

SCOTTS LIQUID GOLD INC  
Form 10-K  
March 30, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2015

OR

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

For the transition period from to

Commission File Number 001-13458

SCOTT'S LIQUID GOLD-INC.

(Name of small business as specified in its charter)

Colorado 84-0920811  
(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification No.)  
4880 Havana Street, Suite 400, Denver, CO 80239

(Address of principal executive offices and Zip Code)

(303) 373-4860

(Registrant's telephone number, including area code)

Edgar Filing: SCOTTS LIQUID GOLD INC - Form 10-K

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

Securities registered pursuant to Section 12(g) of the Act: Common Stock, \$0.10 Par Value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. ☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒  
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.) ☐ Yes ☒ No

The aggregate market value of the common stock held by non-affiliates of the issuer was \$3,359,303 on June 30, 2015.

As of March 29, 2016, there were 11,710,745 shares of common stock, \$0.10 par value per share, outstanding.

#### DOCUMENTS INCORPORATED BY REFERENCE

Certain information required by Part III is incorporated by reference to the Registrant's definitive Proxy Statement for the Annual Meeting of Shareholders to be filed within 120 days after December 31, 2015.

## CAUTIONARY NOTE ON FORWARD-LOOKING INFORMATION

This Annual Report on Form 10-K (this “Report”) contains “forward-looking statements” within the meaning of U.S. federal securities laws. All statements, other than statements of historical facts, included in this Report that address activities, events, or developments with respect to our financial condition, results of operations, or economic performance that we expect, believe, or anticipate will or may occur in the future, or that address plans and objectives of management for future operations, are forward-looking statements. You can typically identify forward-looking statements by the use of words, such as “may,” “could,” “should,” “assume,” “project,” “believe,” “anticipate,” “expect,” “estimate,” “potential,” “plan,” and other similar words. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements and our performance inherently involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to:

- changing consumer preferences and the continued acceptance of each of our significant products in the marketplace;
- the degree of success of any new product or product line introduction by us including our Scott’s Liquid Gold® Floor Restore product, which we introduced late in the fourth quarter of 2013;
- competitive factors, including any decrease in distribution of (i.e., retail stores carrying) our significant products;
- continuation of our distributorship agreement for Montagne Jeunesse skin care products and Batiste Dry Shampoos;
- the need for effective advertising of our products and limited resources available for such advertising;
- new competitive products and/or technological changes;
- dependence upon third party vendors and upon sales to major customers;
- the availability of necessary raw materials and potential increases in the prices of these raw materials;
- changes in the regulation of our products, including applicable environmental and U.S. Food And Drug Administration (“FDA”) regulations;
- the continuing availability of financing on terms and conditions that are acceptable to us;
- future losses which could affect our liquidity;
- the loss of any executive officer; and
- other matters discussed in this Report, including the risks described in the Risk Factors section of this Report.

We caution you that forward-looking statements are not guarantees of future performance and that actual results or performance may be materially different from those expressed or implied in the forward-looking statements. The forward-looking statements in this Report speak as of the filing date of this Report. Although we may from time to time voluntarily update our prior forward-looking statements, we undertake no obligation to revise any forward-looking statements in order to reflect events or circumstances that may arise after the date of this Report.

TABLE OF CONTENTS

	Page
PART I	
Item 1. <u>Business</u>	1
Item 1A. <u>Risk Factors</u>	7
Item 1B. <u>Unresolved Staff Comments</u>	9
Item 2. <u>Properties</u>	9
Item 3. <u>Legal Proceedings</u>	10
Item 4. <u>Mine Safety Disclosures</u>	10
 PART II	
<u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity</u>	
Item 5. <u>Securities</u>	11
Item 6. <u>Selected Financial Data</u>	11
Item 7. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	12
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	16
Item 8. <u>Financial Statements and Supplementary Data</u>	17
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	33
Item 9A. <u>Controls and Procedures</u>	33
Item 9B. <u>Other Information</u>	33
 PART III	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	34
Item 11. <u>Executive Compensation</u>	34
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	34
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	34
Item 14. <u>Principal Accounting Fees and Services</u>	34
 PART IV	
Item 15. <u>Exhibits and Financial Statement Schedules</u>	34

---

## PART I

### ITEM 1. BUSINESS

#### General

Scott's Liquid Gold-Inc., a Colorado corporation, was incorporated on February 15, 1954. Through our wholly-owned subsidiaries, we develop, manufacture, market and sell quality household and skin and hair care products. These products include:

- Scott's Liquid Gold®, our wood cleaner and preservative that has been sold in the United States for over 60 years;
- Alpha Hydrox®, our skin care brand, which was one of the first to use alpha hydroxy acids ("AHAs");
- Our Neoteric Diabetic® product which was specially developed to address the skin conditions of persons living with diabetes;
- Montagne Jeunesse face masque sachets, which are manufactured by another company and distributed exclusively by us in the United States under a distribution agreement with the manufacturer; and
- Batiste Dry Shampoo, which is manufactured by another company and distributed exclusively by us to the specialty retailer channel in the United States under a distribution agreement with the manufacturer.

In this Report the terms "we", "us" or "our" refer to Scott's Liquid Gold-Inc. and our subsidiaries, collectively. Our business is divided into two operating segments, household products and skin and hair care products.

The following table sets forth the principal products in our household products segment.

Operating Segment	Key Products
Household	Scott's Liquid Gold® Wood Cleaner and Preservative Scott's Liquid Gold® Floor Restore Scott's Liquid Gold® Wood Wash Scott's Liquid Gold® Dust 'N Go Wipes Touch of Scent® Air Freshener

The following table sets forth the principal products in our skin and hair care products segment.

Operating Segment	Key Products
Skin and Hair Care	Alpha Hydrox® Skin Care Products Neoteric Diabetic® Healing Cream Montagne Jeunesse Face Masque Sachets Batiste Dry Shampoos

For information on our operating segments, please see Note 8 to our Consolidated Financial Statements in Item 8.

#### Strategy

We are focused on strategies that we believe will enhance our long-term financial health and deliver long-term shareholder value. In order to achieve these objectives, we plan to generate continued growth of our existing brands

and products, as well as pursue new opportunities to develop, acquire or distribute new brands and products. We believe that we made substantial progress on increasing our profitability and increasing the value of our common stock during 2015.

For 2016, we plan to pursue the following primary goals: (1) continue to increase sales by strengthening and broadening consumer awareness of our products; (2) continue to add additional products to the mix of products that one or more of our existing major customers already buy from us; (3) continue to obtain new distribution of our products at retailers that currently do not buy products from us; and (4) continue to evaluate potential products to be developed, acquired, manufactured and/or distributed by us.

In order to achieve these goals, we made a strategic decision to, among other things, increase our advertising and marketing spending in 2015 and 2016 compared to the prior several years. We believe it is necessary and in our long-term best interests for us to make significant investments in 2016 in the brands and products that we own. In 2015 we invested in consumer research, creative development and production of advertising and marketing assets for our new Alpha<sup>™</sup> Skin Care line of products (formerly our Alpha Hydrox<sup>®</sup> Skin Care line of products) and our existing Scott's Liquid Gold<sup>®</sup> line of products. In 2016 our investments will be in the advertising and marketing of these products to consumers using the benefits of our investments in 2015. We do not expect to recognize in 2016 the full benefits of the investments that we are making in 2016. Instead, we anticipate seeing the positive benefits over future periods.

#### Household Products

Scott's Liquid Gold<sup>®</sup> Wood Cleaner and Preservative has been our core product since our inception. It has been sold in the United States for over 60 years. Unlike a furniture polish, our product contains natural oils that penetrate the wood's surface to clean, replace lost moisture, minimize the appearance of scratches and bring out the natural beauty of wood. We have also introduced an additional wood care product in a wipe form and a wood wash product. Our Dust 'N Go pre-moistened cloth wipes are quick, easy and convenient dusting wipes for wood and numerous other surfaces. Our wood wash product simply and safely cleans all types of wood surfaces. Late in the fourth quarter of 2013, we introduced our Scott's Liquid Gold<sup>®</sup> Floor Restore product. This product is a quick and easy way to renew and protect hardwood floors.

Since 1982, we have sold Touch of Scent<sup>®</sup> air fresheners. Our air fresheners offer a unique dispenser with aerosol refills. Touch of Scent<sup>®</sup> air fresheners are available in a wide assortment of concentrated fragrances, which are quick, easy to use and effective.

Household products accounted for 21.8% of our consolidated net sales in 2015 and 24.2% in 2014. We continually evaluate potential new household products to be developed, acquired, manufactured and/or distributed by us.

#### Skin and Hair Care Products

In 1992, we began to develop, manufacture, market and sell skin care products under the trade name of Alpha Hydrox<sup>®</sup>. These products include facial care products, a body lotion, a body wash and a foot cream. Our Alpha Hydrox<sup>®</sup> skin care brand was one of the first to use AHAs. Products containing AHAs gently slough off dead skin cells to promote a healthier, more youthful appearance and help to diminish fine lines and wrinkles. Starting in 2016, our Alpha Hydrox<sup>®</sup> Skin Care line of products will be marketed and sold under the trade name of Alpha<sup>™</sup> Skin Care. There were several reasons for the change in names, including the desire to reflect that our line of skin care products is broader than just products containing AHAs.

Our Neoteric Diabetic<sup>®</sup> Healing Cream product was introduced in 2001. This product was developed to address the skin conditions of persons living with diabetes, caused by poor blood circulation. Our healing cream is a therapeutic moisturizer that provides a clinically proven and patented treatment for dry skin by helping to increase blood circulation and speed the healing of minor scrapes and cuts.

Since 2001, we have been the exclusive distributor in the United States for face masque sachets manufactured by Montagne Jeunesse International Ltd. ("Montagne Jeunesse"). Montagne Jeunesse is based in the United Kingdom. Their sachet products are currently sold in over 70 countries. These masques are sold for single use in unique and attractive packages in a wide assortment of types and fragrances. A significant portion of our business consists of the sale of these sachet products. See "Manufacturing and Suppliers" in this Item 1 below for information on the terms of our agreement with Montagne Jeunesse.

In the fourth quarter of 2009, we became the exclusive distributor in the United States for Batiste Dry Shampoo with the exception of certain warehouse stores and governmental entities. Our new distribution agreement with the manufacturer of Batiste Dry Shampoo, Church & Dwight Co. Inc. (“Church & Dwight”), went into effect on January 1, 2015. Under the new distribution agreement we continue as an exclusive distributor in the United States of Batiste Dry Shampoo, but are limited to the specialty retailer channel. The specialty retailer channel includes primarily beauty supply stores, such as Ulta Salon, Cosmetics & Fragrance, Inc. (“Ulta”), our largest customer, apparel retailers, department stores, hair salons and distributors to hair salons. Dry shampoo is a quick and convenient way to refresh hair between washes. Batiste was one of the innovators of dry shampoo. We believe that there is a large and fast-growing market for dry shampoo. See “Manufacturing and Suppliers” in this Item 1 below for information on the terms of our agreement with Church & Dwight.

