the market or geographic area. Since the Company's products are inexpensive, the potential negative effect of changes in economic conditions are less than would be expected for higher priced products of other industries.

NOTE 2 - BALANCE SHEET DISCLOSURES

Inventories are summarized as follows at December 31, 2004:

Raw materials	$ 1,709,459
Work in process and finished goods	1,169,296
	$ 2,878,755

Property and equipment consist of the following at December 31, 2004:

Machinery and equipment	$ 3,179,035
Leasehold improvements	126,819
	3,305,854
Less accumulated depreciation	(1,637,179)
	$ 1,668,675

NOTE 3 - LINE-OF-CREDIT

The Company has a $2,000,000 line-of-credit with a bank secured by substantially all of the Company's assets. The line matures in September 2005. Interest is at a variable rate tied to LIBOR and is periodically adjusted. As of December 31, 2004 the Company had no outstanding balance on this line-of-credit.

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NOTE 4 - INCOME TAXES

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax liabilities and assets are determined based on the differences between the financial statement and tax basis of assets and liabilities using the enacted tax rates in effect for the year in which the differences are expected to reverse. The measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that based on available evidence, are not expected to be realized. As of December 31, 2004, the Company had a Federal net operating loss ("NOL") carry forward of $204,221 that will expire in 2024 and state net operating loss carryforwards of $982,637 that will expire between 2023 and 2024. For the year ended December 31, 2004 the Company will carry $572,493 of losses against prior period taxable income.

The net current and long-term deferred tax assets and liabilities in the accompanying balance sheet include the following at December 31, 2004:

Current deferred tax asset	$	285,117
Current deferred tax liability		-
Net current deferred tax asset	$	285,117
Long-term deferred tax asset	$	101,862
Long-term deferred tax liability		(56,526)
Net long-term deferred tax asset	$	45,336

Temporary differences giving rise to a significant portion of deferred tax Assets (liabilities) are as follows at December 31, 2004:

Reserves for returns and other		151,144
Net operating loss		101,862
Allowance for doubtful accounts		128,751
Contributions carried forward 5,222		
Total deferred tax asset	$	386,979
Property and equipment	$	(56,526)
Total deferred tax liability	$	(56,526)
Net deferred tax asset	$	330,453

The following is a reconciliation of the statutory federal income tax rate applied to pre-tax accounting net income compared to the income taxes in the consolidated statements of income:

	For the Years Ended December 31, 2004	2003
Income benefit at the statutory rate	$ (284,129)	$ (51,510)
Change resulting from:		
State and local income taxes, net of federal income tax	(27,516)	-
Non-deductible expenses	713	638
Foreign tax credits and income exclusions	(22,739)	(87,712)
Other	63,103	
	$(270,568)	$(138,584)

NOTE 5 - LONG-TERM DEBT

At December 31, 2004 long-term debt consists of:

Note payable to a financing company with interest at 0%. The note calls for monthly principal payments of $1,381 and matures May 2005. Collateralized by a vehicle.	$ 5,756
Note payable to a financing company with interest at 0%. The note calls for monthly principal payments of $525 and matures December 2007. Collateralized by vehicle.	18,900
	24,656
Less current portion	(12,581)
	$ 12,075

Maturities of long-term obligations are as follows:

Year Ending December 31,	
2005	12,581
2006	6,300
2007	5,775

$ 24,656

NOTE 6 - COMMITMENTS AND CONTINGENCIES

RELATED PARTY OPERATING LEASES

The Company leases office and manufacturing facilities under separate operating leases for buildings owned or controlled by the Company's president.

The Company also has one operating lease outstanding for a vehicle.

Rent expense for these leases was:

Year Ending December 31,

2004 $ 529,859
2003 $ 280,438

Future minimum lease payments under these leases are approximately as follows:

Year Ending December 31,

2005	451,000
2006	335,000
	$ 786,000

During 2003, the Company abandoned certain leasehold improvements located within the two Englewood, Colorado facilities leased from the Company's President and majority stockholder or his affiliate. The loss on abandonment was approximately $308,000 and is included in other operating expenses.

LITIGATION

ORALABS is a party to a legal proceeding that was brought in the Circuit Court of the First Judicial District of Heinz County, Mississippi that was served on the Company on February 26, 2004. The litigation was brought by individuals who allege that a five-year-old child ingested a portion of a bottle that allegedly was manufactured by ORALABS for one of its products. The product was not specified in the complaint. The complaint alleges that the minor child suffered permanent injuries and damages as a result of the ingestion of the portion of the bottle, and the plaintiffs claim compensatory damages in an unstated amount and punitive damages in the amount of $1,925,000. ORALAB'S insurance company is tendering a defense. Punitive damages, however, are not covered by the insurance policy. ORALABS intends to vigorously defend the suit and believes that it has no liability to the plaintiffs. ORALABS further believes that even if liability is assessed against it, any compensatory damages assessed will be covered by its insurance policy. The Company believes that the possibility of any award of punitive damages against it is very remote. However, if a significant uninsured judgment is awarded against ORALABS, it could put an extreme financial strain upon it.

DEPOSIT

At December 31, 2004 and 2003, the Company had deposits of approximately $158,720 and $117,620, respectively for orders of production materials.