Skin and hair care products accounted for 78.2% of our consolidated net sales in 2015 and 75.8% in 2014. We continually evaluate potential new skin and hair care products as well as other beauty care products to be developed, acquired, manufactured and/or distributed by us.



## Marketing and Distribution

We primarily market our products through: (1) trade promotions to support price features, displays, slotting fees and other merchandising of our products by our retail customers; (2) consumer incentives such as coupons and rebates; and (3) consumer marketing in print, social and digital media and television advertising.

Our products are sold nationally, both directly through our sales force and indirectly through independent brokers and manufacturers' representatives, to mass marketers, drugstores, supermarkets, hardware stores and other retail outlets and to wholesale distributors.

In 2015 and 2014, Ulta accounted for approximately 31% and 26%, respectively, of our skin and hair care products and approximately 24% and 20% of our aggregate net sales on a consolidated basis in 2015 and 2014, respectively. In 2015 and 2014, Wal-Mart Stores, Inc. ("Wal-Mart") accounted for approximately 34% and 36%, respectively, of our net sales of household products. With regard to our skin and hair care products, Wal-Mart accounted for approximately 10% and 12% of our net sales in 2015 and 2014, respectively. Wal-Mart accounted for approximately 15% and 18% of our aggregate net sales on a consolidated basis in 2015 and 2014, respectively. In 2015 and 2014, TJ Maxx accounted for approximately 21% and 5%, respectively, of our skin and hair care products and approximately 16% and 4% of our aggregate net sales on a consolidated basis in 2015 and 2014, respectively.

As is typical in our industry, we do not have a long-term contract with Wal-Mart, TJ Maxx, Ulta or any other retail customer.

We also use our Scott's Liquid Gold and Neoteric Cosmetics websites for sales of our products directly to consumers. Such sales accounted for approximately 8% and 5% of total net sales in 2015 and 2014, respectively.

Our household and skin and hair care products are available in limited distribution in Canada and other foreign countries. Currently, foreign sales are made to distributors who are responsible for the marketing of the products, and we are paid for these products in United States dollars.

From time to time, our customers return products to us. For our household products, we permit returns only for a limited time. With regard to our skin and hair care products, returns are more frequent under an unwritten industry standard that permits returns for a variety of reasons. In the event a skin and hair care customer requests a return of a product, we will consider the request, and may grant such request in order to maintain or enhance our relationship with the customer, even in the absence of an enforceable right of the customer to do so. Typically, customers that return products to us take a credit on our invoice equal to the original sale price plus a handling charge ranging from 8-10% of the original sales price.

## Manufacturing and Suppliers

We owned all of our manufacturing facilities until February 1, 2013, when we sold the facilities and entered into a lease with the new owner for a portion of the facilities. Please see Note 10 to our Consolidated Financial Statements in Item 8 for information on our leasing back certain of the manufacturing facilities that we sold. We own and operate all of our manufacturing equipment. We manufacture all of our products with the exception of the following products: (1) those products for which we act as a distributor; and (2) our Scott's Liquid Gold® Dust 'N Go wipes. For all of our products, we must maintain sufficient inventories to ship most orders as they are received.

Quality control is enforced at all stages of production, as well as upon the receipt of raw materials from suppliers. Raw materials are purchased from a number of suppliers and, at the present time, are readily available. However, we do not have long term contracts with our suppliers and any contracts we do have with suppliers may be terminated at

any time. Our sole supplier for the oxygenated oil used in our Neoteric Diabetic® Healing Cream product is a French company with which we have a non-exclusive supply agreement. In addition, we have sole suppliers for two of the polymers used in our Scott's Liquid Gold® Floor Restore product. We believe that we have good relationships with all of our suppliers.

Most of our manufacturing operations, including most packaging, are highly automated, and, as a result, our manufacturing operations are not labor intensive, nor, for the most part, do they involve extensive training. We currently operate on a one-shift basis. Our manufacturing facilities are capable of producing substantially larger quantities of our products without any expansion, and, for that reason, we believe that our physical plant facilities are adequate for the foreseeable future.

In 2001, our wholly-owned subsidiary, Neoteric Cosmetics, Inc. (“Neoteric”), commenced purchases of skin care sachets from Montagne Jeunesse under a distributorship agreement covering the United States. Pursuant to our distribution agreement with Montagne Jeunesse that became effective on September 15, 2014, we continue as the exclusive distributor to market and sell Montagne Jeunesse’s skin care sachets in the United States. The initial term of the distribution agreement with Montagne Jeunesse expires on September 15, 2017 and automatically renews for two year terms, unless terminated at the end of any such term upon six months prior notice.

Under the terms of the agreement, Neoteric agreed, among other things: (1) not to distribute during the duration of the agreement any goods of the same description as and which compete with the Montagne Jeunesse products; (2) to use our commercially reasonable endeavors to develop, promote and sell the products in the United States and to expand the sale of the products to all potential purchasers by all reasonable and proper means; (3) to purchase certain core products; and (4) to maintain an inventory of the products for our own account for sale of these products throughout the United States. Montagne Jeunesse agreed to use commercially reasonable efforts to meet all of our orders for the products. The initial pricing terms for the products were negotiated with Montagne Jeunesse. Any changes to the prices must be mutually agreed to by both parties and must be agreed to at least six months in advance. Neoteric may not assign or transfer any rights or obligations under the agreement or subcontract the performance of any obligation.

Under our new distribution agreement with Church & Dwight that became effective on January 1, 2015, we are the exclusive distributor of Batiste Dry Shampoo products in the specialty retailer channel in the United States. The specialty retailer channel includes primarily beauty supply stores, such as Ulta, our largest customer, apparel retailers, department stores, hair salons and distributors to hair salons. Church & Dwight retained the rights to sell Batiste products to the remainder of the market in the United States.

The agreement provides that we will not be permitted to manufacture, distribute or sell any products that are competitive with Batiste Dry Shampoo products. The initial pricing terms for the Batiste products were negotiated with Church & Dwight, but may be increased by Church & Dwight at any time upon 90 days’ prior written notice of any price increase. The initial term of the agreement runs through December 31, 2016 and will automatically renew for successive one year terms until it is terminated by either party upon 120 days’ prior written notice.

## Competition

Both the household and skin and hair care products markets are highly competitive. We compete in both markets against a range of competitors, most of which are significantly larger and have greater financial resources, name recognition and product and market diversification than us. We compete in both categories primarily on the basis of quality and the distinguishing characteristics of our products. The wood care and air freshener product categories are dominated by three to five companies that are significantly larger than us and each of these competitors produces several competing products. In the skin and hair care category, several of our competitors are significantly larger than us and each of these competitors produces several competing products. Some of these companies also manufacture products with AHAs with which our Alpha Hydrox® products must compete.

## Regulation

We are subject to various federal, state and local laws and regulations that pertain to the types of consumer products that we manufacture and sell. Many chemicals used in consumer products, some of which are used in several of our product formulations, have come under scrutiny by various state governments and the Federal government. These chemicals are called volatile organic compounds (“VOCs”), which arguably contribute to the formation of ground level ozone. Many states as well as the Federal government have passed regulations that limit the amount of VOCs allowed in various categories of consumer products. All of our products currently meet the most stringent VOC regulations and may be sold throughout the United States. Any new or revised VOC regulations developed by various states or the

Federal government may apply to our products and could potentially require reformulation of those products in the future. Limitation of VOC content in consumer products by both state and Federal governments will continue to be part of regulatory efforts to achieve compliance with clean air regulations. We continue to monitor all environmental regulatory activities and believe that we have done all that is necessary to satisfy the current requirements of the Federal Clean Air Act and the laws of various state governments.

Many of our skin care products, most of which contain AHAs, are considered cosmetics within the definition of the Federal Food Drug and Cosmetic Act (the “FFDCA”). The FFDCA defines cosmetics as products intended for cleansing, beautifying, promoting attractiveness or altering the appearance without affecting the body’s structure or functions. Our cosmetic products are subject to the regulations under the FFDCA and the Fair Packaging and Labeling Act. The relevant laws and regulations are enforced by the FDA. Such laws and regulations govern the ingredients and labeling of cosmetic products and set forth good manufacturing practices for companies to follow. Although FDA regulations require that the safety of a cosmetic ingredient be substantiated prior to marketing, there is no requirement that a company submit the results of any testing performed or any other data or information with respect to any ingredient to the FDA.

The FDA’s National Center for Toxicological Research has periodically been investigating the effect of long term exposure to AHAs since 2003. On December 31, 2003, the FDA published a call for data on certain ingredients in various products, including AHAs that are part of wrinkle remover products. Manufacturers were asked to submit any data supporting the reclassification of these cosmetic products as over-the-counter drugs. In January 2005, the FDA issued final guidance to the effect that products containing AHAs should alert users that those products may increase skin sensitivity to sun and possible sunburn and the steps to avoid such consequences. On March 20, 2014, the FDA published a set of Q&As that dealt with both long term exposure and drug/cosmetic issues.

In the 2014 Q&As, the FDA restated its traditional position that certain AHA products intended for therapeutic use, such as acne treatments or skin lighteners, are considered drugs. However, the FDA also confirmed that other AHA products, including those marketed by us, are considered cosmetics and therefore are not subject to more stringent regulations applicable to drugs. The Q&A also reported on the results of two studies on the issue of skin damage caused by UV rays, and the potential photocarcinogenicity of AHA products. The studies concluded that applying AHA products to the skin resulted in increasing UV sensitivity, but that the effect was completely reversible. In addition another study on potential photocarcinogenesis found that AHA products had no effect on the process. Accordingly, we believe we are appropriately marketing our products as cosmetics, and our labeling fully complies with the FDA’s guidance.

Our advertising is subject to regulation under the Federal Trade Commission Act and related regulations, which prohibit false and misleading claims in advertising. We believe that all of our labeling and promotional materials comply with these regulations.

#### Employees

We employ 67 people of which 25 full-time and two part-time work in plant and production related functions and 38 work in administrative, sales and advertising functions. No contracts exist between us and any union. We monitor wage and salary rates in the Rocky Mountain area and pursue a policy of providing competitive compensation to our employees. The compensation of our executive officers is subject to annual review by the Compensation Committee of our Board of Directors. Additional benefits that we provide for our employees include medical, vision and dental plans, short-term disability, life insurance, a 401(k) plan with matching contributions for employees earning \$50,000 or less per annum and an employee stock ownership (ESOP) plan. We consider our employee relations to be satisfactory.

#### Patents and Trademarks

At present, we own one patent for our Neoteric Diabetic® Healing Cream. Additionally, we actively use our registered trademarks for Scott’s Liquid Gold®, Touch of Scent®, Alpha Hydrox® and Neoteric® in the United States and have registered trademarks in a number of additional countries. Our registered trademarks protect names and logos relating to our products as well as the design of boxes for certain of our products.

During 2015 and 2014, our expenditures for research and development were insignificant.

#### Available Information and Code of Ethics

We will make available free of charge through our website ([www.slginc.com](http://www.slginc.com)), this annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and amendments to such reports, as soon as reasonably practicable after we electronically file or furnish such material with the Securities and Exchange Commission (the “SEC”). Information on our website is not incorporated by reference into this Report and should not be considered part of this document. We will provide upon request (see below for instructions) and at no charge electronic or paper copies of these filings with the SEC (excluding exhibits).

We will also provide to any person without charge, upon request (see below for instructions), a copy of our Code of Business Conduct and Ethics Policy.

A request for our reports filed with the SEC or our Code of Business Conduct and Ethics Policy may be made to: Corporate Secretary, Scott’s Liquid Gold-Inc., 4880 Havana Street, Suite 400, Denver, Colorado 80239.

#### ITEM 1A. RISK FACTORS.

The following is a discussion of certain risks that may affect our business. These risks may negatively impact our existing business, future business opportunities, our financial condition or our financial results. In such case, the trading price of our common stock could also decline. Additional risks and uncertainties not presently known to us, or that we currently see as immaterial, may also negatively impact our business.

We need to continue to increase our revenues and/or further reduce our costs in order to remain profitable.

Prior to 2013, we experienced significant losses over an extended number of years. These losses resulted primarily from declining sales of our skin care products and our primary household products as well as the costs and expenses associated with the ownership of our facilities. Maintaining or increasing our revenues is uncertain and involves a number of factors, including consumer acceptance of our products, distribution of our products and other matters described below.

Our cash flow is dependent upon operating cash flow, available cash and available funds under our financing agreement with Summit Financial Resources, L.P. ("Summit").

Because we are dependent on our operating cash flow, any loss of a significant customer, any further decreases in the distribution of our skin and hair care or household products, new competitive products affecting sales levels of our products or any significant expense not included in our internal budget could result in the need to raise cash. Our agreement with Summit has a term that expires on January 1, 2017, but it may be renewed for additional 12 month periods unless either party elects to cancel in writing at least 60 days prior to January 1, 2017 and thereafter on the anniversary date of each 12 month period. We have no other arrangements for any external financing of debt or equity, and any such financing may not be available on acceptable terms. In order to improve our operating cash flow, we need to continue to increase our revenues and/or further reduce our costs.

Unfavorable economic conditions could adversely affect demand for our products.

Unfavorable and uncertain economic conditions in recent years have adversely affected, and in the future may adversely affect, consumer demand for some of our products, resulting in reduced sales volume. Factors that can affect consumer demand include rates of unemployment, consumer confidence, health care costs, fuel and other energy costs and other economic factors affecting consumer spending behavior.

Sales of our existing products are affected by changing consumer preferences.

Our primary market is retail stores in the United States which sell to consumers or end users in the mass market. Consumer preferences can change rapidly and are affected by new competitive products. This situation is true for both skin and hair care and household products and has affected our products. For example, we believe that our Alpha Hydrox<sup>®</sup> products with AHAs are effective in helping to diminish fine lines and wrinkles, but consumers may change permanently or temporarily to other products using other technologies or otherwise viewed as "new". Any changes in consumer preferences can materially affect the sales and distribution of our products and thereby our revenues and results of operations.

In both skin and hair care and household products, our competitors include some of the largest consumer products companies in the United States.

The markets in which our products compete are intensely competitive, and many of the other competitors in these markets are multi-national consumer products companies that are significantly larger than us. These large competitors have financial, technical, and other resources exceeding those available to us, and as a result, are able to regularly



introduce new products and spend considerably more than we can on advertising. The distribution and sales of our products can be adversely impacted by the actions of our competitors, and we may have little or no ability to take action to prevent or mitigate these adverse impacts.

We have limited resources to promote our products with effective advertising and marketing.

We believe the growth of our net sales is substantially dependent upon our ability to introduce our products to current and new consumers through advertising and marketing. At present, we have limited resources compared to many of our competitors to spend on advertising and marketing. Advertising and marketing can be important in reaching consumers, although the effectiveness of any particular advertisement and marketing cannot be predicted.

Additionally, we may not be able to obtain optimal effectiveness at our current advertising and marketing budget even though we made a strategic decision to increase our advertising and marketing spending in 2015 and 2016 compared to the prior several years. Our limited resources to promote our products through advertising and marketing may adversely affect our net sales and operating performance.

Maintaining or increasing our revenues is dependent, in part, on the introduction of new products that are successful in the marketplace.

If we are not successful in making ongoing sales of our newer products to retail stores or these products are not well received by consumers, our revenues could be materially and adversely affected. In particular, our operating results for 2016 could be significantly affected by the performance of our Scott's Liquid Gold® Floor Restore product that we introduced late in the fourth quarter of 2013. It is too early to judge the success of this product in the marketplace.

A loss of one or more of our major customers could have a material adverse effect on our product sales.

For more than a majority of our sales, we are dependent upon sales to a small number of major retail customers, including Ulta, which is our largest customer and Wal-Mart, which is our second largest customer. The easy access of consumers to our products is dependent upon these major retail stores and other retail stores carrying our products. The willingness of these customers (i.e., retail stores) to carry any of our products depends on various factors, including the level of sales of the product at their stores. Any declines in sales of a product to consumers can result in the loss of retail stores and a corresponding decrease in the distribution of the product. It is uncertain whether the consumer base served by these stores would purchase our products at other retail stores. In the past, sales of our products have been affected by retail stores which discontinue a product or carry the product in fewer stores.

A significant part of our sales of skin and hair care products are represented by the Montagne Jeunesse sachet products and Batiste Dry Shampoo products, both of which depend upon the continuation of our distributorship agreements with the manufacturers of these products.

If our agreements with Montagne Jeunesse or Church & Dwight are terminated, we will no longer be able to distribute Montagne Jeunesse or Batiste Dry Shampoo products and sales in our skin and hair care segment would be adversely affected. Please see "Manufacturing and Suppliers" in Item 1 for information on the terms of our agreements with Montagne Jeunesse and Church & Dwight.

We face the risk that raw materials for our products may not be available or that costs for these materials will increase, thereby affecting either our ability to manufacture the products or our gross margin on the products.

We obtain our raw materials from third party suppliers, three of which are sole source suppliers. We have no long term contracts with our suppliers, and, if a contract exists, it is subject to termination or cost increases. We may not have sufficient raw materials for production of products manufactured by us if there is a shortage in raw materials or one of our suppliers terminates our relationship. In addition, changing suppliers could involve delays that restrict our ability to manufacture or buy products in a timely manner to meet delivery requirements of our customers. Our suppliers of products which we distribute can also be subject to the same risk with their vendors.

Our sales are affected adversely by returns.

In our industry, our customers may be given authorization by us to return products. These returns result in refunds, a reduction of our revenues and usually the need to dispose of the resulting inventory at discounted prices. Accordingly, the level of returns can significantly impact our revenues and cash flow. See information about returns in “Results of Operations” in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

Changes in the regulation of our products, including environmental regulations, could have an adverse effect on the distribution, cost or function of our products.

Regulations affecting our products include requirements of the FDA for cosmetic products and environmental regulations affecting emissions from our products. In the past, the FDA has mentioned the treatment of products with AHAs as drugs, which could make our production and sale of certain Alpha Hydrox<sup>®</sup> products more expensive or prohibitive. Also, in the past, we have been required to change the formulation of our household products to comply with environmental regulations and may be required to do so again in the future if the applicable regulations are further amended.

Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

In the ordinary course of our business, we collect and store sensitive data, including intellectual property, our proprietary business information and that of our customers, suppliers and business partners, and personally identifiable information of our customers and employees, on our networks. The secure processing, maintenance and transmission of this information is critical to our operations. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, disrupt our operations, and damage our reputation, which could adversely affect our future financial results and stock price.

Any adverse developments in litigation could have a material impact on us.

We are subject to lawsuits from time to time in the ordinary course of business. While we expect those lawsuits not to have a material effect on us, an adverse development in any such lawsuit or the insurance coverage for a lawsuit could materially and adversely affect our financial condition and cash flow.

Any loss of our key executives or other personnel could harm our business.

Our success has depended on the experience and continued service of our executive officers and key employees. If we fail to retain these officers or key employees, our ability to continue our business and effectively compete may be substantially diminished. Because of our size, we must rely in many departments within our company on one or two key employees. The loss of any one of these employees could slow our product development, production of a product and sale and distribution of a product.

Our stock price can be volatile and can decline substantially.

Our stock is traded on the OTC Bulletin Board. The volume of trades in our stock varies from day to day but is relatively limited. As a result, any events affecting us can result in volatile movements in the price of our stock and can result in significant declines in the market price of our stock.

#### ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable.

ITEM 2. PROPERTIES.

Until February 1, 2013, we owned real property, buildings and related improvements located in Denver, Colorado consisting of four connected buildings and a parking garage (approximately 241,684 square feet in total) and about 16.3 acres of land (the “Property”). These buildings range in age from approximately 16 to 39 years (126,600 square feet having been added in 1995 and 1996). We sold the Property on February 1, 2013 and leased the portion of the Property used by our facilities back from the purchaser. Our facilities house our corporate headquarters and all of our manufacturing and warehouse operations, which are used by both of our operating segments. Please see Note 10 to our Consolidated Financial Statements in Item 8 for information on our leasing back of certain of the facilities that we sold. We believe that our current leased space will provide capacity for growth for the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS.

We are subject to lawsuits from time to time in the ordinary course of business. While we expect those lawsuits not to have a material effect on us, an adverse development in any such lawsuit or the insurance coverage for a lawsuit could materially and adversely affect our financial condition and cash flow.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

## PART II

ITEM MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND  
5. ISSUER PURCHASES OF EQUITY SECURITIES.

## Market Information

Our \$0.10 par value common stock is traded on the OTC Bulletin Board (a regulated quotation service) under the ticker symbol "SLGD". Over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions. The high and low prices of our common stock as traded on the OTC Bulletin Board were as follows.

2015			2014		
Three Months Ended			Three Months Ended		
	High	Low		High	Low
March 31	\$0.99	\$0.82	March 31	\$0.80	\$0.55
June 30	\$1.45	\$0.84	June 30	\$0.73	\$0.52
September 30	\$1.66	\$0.96	September 30	\$0.79	\$0.64
December 31	\$1.54	\$1.30	December 31	\$0.96	\$0.70

## Shareholders

As of March 29, 2016, based on inquiry, we had approximately 708 shareholders of record.

## Dividends

We did not pay any cash dividends during the two most recent fiscal years. No decision has been made as to future dividends.

## Equity Plans

The following table provides, as of December 31, 2015, information regarding our 2005 and 2015 Stock Option Plans. We also have an employee stock ownership plan which invests only in our common stock, but which is not included in the table below.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
	1,393,013	\$ 0.96	3,606,987

Equity compensation plans approved by  
security holders

Equity compensation plans not approved by  
security holders

Total	0	0	0
	1,393,013	\$ 0.96	3,606,987

ITEM 6. SELECTED FINANCIAL DATA.

Not applicable.