NOTE 7 - STOCKHOLDERS' EQUITY

STOCK OPTIONS

In 1997, the Company adopted an incentive stock option plan for employees. Under this plan, the board approved a program to grant certain employees the right to purchase common stock of the Company for $2.00 per share. The options vest on an annual basis. As of December 31, 2004, the Company had 105,400 incentive options outstanding under this plan, each with an exercise price of $2.00 per share.

In September 1997, the Company adopted a Non-Employee Directors' Option Plan. The Board approved a program to grant certain directors the right to purchase common stock of the Company. The options vest on an annual basis. As of December 31, 2004, the Company had 42,500 options outstanding under this plan with exercise prices ranging from $1.32 to $5.00.

All of the following prices and numbers of shares have been adjusted to give effect to the one-for-two reverse stock split adopted by the Company on December 16, 2003.

The following table presents the activity for options outstanding:

	Incentive Stock Options	Non-qualified Stock Options	Average Exercise Price
Outstanding - December 31, 2002	218,400	37,500	2.30
Granted	-	7,500	1.23
Forfeited/canceled	(7,500)	(5,000)	2.00
Exercised	-	-	-
Outstanding - December 31, 2003	210,900	40,000	$ 2.15
Granted		7,500	1.79
Forfeited/canceled	(17,500)	(5,000)	2.22
Exercised	(88,000)		2.00
Outstanding - December 31, 2004	105,400	42,500	$ 2.15

The following table presents the composition of options outstanding and exercisable:

	Options Outstanding			O
Range of Exercise Prices	Number	Price*	Life*	Num

$1.32 - $1.79	15,000	$ 1.56	4.00	1,
$2.00	105,400	2.00	2.63	105,
$2.01 - $3.00	20,000	2.42	1.17	16,
$3.01 - $5.00	7,500	4.75	1.42	5,
Total - December 31, 2004	147,900	$ 2.15	2.51	129,

* Price and life reflect the weighted average exercise price and weighted average remaining contractual life, respectively.

NOTE 8 - INCOME PER SHARE

The following table sets forth the computation for basic and diluted earnings per share:

	For the Years Ended December 31, 2004	2003
Numerator for basic earnings per share	$ (565,108)	$ 1,222
Numerator for diluted income per common share	$ (565,108)	$ 1,222
Denominator for basic earnings per share - weighted average shares	4,668,615	4,580,615
Effect of dilutive securities - options	-	
Denominator for diluted earnings per share - adjusted weighted average shares	4,668,615	4,580,615
Diluted (loss) income per common share	$ (0.12)	$ 0.00

Where the inclusion of potential common shares is anti-dilutive, such shares are excluded from the computation.

NOTE 9 - DEFINITIVE AGREEMENT

OraLabs entered into a Definitive Agreement with NVC Lighting Investment Holdings Limited under which OraLabs will acquire NVC and convey its ownership of OraLabs, Inc. to OraLabs' President, Gary H. Schlatter. Control of the Company would change from Mr. Schlatter to the owners of NVC. Closing under the Definitive Agreement is conditioned upon many requirements and there can be no assurance that the closing will occur. If the parties do not otherwise terminate the Definitive Agreement, then OraLabs, in anticipation of a meeting of its shareholders called to approve the transactions, will file with the Securities and Exchange Commission a Proxy Statement that will include more detailed information about the Definitive Agreement and the proposed transactions.

NOTE 10 - MAJOR CUSTOMERS

The Company had two major customers that accounted for net sales of approximately $1,950,000 and $1,400,000, respectively, of which $174,805 was due from these customers and included in accounts receivable at year end. For the year ended December 31, 2003, two customers accounted for net sales of approximately $1,644,000 and $1,199,000, respectively, of which $594,000 was due from those customers and included in accounts receivable at December 31, 2003.

NOTE 11 - EXPORT SALES

During the year ended December 31, 2004 and 2003, the Company had export sales of approximately $918,000 and $870,175, or 7% and 6% of product sales, respectively. All of the Company's export business is transacted in U.S. dollars and the Company had no foreign currency translation adjustments.

NOTE 12 - SIGNIFICANT FOURTH QUARTER ADJUSTMENTS

In the fourth quarter for the year ended December 31, 2004, the Company made the following adjustments to the financial statements:

The Company expensed $38,285 related to expansion opportunities in South America.

The Company adjusted its inventory valuation as a result of its year-end physical inventory and the audit of raw material costs. The audit adjustment increased inventory valuation by $121,155.

NOTE 13- 401K PLAN

During 2004, the Company began to offer a 401(k) retirement plan (the "Plan") which covers all employees. Employees are eligible to participate after one year of service. Employees may contribute amounts based on the limits established by the Internal Revenue Service. Employer discretionary payments, as well as certain matching contributions, may be made as determined by the Board of Directors. The discretionary and matching contributions vest immediately. During 2004, the Company contributed approximately $61,000 to the Plan.

EXHIBIT INDEX

Exhibit

No.	Description
14.1	Code of Ethics
23.1	Consent of Independent Registered Public Accounting Firm (Ehrhardt Keefe, Steiner & Hottman P.C.)
31.1	Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 302 Of The Sarbanes-Oxley Act Of 2002
31.2	Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 302 Of The Sarbanes-Oxley Act Of 2002
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Emile Jordan
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted

pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by
Gary H. Schlatter