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

Critical Accounting Policies

We have identified the accounting policies summarized below as critical to our business operations and the understanding of our results of operations. These policies involve significant judgments, estimates and assumptions by us. For a detailed discussion on the application of these and other accounting policies, see Note 1 to our Consolidated Financial Statements in Item 8.

Revenue Recognition

Our revenue recognition policy is significant because the amount and timing of revenue is a key component of our results of operations. We follow guidance issued by the Financial Accounting Standards Board ("FASB"), which requires that certain criteria be met in order to recognize revenue. If these criteria are not met, then the associated revenue is deferred until it is met. In our case, the criteria generally are met when we have an arrangement to sell a product, we have delivered the product in accordance with that arrangement, the sales price of the product is determinable and we believe that we will be paid for the sale.

We establish reserves for customer returns of our products and customer allowances. We estimate these reserves based upon, among other things, an assessment of historical trends, information from customers and anticipated returns and allowances related to current sales activity. These reserves are established in the period of sale and reduce our revenue in that period.

Our reserve for customer allowances includes primarily reserves for trade promotions to support price features, displays, slotting fees and other merchandising of our products to our customers. The actual level of returns and customer allowances are influenced by several factors, including the promotional efforts of our customers, changes in the mix of our customers, changes in the mix of the products we sell and the maturity of the product. We may change our estimates based on actual results and consideration of other factors that cause returns and allowances. In the event that actual results differ from our estimates, the results of future periods may be impacted.

We also establish reserves for coupons, rebates and certain other promotional programs for consumers. We estimate these reserves based upon, among other things, an assessment of historical trends and current sales activity. These reserves are recorded as a reduction of revenue at the later of the date at which the revenue is recognized or the date at which the sale incentive is offered. In the event that actual results differ from our estimates, the results of future periods may be impacted.

We have also established an allowance for doubtful accounts. We estimate this allowance based upon, among other things, an assessment of the credit risk of specific customers and historical trends. We believe our allowance for doubtful accounts is adequate to absorb any losses which may arise. In the event that actual losses differ from our estimates, the results of future periods may be impacted.

Income Taxes

Income taxes reflect the tax effects of transactions reported in the financial statements and consist of taxes currently payable plus deferred income taxes related to certain income and expenses recognized in different periods for financial and income tax reporting purposes. Deferred income tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when assets are recovered or settled. Deferred income taxes are also recognized for tax credits that are available to offset future income taxes. Deferred income taxes are measured by applying current tax rates to the differences between financial statement and income tax

reporting. In assessing the need for a valuation allowance on our deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon whether future book income is sufficient to reverse existing temporary differences that give rise to deferred tax assets, as well as whether future taxable income is sufficient to utilize net operating loss and credit carryforwards. Assessing the need for, or the sufficiency of, a valuation allowance requires the evaluation of all available evidence, both negative and positive. For additional discussion, see Note 5, "Income Taxes," to our Consolidated Financial Statements in Item 8.

## Inventory Valuation and Reserves

Our inventory is valued at the lower of cost or market, cost being determined under the first-in, first-out method. We estimate an inventory reserve for slow moving and obsolete products and raw materials based upon, among other things, an assessment of historical and anticipated sales of our products. In the event that actual results differ from our estimates, the results of future periods may be impacted.

## Recently Issued Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). ASU 2014-09 amends the guidance for revenue recognition to replace numerous industry-specific requirements and converges areas under this topic with those of the International Financial Reporting Standards. The ASU implements a five-step process for customer contract revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards. The amendment also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts and customers. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendments in this ASU are effective for reporting periods beginning after December 15, 2017, and early adoption is prohibited. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of the adoption. We are currently assessing the impact, if any, that the adoption of ASU 2014-09 will have on our financial statements.

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory," ("ASU 2015-11"), which is intended to simplify the subsequent measurement of inventories by replacing the current lower of cost or market test with a lower of cost and net realizable value test. The guidance applies only to inventories for which cost is determined by methods other than last-in first-out and the retail inventory method. Application of the standard, which should be applied prospectively, is required for the annual and interim periods beginning after December 15, 2016. Early adoption is permitted. We are currently assessing the impact, if any, that the adoption of ASU 2015-11 will have on our financial statements.

In November 2015, the FASB issued ASU No. 2015-17, "Balance Sheet Classification of Deferred Taxes" ("ASU 2015-17"), which requires that all deferred tax liabilities and assets be classified as noncurrent amounts on the balance sheet. ASU 2015-

17 will be effective for interim and annual periods beginning after December 15, 2016 (January 1, 2017 for the Company) and may be applied prospectively or retrospectively. Early adoption of the standard is permitted. The Company early adopted this standard retrospectively on December 31, 2015. The adoption of this standard had no effect on the Company's results of operations, financial condition or cash flows.

## Results of Operations

Our consolidated net sales for 2015 were \$29,188,400 compared to \$24,343,600 for 2014, an increase of \$4,844,800 or 19.9%. We saw a 24.2% increase in net sales of the skin and hair care products that we distribute for other companies and a 21.7% increase in net sales of our own line of skin care products. We saw an 8.0% increase in net sales of our household products. The reasons for the foregoing changes in net sales of our products are described

below.

Our net income for 2015 was \$4,779,900 compared to a net income of \$2,093,400 for 2014, an increase of \$2,686,500 or 128.3%. The increase in net income for 2015 compared to the net income for 2014 resulted primarily from: (1) increased sales; (2) changes in our trade promotions to our customers; (3) changes in costs of sales; (4) changes in operating expenses; and (5) the release of our deferred tax asset valuation allowance. See Note 5, "Income Taxes," to our Consolidated Financial Statements in Item 8.

## Summary of Results as a Percentage of Net Sales

	Year Ended December 31,			
	2015		2014	
Net sales				
Household products	21.8	%	24.2	%
Skin and hair care products	78.2	%	75.8	%
Total net sales	100.0	%	100.0	%
Cost of sales	57.6	%	56.2	%
Gross profit	42.4	%	43.8	%
Other revenue	0.1	%	0.2	%
	42.5	%	44.0	%
Operating expenses	34.6	%	35.1	%
Interest expense	0.1	%	0.1	%
	34.7	%	35.2	%
Income before taxes	7.8	%	8.8	%

Our gross margins may not be comparable to those of other companies that include all of the costs related to their distribution network in cost of sales because we, like some other companies, exclude a portion of these costs (i.e., freight out to customers) from gross margin. Instead, we include them as part of selling expenses. See Note 1(m) to our Consolidated Financial Statements in Item 8.

## Comparative Net Sales

	Year Ended December 31,		Percentage	
	2015	2014	Increase (Decrease)	
Scott's Liquid Gold® and other household products	\$6,359,100	\$5,890,200	8.0	%
Total household products	6,359,100	5,890,200	8.0	%
Alpha Hydrox®, Diabetic cream and other skin care products	4,668,600	3,836,800	21.7	%
Montagne Jeunesse and Batiste Dry Shampoo	18,160,700	14,616,600	24.2	%
Total skin and hair care products	22,829,300	18,453,400	23.7	%
Total net sales	\$29,188,400	\$24,343,600	19.9	%

Sales of household products for 2015 accounted for 21.8% of consolidated net sales compared to 24.2% for the same period in 2014. During 2015, the sales of our household products were \$6,359,100 as compared to \$5,890,200 for the same period in 2014, an increase of \$468,900 or 8.0%. This increase is attributable primarily to sales of our Scott's Liquid Gold® Floor Restore product, which we introduced late in the fourth quarter of 2013.

During 2015, net sales of skin and hair care products accounted for 78.2% of consolidated net sales compared to 75.8% in 2014. The net sales of these products were \$22,829,300 in 2015 compared to \$18,453,400 in 2014, an increase of \$4,375,900 or 23.7%.

The net sales of our Alpha Hydrox®, Neoteric Diabetic® and other manufactured skin care products were \$4,668,600 in 2015 compared to \$3,836,800 in 2014, an increase of \$831,800 or 21.7%. This increase is primarily attributable to increased sales through our website and to other e-commerce customers.

The net sales of Montagne Jeunesse sachet products and Batiste Dry Shampoo were \$18,160,700 in 2015 compared to \$14,616,600 in 2014, an increase of \$3,544,100 or 24.2%. This increase is primarily attributable to increased sales of Batiste Dry Shampoo among new and existing customers.

We paid our customers a total of \$2,517,500 in 2015 for trade promotions to support price features, displays, slotting fees and other merchandising of our products, compared to total spending of \$2,056,300 in 2014, an increase of \$461,200 or 22.4%. The increase is due primarily to more trade promotions to obtain and support new distribution of our household products and more trade promotions related to higher sales of Batiste Dry Shampoo.

Typically, customers that return products to us take a credit on our invoice equal to the original sale price plus a handling charge ranging from 8-10% of the original sales price. Our product returns (as a percentage of net sales) were 0.33% in 2015 compared to 0.31% in 2014.

On a consolidated basis, cost of sales was \$16,808,600 for 2015 compared to \$13,691,700 for 2014, an increase of \$3,116,900 or 22.8%, on a net sales increase of 19.9%. As a percentage of consolidated net sales, cost of sales was 57.6% in 2015 compared to 56.2% in 2014.

As a percentage of net sales of our household products, the costs of sales for our household products decreased to 47.0% of net sales in 2015 compared to 53.0% in 2014. This decrease is primarily attributable to a reduction in our costs of certain raw materials.

As a percentage of net sales of our skin and hair care products, the cost of sales for our skin and hair care products increased to 60.5% in 2015 compared to 57.3% in 2014. The increase reflects primarily a higher percentage of net sales of the skin and hair care products that we distribute for other companies, which have a higher cost than the skin care products that we manufacture.

#### Operating Expenses, Interest Expense and Other Income

	Year Ended December 31,		Percentage	
	2015	2014	Increase	(Decrease)
Operating Expenses				
Advertising	\$1,532,600	\$812,700	88.6	%
Selling	5,311,200	4,848,900	9.5	%
General and administrative	3,258,200	2,876,000	13.3	%
Total operating expenses	\$10,102,000	\$8,537,600	18.3	%
Other Income	\$26,900	\$52,200	(48.5	%)
Interest Expense	\$29,300	\$29,200	0.3	%

Our operating expenses for 2015 were \$10,102,000 compared to \$8,537,600 for 2014, an increase of \$1,564,400 or 18.3%. These expenses consisted primarily of advertising, selling, and general and administrative expenses, which are discussed below.

Advertising expenses for 2015 were \$1,532,600 compared to \$812,700 for 2014, an increase of \$719,900 or 88.6%. This increase is primarily due to the investment we made in 2015 to reposition and grow our Alpha Hydrox® skin care products and Scott's Liquid Gold® household products in the marketplace. In 2015 we invested in consumer research, creative development and production of advertising and marketing assets for our new Alpha™ Skin Care line of products (formerly our Alpha Hydrox® Skin Care line of products) and for our Scott's Liquid Gold® line of products. In 2016 our investments will be in the advertising and marketing of these products to consumers using the benefits of our investments in 2015. We do not expect to recognize in 2016 the full benefits of the investments that we are making in 2016. Instead, we anticipate seeing the positive benefits over future periods.

Selling expenses for 2015 were \$5,311,200 compared to \$4,848,900 for 2014, an increase of \$462,300 or 9.5%. The increase is primarily attributable to: (1) an increase in the commissions that we paid our sales brokers in 2015 compared to 2014 due to higher sales in 2015; (2) adding personnel within our marketing organization starting in the third quarter of 2014; and (3) an increase in salaries, payroll taxes and health benefits for our sales organization.

General and administrative expenses for 2015 were \$3,258,200 compared to \$2,876,000 for 2014, an increase of \$382,200 or 13.3%. The increase is primarily attributable to an increase in salaries, payroll taxes and health benefits for our executive and administrative staff as well as stock option compensation expense.

Other income in 2015 of \$26,900 included \$22,500 in interest earned on our cash reserves. This compares to other income in 2014 of \$52,200 which included a \$27,600 refund of an old and previously written off deposit and \$14,400 in interest earned on our cash reserves.

Interest expense for 2015 was \$29,300 for administrative fees paid to Summit. Interest expense for 2014 was \$29,200 for administrative fees paid to Summit.



Income tax benefit (expense) was \$2,504,500 and (\$43,900) in 2015 and 2014, respectively. As discussed in Note 5 “Income Taxes,” to our Consolidated Financial Statements in Item 8, as of December 31, 2014, we had a full valuation allowance against our net deferred tax assets. During the year ended December 31, 2015, we concluded that it was appropriate to reverse the valuation allowance. As a result of the release of our valuation allowance, our effective tax rate for the year ended December 31, 2015 differed significantly from the statutory federal income tax rate.

During 2015 and 2014, our expenditures for research and development were insignificant.

## Liquidity and Capital Resources

### Financing Agreements

Please see Note 1(e) to our Consolidated Financial Statements in Item 8 for information on our financing agreements with Summit and Wells Fargo Bank, National Association (“Wells Fargo”). Note 1(e) also includes a discussion of the accounting treatment of the funds borrowed pursuant to these agreements.

### Liquidity

At December 31, 2015, we had approximately \$7.2 million in cash on hand and the full \$1.5 million of capacity under our credit line with Summit was available for future borrowing. For 2015, the primary components of working capital (exclusive of cash that was \$1,268,500 more at December 31, 2015 compared to December 31, 2014) that significantly affected operating cash flows are the following: (1) net trade receivables were \$26,400 less at December 31, 2015 than at December 31, 2014 due primarily to the timing of receiving payment; (2) inventory at December 31, 2015 was \$2,008,900 more than at December 31, 2014 due primarily to increased gross sales activity and the timing of receiving certain inventory from our vendors and shipping our products to our customers; and (3) accounts payable and other accrued expenses at December 31, 2015 were \$725,300 more than at December 31, 2014 due primarily to increased inventory and the timing of payments on our inventory.

We believe that our cash on hand at any time during 2016 could be significantly less than at December 31, 2015 due primarily to the following: (1) the timing of receiving and paying for the significant amounts of Batiste Dry Shampoo that we purchase every month from Church & Dwight; (2) the payment of performance bonuses in the first quarter of 2016 to our management, sales, administrative support and operations personnel that were accrued for in 2015; and (3) our significant investments in 2016 for advertising and marketing the brands and products that we own.

We anticipate that our existing cash and our cash flow from operations, together with our current borrowing arrangement with Summit, will be sufficient to meet our cash requirements for the next 12 months. We expect to make approximately \$100,000 in capital expenditures in 2016 to purchase production equipment that will improve our manufacturing capabilities and efficiencies.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.



ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders

Scott's Liquid Gold-Inc.

Denver, Colorado

We have audited the accompanying consolidated balance sheets of Scott's Liquid Gold-Inc. and subsidiaries (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2015. The Company's management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits 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 audits 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, 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 position of Scott's Liquid Gold-Inc. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

/s/ EKS&H LLLP

March 30, 2016

Denver, Colorado

## Consolidated Statements of Operations

	Year Ended December 31,	
	2015	2014
Net sales	\$29,188,400	\$24,343,600
Operating costs and expenses:		
Cost of sales	16,808,600	13,691,700
Advertising	1,532,600	812,700
Selling	5,311,200	4,848,900
General and administrative	3,258,200	2,876,000
Total operating costs and expenses	26,910,600	22,229,300
Income from operations	2,277,800	2,114,300
Other income	26,900	52,200
Interest expense	(29,300 )	(29,200 )
Income before income taxes	2,275,400	2,137,300
Income tax benefit (expense)	2,504,500	(43,900)
Net income	\$4,779,900	\$2,093,400
Net income per common share :		
Basic	\$0.41	\$0.18
Diluted	\$0.40	\$0.18
Weighted average shares outstanding:		
Basic	11,634,515	11,507,944
Diluted	11,916,038	11,781,839

See accompanying notes to these Consolidated Financial Statements.

## Consolidated Balance Sheets

	December 31,	
	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$7,165,100	\$5,896,600
Trade receivables, net	1,014,700	1,041,100
Inventories, net	4,698,600	2,689,700
Income taxes receivable	0	3,700
Prepaid expenses	227,200	346,000
Total current assets	13,105,600	9,977,100
Property, plant and equipment, net	430,000	400,800
Deferred tax asset	2,556,200	0
Other assets	51,000	51,000
Total assets	\$16,142,800	\$10,428,900
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$1,238,000	\$616,300
Accrued payroll and benefits	780,300	665,900
Income taxes payable	5,300	0
Accrued property taxes	23,400	34,200
Total current liabilities	2,047,000	1,316,400
Total liabilities	2,047,000	1,316,400
Shareholders' equity:		
Common stock; \$0.10 par value, authorized 50,000,000 shares; issued and outstanding 11,710,745 shares (2015) and 11,549,789 shares (2014)	1,171,100	1,155,000
Capital in excess of par	5,901,100	5,713,800
Retained earnings	7,023,600	2,243,700
Total shareholders' equity	14,095,800	9,112,500
Total liabilities and shareholders' equity	\$16,142,800	\$10,428,900
See accompanying notes to these Consolidated Financial Statements.		

## Consolidated Statements of Shareholders' Equity

	Common Stock		Capital in	Retained	Total
	Shares	Amount	Excess of Par	Earnings	
Balance, December 31, 2013	11,446,800	\$ 1,144,700	\$ 5,615,500	\$ 150,300	\$ 6,910,500
Stock-based compensation	0	0	66,700	0	66,700
Stock options exercised	102,989	10,300	31,600	0	41,900
Net income	0	0	0	2,093,400	2,093,400
Balance, December 31, 2014	11,549,789	1,155,000	5,713,800	2,243,700	9,112,500
Stock-based compensation	0	0	162,200	0	162,200
Stock options exercised	160,956	16,100	25,100	0	41,200
Net income	0	0	0	4,779,900	4,779,900
Balance, December 31, 2015	11,710,745	1,171,100	5,901,100	7,023,600	14,095,800

See accompanying notes to these Consolidated Financial Statements.

## Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2015	2014
Cash flows from operating activities:		
Net income	\$4,779,900	\$2,093,400
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	160,800	173,600
Stock-based compensation	162,200	66,700
Loss on disposal of assets	0	800
Deferred income taxes	(2,556,200)	0
Change in operating assets and liabilities:		
Trade receivables	26,400	141,200
Inventories	(2,008,900)	521,500
Prepaid expenses and other assets	118,800	(76,800 )
Income taxes payable (receivable)	9,000	(3,700 )
Accounts payable and accrued expenses	725,300	(131,200 )
Total adjustments to net income	(3,362,600)	692,100
Net Cash Provided by Operating Activities	1,417,300	2,785,500
Cash flows from investing activities:		
Purchase of property, plant and equipment	(190,000 )	(57,000 )
Net Cash Used by Investing Activities	(190,000 )	(57,000 )
Cash flows from financing activities:		
Proceeds from exercise of stock options	41,200	41,900
Net Cash Provided by Financing Activities	41,200	41,900
Net Increase in Cash and Cash Equivalents	1,268,500	2,770,400
Cash and Cash Equivalents, beginning of year	5,896,600	3,126,200
Cash and Cash Equivalents, end of year	\$7,165,100	\$5,896,600
Supplemental disclosures:		
Cash paid during the period for interest	\$29,300	\$29,200

See accompanying notes to these Consolidated Financial Statements.

Note 1. Organization and Summary of Significant Accounting Policies

(a) Company Background

Scott's Liquid Gold-Inc. (a Colorado corporation) was incorporated on February 15, 1954. Scott's Liquid Gold-Inc. and its wholly-owned subsidiaries (collectively, the "Company", "we", "our", or "us") develop, manufacture, market and sell quality household and skin and hair care products. We are also a distributor in the United States of Montagne Jeunesse skin sachets and Batiste Dry Shampoo manufactured by two other companies. Our business is comprised of two segments, household products and skin and hair care products.

(b) Principles of Consolidation

Our consolidated financial statements include our accounts and those of our wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated.

(c) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts in our financial statements of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include, but are not limited to, the realization of deferred tax assets, reserves for slow moving and obsolete inventory, customer returns and allowances, coupon redemptions and stock-based compensation. Actual results could differ from our estimates.

(d) Cash Equivalents

We consider all highly liquid investments with an original maturity of three months or less at the date of acquisition to be cash equivalents.

(e) Sale of Accounts Receivable

On November 3, 2008, effective as of October 31, 2008, we entered into a financing agreement with Summit for the purpose of providing working capital. The financing agreement with Summit was amended on March 12, 2009, March 16, 2011 (effective March 1, 2011) and on June 29, 2012 (effective July 1, 2012). The agreement has a term that expires on January 1, 2017, but it may be renewed for additional 12 month periods unless either party elects to cancel in writing at least 60 days prior to January 1, 2017 and thereafter on the anniversary date of each 12 month period.

The agreement provides for a factoring line up to \$1.5 million and is secured primarily by accounts receivables, inventory, any lease in which we are a lessor and all investment property and guarantees by our active subsidiaries. Under the agreement, Summit will make loans at our request and in its discretion based on: (i) its purchases of our receivables, with recourse against us, at an advance rate of 85% (or such other percentage determined by Summit in its discretion) and (ii) our inventory not to exceed certain amounts, including an aggregate maximum of \$500,000. Advances under the agreement have an interest rate of 1.0% over the prime rate (as published in The Wall Street Journal) for the accounts receivables portion of the advances and 2.5% over the prime rate for the inventory portion of the borrowings. At December 31, 2015, the prime rate was 3.5%.

There is also an administrative fee of 0.85% per month on the average monthly outstanding loan on the receivable portion of any advance if the average quarterly loan in the prior quarter was less than or equal to \$1,000,000, and 0.75% per month if the average quarterly loan in the prior quarter was greater than \$1,000,000 and of 1.0% per month on the average monthly outstanding loan on the inventory portion of any advance.

The agreement provides that neither we nor our active subsidiaries may engage in a change in control transaction without the prior written consent of Summit. Events of default include, but are not limited to, our failure to make a



payment when due or a default occurring on any of our other indebtedness.

In 2015 and 2014, we did not sell any of our accounts receivables to Summit. At December 31, 2015 and December 31, 2014 the entire credit line of \$1.5 million was available for future factoring of accounts receivable invoices and borrowings secured by our inventory.

We report these transactions as a secured borrowing rather than as a sale. As a result, affected accounts receivables, if any, are reported under the “Current Assets” section within our Consolidated Balance Sheets as “Trade receivables, net.” Similarly, the net liability owing to Summit, if any, appears as “Obligations collateralized by receivables and inventory” within the “Current Liabilities” section of our Consolidated Balance Sheets. Net proceeds received on obligations collateralized by receivables and inventory, if any, appear as “net cash (used) provided by operating activities” within the “Adjustment to reconcile net income to net cash used by operating activities” section of our Consolidated Statements of Cash Flow.

On March 16, 2011, with the consent of Summit, we entered into a financing agreement with Wells Fargo for the purpose of further lowering the cost of borrowing associated with the financing of our accounts receivables and on January 29, 2016 we terminated our agreement with Wells Fargo due to Walmart changing its accounts payable policy. Pursuant to this agreement, we were able to sell accounts receivables to Wal-Mart at a discount to Wells Fargo; provided, however, that Wells Fargo could reject offers to purchase such receivables in its discretion. These receivables could be purchased by Wells Fargo at a cost to us equal to LIBOR plus 1.15% per annum. The LIBOR rate used depends on the days to maturity of the receivables sold, typically ranging from 102 to 105 days. At December 31, 2015, Wells Fargo used the 105-day LIBOR rate of 0.69%.

In 2015, we sold approximately \$4,672,888 of our relevant accounts receivables to Wells Fargo for approximately \$4,652,359. In 2014, we sold approximately \$4,516,100 of our relevant accounts receivables to Wells Fargo for approximately \$4,497,700. The difference between the invoiced amount of the receivables and the cash that we received from Wells Fargo was a cost to us. This cost was in lieu of any cash discount our customer would have been allowed and, thus, is treated in a manner consistent with standard trade discounts granted to our customers.

The reporting of the sale of accounts receivables to Wells Fargo is treated as a sale rather than as a secured borrowing. As a result, affected accounts receivables are relieved from the Company’s financial statements upon receipt of the cash proceeds.

(f) Inventories

Inventories consist of raw materials and finished goods and are stated at the lower of cost (first-in, first-out method) or market. We record a reserve for slow moving and obsolete products and raw materials. We estimate this reserve based upon historical and anticipated sales. Amounts are stated in Note 2.

(g) Property, Plant and Equipment

Property, plant and equipment are recorded at historical cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets ranging from three to 20 years. Production equipment and production support equipment are estimated to have useful lives of 15 to 20 years and three to 10 years, respectively. Office furniture and office machines are estimated to have useful lives of 10 to 20 and three to five years, respectively. Carpets, drapes and company vehicles are estimated to have useful lives of five to 10 years. Maintenance and repairs are expensed as incurred. Improvements that extend the useful lives of the asset or provide improved efficiency are capitalized.

(h) Financial Instruments

Financial instruments which potentially subject us to concentrations of credit risk include cash and cash equivalents and trade receivables. We maintain our cash balances in the form of bank demand deposits with financial institutions that we believe are creditworthy. As of December 31, 2015, and periodically throughout the year, we have maintained

balances in various operating accounts in excess of federally insured limits. We establish an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information. We have no significant financial instruments with off-balance sheet risk of accounting loss, such as foreign exchange contracts, option contracts or other foreign currency hedging arrangements.

The recorded amounts for cash and cash equivalents, receivables, other current assets, accounts payable and accrued expenses approximate fair value due to the short-term nature of these financial instruments. As of December 31, 2015 and December 31, 2014, we had no long-term debt.

(i) Income Taxes

Deferred income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which related temporary differences become deductible. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Taxes are reported based on tax positions that meet a more-likely-than-not standard and that are measured at the amount that is more-likely-than-not to be realized. Differences between financial and tax reporting which do not meet this threshold are required to be recorded as unrecognized tax benefits. We classify penalty and interest expense related to income tax liabilities as an income tax expense. There are no significant interest and penalties recognized in the statement of operations or accrued on the balance sheet.

(j) Revenue Recognition

Our revenue recognition policy is significant because the amount and timing of revenue is a key component of our results of operations. Certain criteria are required to be met in order to recognize revenue. If these criteria are not met, then the associated revenue is deferred until it is met. In our case, the criteria generally are met when we have an arrangement to sell a product, we have delivered the product in accordance with that arrangement, the sales price of the product is determinable and we believe that we will be paid for the sale.

We establish reserves for customer returns of our products and customer allowances. We estimate these reserves based upon, among other things, an assessment of historical trends, information from customers and anticipated returns related to current sales activity. These reserves are established in the period of sale and reduce our revenue in that period.

Our reserve for customer allowances includes primarily reserves for trade promotions to support price features, displays, slotting fees and other merchandising of our products to our customers. The actual level of returns and customer allowances are influenced by several factors, including the promotional efforts of our customers, changes in the mix of our customers, changes in the mix of the products we sell and the maturity of the product. We may change our estimates based on actual results and consideration of other factors that cause returns and allowances. In the event that actual results differ from our estimates, the results of future periods may be impacted.

We also establish reserves for coupons, rebates and certain other promotional programs for consumers. We estimate these reserves based upon, among other things, an assessment of historical trends and current sales activity. These reserves are recorded as a reduction of revenue at the later of the date at which the revenue is recognized or the date at which the sale incentive is offered.

We have also established an allowance for doubtful accounts. We estimate this allowance based upon, among other things, an assessment of the credit risk of specific customers and historical trends. We believe our allowance for doubtful accounts is adequate to absorb any losses which may arise. In the event that actual losses differ from our estimates, the results of future periods may be impacted.

At December 31, 2015 and December 31, 2014 approximately \$1,179,700 and \$795,300, respectively, had been reserved for as a reduction of accounts receivables. Trade promotions to our customers and incentives such as coupons and rebates to the consumer are deducted from gross sales and totaled \$2,517,500 and \$2,056,300 for the years ended December 31, 2015 and 2014, respectively.

(k) Advertising Costs

Advertising costs are expensed as incurred.

(l) Stock-based Compensation

During 2015, we granted options to acquire: (1) 326,500 shares of our common stock to 40 of our management and administrative personnel at a price of \$1.25 per share, which vest ratably over 48 months, or upon a change in control under certain circumstances, and which expire after 10 years; (2) 200,000 shares of our common stock to one of our executive officers at a price of \$1.25 per share, which vest ratably over 60 months, or upon a change in control under certain circumstances, and which expire after 10 years; and (3) 90,000 shares of our common stock to our three non-employee board members at a price of \$1.25 per share, half of which vested on the date of grant and the other half of which will vest on the first anniversary of the date of grant, or upon a change in control under certain circumstances, and which expire after five years. All of the foregoing options were granted at the market value as of the date of grant. We also granted options to acquire 100,000 shares of our common stock to one of our executive officers at a price of \$1.375 per share, which vest ratably over 48 months, or upon a change in control under certain circumstances, and which expire after five years. Such options were granted at 110% of the market value as of the date of grant.

During 2014, we granted options to acquire: (1) 250,000 shares of our common stock to one of our executive officers at a price of \$0.864 per share, which vest ratably over 60 months, or upon a change in control, and which expire after 10 years; (2) 35,000 shares of our common stock to our vice president of marketing at a price of \$0.78 per share, which vest ratably over 48 months, or upon a change in control, and which expire after five years; (3) 2,500 shares of our common stock to an administrative employee at a price of \$0.78 per share, which vest ratably over 48 months, or upon a change in control, and which expire after five years; and (4) 60,000 shares of our common stock to two of our non-employee board members at a price of \$0.792 per share, which vest ratably over 48 months, or upon a change in control, and which expire after five years. Such options were granted at 120% of the market value as of the date of grant. We also granted options to acquire 30,000 shares of our common stock to one of our non-employee board members at a price of \$0.792 per share, which vested upon the date of grant, and expire after five years. Such options were also granted at 120% of the market value as of the date of grant.

The weighted average fair market value of the options granted in the years ended December 31, 2015 and 2014 were estimated on the date of grant, using a Black-Scholes option pricing model with the following assumptions:

	2015	2014
Expected life of options (using the "simplified method")	5.3 years	4.5 – 5.5years
Average risk-free interest rate	1.4 %	1.6%- 1.7 %
Average expected volatility of stock	133 %	121%-128 %
Expected dividend rate	None	None
Fair value of options granted	\$ 755,105	\$ 210,527

Compensation cost related to stock options recognized in operating results (included in general and administrative expenses) was \$162,200 and \$66,700 for the years ended December 31, 2015 and 2014, respectively. Approximately \$835,500 of total unrecognized compensation costs related to non-vested stock options is expected to be recognized over the next 12-60 months, depending on the vesting provisions of the options. There was no tax benefit from recording the non-cash expense as it relates to the options granted to our employees, as these were qualified stock options which are not normally tax deductible. With respect to the non-cash expense associated with the options granted to our non-employee directors, no tax benefit was recognized due to the existence of as yet unutilized net operating losses. At such time as these operating losses have been utilized and a tax benefit is realized from the issuance of non-qualified stock options, a corresponding tax benefit may be recognized.

(m) Operating Costs and Expenses Classification

Cost of sales includes costs associated with manufacturing and distribution including labor, materials, freight-in, purchasing and receiving, quality control, internal transfer costs, repairs, maintenance and other indirect costs, as well as warehousing and distribution costs. We classify shipping and handling costs comprised primarily of freight-out as selling expenses. Other selling expenses consist primarily of wages and benefits for sales and sales support personnel, travel, brokerage commissions and promotional costs, as well as certain other indirect costs. Shipping and handling costs totaled \$1,462,600 and \$1,517,500, for the years ended December 31, 2015 and 2014, respectively.

General and administrative expenses consist primarily of wages and benefits associated with management and administrative support departments, business insurance costs, professional fees, office facility rent and related expenses and other general support costs.

(n) Recently Issued Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). ASU 2014-09 amends the guidance for revenue recognition to replace numerous industry-specific requirements and converges areas under this topic with those of the International Financial Reporting Standards. The ASU implements a five-step process for customer contract revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards. The amendment also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts and customers. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendments in this ASU are effective for reporting periods beginning after December 15, 2017, and early adoption is prohibited. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of the adoption. We are currently assessing the impact, if any, that the adoption of ASU 2014-09 will have on our financial statements.

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory," ("ASU 2015-11"), which is intended to simplify the subsequent measurement of inventories by replacing the current lower of cost or market test with a lower of cost and net realizable value test. The guidance applies only to inventories for which cost is determined by methods other than last-in first-out and the retail inventory method. Application of the standard, which should be applied prospectively, is required for the annual and interim periods beginning after December 15, 2016. Early adoption is permitted. We are currently assessing the impact, if any, that the adoption of ASU 2015-11 will have on our financial statements.

In November 2015, the FASB issued ASU No. 2015-17, "Balance Sheet Classification of Deferred Taxes" ("ASU 2015-17"), which requires that all deferred tax liabilities and assets be classified as noncurrent amounts on the balance sheet. ASU 2015-

17 will be effective for interim and annual periods beginning after December 15, 2016 (January 1, 2017 for the Company) and may be applied prospectively or retrospectively. Early adoption of the standard is permitted. The Company early adopted this standard retrospectively on December 31, 2015. The adoption of this standard had no effect on the Company's results of operations, financial condition or cash flows.

Note 2: Inventories

Inventories, consisting of materials, labor and overhead at December 31 were comprised of the following:

	2015	2014
Finished goods	\$2,101,300	\$1,626,300
Raw materials	2,717,300	1,117,800
Inventory reserve for obsolescence	(120,000 )	(54,400 )
	\$4,698,600	\$2,689,700



Note 3: Property, Plant and Equipment

Property, plant and equipment at December 31 were comprised of the following:

	2015	2014
Production equipment	\$4,726,200	\$5,039,900
Office furniture and equipment	674,600	778,700
Other	188,200	188,200
	5,589,000	6,006,800
Less accumulated depreciation	(5,159,000)	(5,606,000)
	\$430,000	\$ 400,800

Depreciation expense for the years ended December 31, 2015 and 2014 was \$160,800 and \$173,600, respectively.

Note 4: Debt

Please see Note 1(e) for information on our financing agreements with Summit and Wells Fargo. Note 1(e) also includes a discussion of the accounting treatment of the funds borrowed pursuant to these agreements.

Note 5: Income Taxes

The provision for income tax for the years ended December 31 is as follows:

	2015	2014
Current provision (benefit):		
Federal	\$60,300	\$33,900
State	(8,600 )	10,000
Total current provision (benefit)	51,700	43,900
Deferred provision (benefit):		
Federal	741,700	724,700
State	81,200	61,800
Valuation allowance	(3,379,100)	(786,500)
Total deferred provision (benefit)	(2,556,200)	0
Provision (benefit):		
Federal	(2,115,700)	33,900
State	(388,800 )	10,000
Total provision (benefit)	\$(2,504,500 )	\$43,900

Income tax expense (benefit) at the statutory tax rate is reconciled to the overall income tax expense (benefit) as follows:

	2015	2014
Federal income tax at statutory rates	\$773,700	\$726,700
State income taxes, net of federal tax effect	69,300	61,900
Change in unrecognized benefit	0	(17,600 )

Edgar Filing: SCOTTS LIQUID GOLD INC - Form 10-K

Permanent differences	54,800	34,800
Other	(23,200 )	24,600
Total	874,600	830,400
Change in valuation allowance	(3,379,100)	(786,500)
Provision (benefit) for income taxes	\$(2,504,500)	\$43,900

---

Deferred income taxes are based on estimated future tax effects of differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for income tax purposes given the provision of enacted tax laws. The net deferred tax assets and liabilities as of December 31, 2015 and 2014 are comprised of the following:

	2015	2014
Deferred tax assets:		
Net operating loss carryforwards	\$1,833,100	\$2,840,800
Tax credit and other carryforwards	413,800	344,800
Trade receivables	205,200	178,000
Inventories	70,600	28,200
Accrued vacation	38,800	35,400
Other	20,800	10,300
Total deferred taxes	2,582,300	3,437,500
Deferred tax liability:		
Accumulated depreciation for tax purposes	(26,100 )	(58,400 )
Total deferred tax liabilities	(26,100 )	(58,400 )
Net deferred tax asset, before allowance	2,556,200	3,379,100
Valuation allowance	0	(3,379,100)
Net deferred tax asset	\$2,556,200	\$0

At December 31, 2015, we had federal net operating loss carryforwards of approximately \$4,377,900 for federal income tax purposes and approximately \$4,348,400 for financial reporting purposes. The difference between the federal income tax net operating loss carryforwards of \$29,500 relates to tax deductions for compensation expense for financial reporting purposes for which the benefit will not be recognized until the related deductions reduce income taxes payable. The Company also had federal tax credit carryforwards related to research and development efforts of approximately \$286,700. The net operating loss carryforwards and the research and development credits will expire over a period ending in 2032 and 2035 respectively. At December 31, 2015, there was approximately \$127,000 of alternative minimum tax credits which have no expiration period. State tax loss carryforwards at December 31, 2015 are approximately \$11,640,000 expiring over a period ending in 2032.

As of December 31, 2014 the Company placed a full valuation allowance against deferred income tax assets. During the year ended December 31, 2015, the Company has determined in its judgement, based upon all available evidence (both positive and negative), that it is more likely than not that the net deferred tax assets will be realized. Hence, all deferred tax benefits will be recognized and the full valuation allowance removed as part of the effective tax rate.

We adhere to the authoritative guidance with respect to accounting for uncertainty in income taxes. This guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It requires that we recognize in our consolidated financial statements, only those tax positions that are “more-likely-than-not” of being sustained as of the adoption date, based on the technical merits of the position. Each year we perform a comprehensive review of our material tax positions.

In prior years, as a result of this review, we identified certain deferred tax assets that need to be adjusted. As of December 31, 2014 following the acceptance of an accounting method change by the IRS, the Company has removed any liabilities associated with previously identified tax positions and no longer identifies any income tax positions that

are not "more-likely-than-not" to be sustained.

	2015	2014
Balance at January 1,	\$ 0	\$395,100
Additions based on tax positions related to current year	0	0
Reductions for tax positions of prior years or change in valuation	0	(395,100)
Balance at December 31,	\$ 0	\$0

Our policy is to recognize interest and penalties related to uncertain tax benefits in income tax expense. As there are currently no uncertain tax benefits, we have no accrued interest or penalties related to uncertain tax positions as of December 31, 2015. As a result of our net operating loss carryforward position, we have no accrued interest or penalties related to uncertain tax positions for the year ended December 31, 2014.

We and our subsidiaries are subject to the following material taxing jurisdictions: United States and Colorado. The tax years that remain open to examination by the Internal Revenue Service are 2012 and years thereafter. However, due to our net operating loss carryforwards from prior periods, the Internal Revenue Service could potentially review the losses back to 2000. The tax years that remain open to examination by the State of Colorado are 2011 and years thereafter.

#### Note 6: Shareholders' Equity

In 2005, we adopted a stock option plan for our employees, officers and directors (the "2005 Plan"). At the Annual Shareholders' Meeting in May 2011, shareholders approved an amendment to the 2005 Plan to increase the number of shares issuable under the plan from 1,500,000 shares to a total of 3,000,000 shares. Options granted before May 2011 are granted at not less than current market price of the stock on the date of grant and are exercisable from five to ten years from the grant date. Options granted after May 2011, pursuant to the plan amendment in May 2011, are required to be granted at not less than the higher of (1) 120% of current market price on the date of grant or (2) the average of market price over the prior 30 trading days. Except for the grant of 30,000 options to one of our board members in 2014 and the grant of 90,000 options to three of our board members in 2013 that vested upon the date of grant, the options granted in 2015 and 2014 vest each month over 48-60 months or upon a change in control.

In 2015, we adopted a stock option plan for our employees, officers and directors (the "2015 Plan") to replace the 2005 Plan, which expired on March 31, 2015. At the Annual Shareholders' Meeting in June 2015, shareholders approved the adoption of the 2015 Plan.

Stock option activity under the 2005 and 2015 Plans are as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
<b>2005 Plan</b>				
Maximum number of shares under the plan	3,000,000			
Outstanding, December 31, 2013	694,520	\$ 0.35	3.1 years	\$211,100
Granted in 2014	377,500	0.84		
Exercised in 2014	(102,958 )	0.41		
Cancelled/Expired in 2014	(50,093 )	0.51		
Outstanding, December 31, 2014	918,969	\$ 0.53	4.4 years	\$374,600
Granted in 2015	0	0.00		
Exercised in 2015	(160,956 )	0.26		
Cancelled/Expired in 2015	(81,500 )	0.24		
Outstanding, December 31, 2015	676,513	\$ 0.63	4.7 years	\$525,300
Exercisable, December 31, 2015	351,832	\$ 0.51	3.3 years	\$317,000
Available for issuance, December 31, 2015	0			

2015 Plan

Maximum number of shares under the plan	2,000,000			
Outstanding, December 31, 2014	0	\$ 0.00		
Granted in 2015	716,500	1.27		
Exercised in 2015	0	0.00		
Cancelled/Expired in 2015	0	0.00		
Outstanding, December 31, 2015	716,500	\$ 1.27	8.4 years	\$102,140
Exercisable, December 31, 2015	93,972	\$ 1.26	6.8 years	\$13,994
Available for issuance, December 31, 2015	1,283,500			

A summary of additional information related to the options outstanding as of December 31, 2015 under the 2005 and 2015 Plans are as follows:

2005 Plan Range of Exercise Prices	Number of Options	Weighted Average Remaining Contractual Life 1.3 years	Weighted Average Exercise Price
			0.23
\$0.17-\$0.39	126,875	1.2 years	\$
\$0.40-\$0.62	152,138	2.4 years	\$0.45
\$0.63-\$0.86	397,500	6.7 years	\$0.83
Total	676,513	4.7 years	\$0.63
2015 Plan Range of Exercise Prices			
\$1.25	616,500	8.9 years	\$1.25
\$1.38	100,000	4.7 years	\$1.38
Total	716,500	8.3 years	\$1.27

We have an Employee Stock Ownership Plan (“Plan”) to provide retirement benefits for our employees. The Plan is designed to invest primarily in our common stock and is non-contributory on the part of our employees. Contributions to the Plan are discretionary as determined by our Board of Directors. We expense the cost of contributions to the Plan. No contributions were made to the Plan in 2015 or 2014. At December 31, 2015 and 2014, a total of 670,675 and 830,682 shares of our common stock, respectively, have been allocated and earned by our employees.

#### Note 7: Earnings per Share

Per share data is determined by using the weighted average number of common shares outstanding. Common equivalent shares are considered only for diluted earnings per share, unless considered anti-dilutive. Common equivalent shares, determined using the treasury stock method, result from stock options with exercise prices that are below the average market price of the common stock.

Basic earnings per share include no dilution and are computed by dividing income available to common shareholders by the weighted-average number of shares outstanding during the period. Diluted earnings per share reflect the potential of securities that could share in our earnings. There were common stock equivalents of 1,064,000 and 427,500 shares outstanding at December 31, 2015 and 2014, respectively, consisting of stock options that were not included in the calculation of earnings per share because they would have been anti-dilutive.

A reconciliation of the weighted average number of common shares outstanding for the years ended December 31 is as follows:

Edgar Filing: SCOTTS LIQUID GOLD INC - Form 10-K

	2015	2014
Common shares outstanding, beginning of the year	11,549,789	11,446,800
Weighted average common shares issued	84,726	61,144
Weighted average number of common shares outstanding	11,634,515	11,507,944
Dilutive effect of common share equivalents	281,523	273,895
Diluted weighted average number of common shares outstanding	11,916,038	11,781,839

We have authorized 20,000,000 shares of preferred stock issuable in one or more series, none of which are issued or outstanding as of December 31, 2015.



## Note 8: Segment Information

We operate in two different segments: household products and skin and hair care products. Our products are sold nationally and internationally (primarily Canada), directly through our sales force and indirectly through independent brokers and manufacturer's representatives, to mass merchandisers, drugstores, supermarkets, hardware stores and other retail outlets and to wholesale distributors. Management has chosen to organize our business around these segments based on differences in the products sold.

Accounting policies for our segments are the same as those described in Note 1. We evaluate segment performance based on segment income or loss before income taxes.

The following provides information on our segments as of and for the years ended December 31:

	2015		2014	
	Household Products	Skin and Hair Care Products	Household Products	Skin and Hair Care Products
Net sales to external customers	\$6,359,100	\$22,829,300	\$5,890,200	\$18,453,400
Cost of Sales	2,988,500	13,820,100	3,119,600	10,572,100
Advertising expenses	1,004,300	528,300	678,100	134,600
Selling expenses	1,650,000	3,661,200	1,509,500	3,339,400
General and administrative expenses	1,435,400	1,822,800	1,278,500	1,597,500
Total operating expenses	7,078,200	19,832,400	6,585,700	15,643,600
(Loss) income from operations	(719,100 )	2,996,900	(695,500 )	2,809,800
Other income	5,000	21,900	36,100	16,100
Interest expense	(6,400 )	(22,900 )	(6,800 )	(22,400)
(Loss) income before income taxes	\$(720,500 )	2,995,900	\$(666,200 )	\$2,803,500
Identifiable assets	\$7,585,800	5,073,200	\$4,119,400	\$3,471,800

The following is a reconciliation of segment information to consolidated information:

	2015	2014
Net sales to external customers	\$29,188,400	\$24,343,600
Consolidated income before income taxes	\$2,275,400	\$2,137,300
Identifiable assets	\$12,659,000	\$7,591,200
Corporate assets	3,483,800	2,837,700
Consolidated total assets	\$16,142,800	\$10,428,900

Corporate assets noted above are comprised primarily of our cash and property and equipment not directly associated with manufacturing, warehousing, shipping and receiving activities.

In 2015 and 2014, Ulta accounted for approximately \$6,956,500 and \$4,741,400, respectively, of our consolidated net sales, Wal-Mart accounted for approximately \$4,494,800 and \$4,409,600, respectively, of our consolidated net sales and TJ Maxx accounted for approximately \$4,769,000 and \$930,600, respectively, of our consolidated net sales. We sell both household products and skin and hair care products to Wal-Mart, but we sell only skin and hair care products

to Ulta and TJ Maxx. These customers are not related to us.

The outstanding trade receivables from Ulta accounted for 1.8% and 19.5% of our total trade receivables at December 31, 2015 and 2014, respectively. The outstanding trade receivables from Wal-Mart accounted for 9.8% and 14.0% of our total trade receivables at December 31, 2015 and 2014, respectively. The outstanding trade receivables from TJ Maxx accounted for 30.5% and 19.0% of our total trade receivables at December 31, 2015 and 2014, respectively. The outstanding trade receivables from Marshals accounted for 39.8% and 10.9% of our total trade receivables at December 31, 2015 and 2014 respectively. A loss of one or any of these customers could have a material adverse effect on us because it is uncertain whether our consumer base served by these customers would purchase our products at other retail outlets. No long-term contracts exist between us and these customers or any other customer.

## Note 9: Retirement Plans

We have a 401(k) Profit Sharing Plan (“401(k) Plan”) covering our full-time employees who have completed four months of service as defined in the 401(k) Plan, and are age 18 or older. Participants may defer up to 75% of their compensation up to the maximum limit determined by law. We may make discretionary “matching” contributions up to a maximum of 6% of each participant’s compensation, but only for those employees earning no more than \$50,000 annually. Additionally, we can make discretionary “profit sharing” contributions to eligible employees. Participants are always fully vested in their contributions, matching contributions and allocated earnings thereon. Vesting in our profit sharing contribution is based on years of service, with a participant fully vested after five years. Our Company matching contributions totaled \$3,700 and \$4,300, in 2015 and 2014, respectively. We made no discretionary profit sharing contributions in 2015 or 2014.

## Note 10. Commitments and Contingencies

### Leases

On February 1, 2013, we entered into a lease with an unrelated third party for approximately 16,078 square feet of office space (the “Office Lease”) and approximately 113,620 square feet of manufacturing and warehouse space (the “Warehouse Lease”). Each of the Office Lease and the Warehouse Lease has an initial term of three years, with options to extend the term for two additional terms of three years each. Effective February 1, 2016, we exercised our first option to extend the term of the Office Lease and Warehouse Lease for three years. The initial rent for the Office Lease was \$13.00 per square foot per annum, with annual 3% increases. The initial rent for the Warehouse Lease was \$3.25 per square foot per annum, with annual 3% increases, and we will pay an additional \$1.25 per square foot per annum as our share of the purchaser’s operating expenses under the Warehouse Lease (including taxes, insurance and common area maintenance charges). If certain uncontrollable operating expenses increase by more than 5% per year, our share of operating expenses under the Warehouse Lease may be increased. On March 25, 2016, we entered into a lease with an unrelated third party for approximately 53,440 square feet of warehouse space that connects to our current warehouse space (the “Expansion Lease”). The initial rent for Expansion Lease is \$4.90 per square foot per annum, with annual increases ranging from 7% in the second year of the lease to 3% in the last two years of the lease. The term of the Expansion Lease will be co-terminous with the Warehouse Lease and will be subject to all of the terms and conditions for the Warehouse Lease.

Annual rental expense under the Office Lease and Warehouse Lease for 2015 was \$221,200 and \$390,800, respectively. Annual rental expense under the Office Lease and Warehouse Lease for 2014 was \$214,800 and \$379,400, respectively. Minimum annual rental payments under the Office Lease are approximately \$227,800, \$234,700, \$241,700 and \$20,200 for the years ending December 31, 2016, 2017, 2018 and 2019, respectively. Minimum annual rental payments under the Warehouse Lease are approximately \$598,900, \$693,600, \$719,800 and \$60,200 for the years ending December 31, 2016, 2017, 2018, and 2019, respectively.

We have entered into various operating lease agreements, primarily for office equipment. Annual rental expense under these leases totaled \$47,200 and \$50,300 in 2015 and 2014, respectively. Minimum annual rental payments under noncancellable operating leases are approximately \$34,900 and \$14,500 for the years ending December 31, 2016 and 2017, respectively. Presently we have no lease commitments beyond 2018.

### Contingencies

We are subject to lawsuits from time to time in the ordinary course of business. While we expect those lawsuits not to have a material effect on us, an adverse development in any such lawsuit or the insurance coverage for a lawsuit could materially and adversely affect our financial condition and cash flow. We regularly review all pending litigation matters in which we might be involved and establish accruals deemed appropriate by us for these litigation matters when a probable loss estimate can be made. As of December 31, 2015 there were no pending litigation matters that required an accrual.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

As of December 31, 2015, we conducted an evaluation, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective as of December 31, 2015.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, including the Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2015, based on the criteria for effective internal control described in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992). Based on its assessment, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2015.

This Report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permits us to provide only management's report in this Report.

This Report shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liabilities of that section, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting during the quarter ended December 31, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.



### PART III

For Part III, the information set forth in our definitive Proxy Statement for our Annual Meeting of Shareholders to be filed within 120 days after December 31, 2015, hereby is incorporated by reference into this Report.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

ITEM 11. EXECUTIVE COMPENSATION.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

### PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

Exhibits

See Exhibit Index at page 36 of this Report

Consolidated Financial Statements:

Report of Independent Registered Public Accounting Firm

Consolidated Statements of Operations for the years ended December 31, 2015 and 2014

Consolidated Balance Sheets as of December 31, 2015 and 2014

Consolidated Statements of Shareholders' Equity for the years ended December 31, 2015 and 2014

Consolidated Statements of Cash Flows for the years ended December 31, 2015 and 2014

Notes to Consolidated Financial Statements





## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SCOTT'S LIQUID GOLD-INC.,

a Colorado corporation

By: /s/ Mark E. Goldstein  
Mark E. Goldstein, President and Chief Executive Officer  
  
(Principal Executive Officer)

By: /s/ Barry J. Levine  
Barry J. Levine, Treasurer, Chief Financial Officer,  
  
Chief Operating Officer and Corporate Secretary  
(Principal Financial and Chief Accounting Officer)

Date: March 30, 2016

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

Date	Name and Title	Signature
March 30, 2016	Mark E. Goldstein, Director, President and Chief Executive Officer	/s/ Mark E. Goldstein
March 30, 2016	Sharon D. Garrett, Director	Mark E. Goldstein, for himself and as
March 30, 2016	Gerald J. Laber, Director	Attorney-in-Fact for the named directors
March 30, 2016	Philip A. Neri, Director	who constitute all of the members of the the Board of Directors and for the named officers

March 30, 2016

Barry J. Levine, Director, Treasurer, Chief Financial Officer,  
Chief Operating Officer and Corporate Secretary

## EXHIBIT INDEX

### Exhibit

#### Number Document

3.1 Restated Articles of Incorporation, as amended and restated through May 1, 1996, incorporated by reference to Exhibit 3.1 of our Annual Report on Form 10-KSB for the year ended December 31, 2007.

3.2 Bylaws, as amended through July 13, 2011, incorporated by reference to Exhibit 99.1 of our Current Report on Form 8-K filed on July 19, 2011.

4.1 Shareholder Rights Agreement, dated February 21, 2001 incorporated by reference to Exhibit 2 to the Company's Registration Statement on Form 8-A filed with the Securities and

Exchange  
Commission on  
February 22,  
2001.

4.2      Amendment to  
Shareholder  
Rights  
Agreement, dated  
February 15, 2011  
incorporated by  
reference to  
Exhibit 4.2 to the  
Company's  
Current Report on  
Form 8-K filed  
with the  
Securities and  
Exchange  
Commission on  
February 22,  
2011.

4.3      Second  
Amendment to  
Shareholder  
Rights  
Agreement, dated  
January 6,  
2012 incorporated  
by reference to  
Exhibit 4.1 to the  
Company's  
Current Report on  
Form 8-K filed  
with the  
Securities and  
Exchange  
Commission on  
January 10, 2012.

4.4      Third  
Amendment to  
Shareholder  
Rights  
Agreement, dated  
as of February 19,  
2016, between the

Company and  
Broadridge  
Corporate Issuer  
Solutions, Inc., as  
Rights Agent,  
incorporated by  
reference to  
Exhibit 4.4 to the  
Company's  
Current Report on  
Form 8-K filed  
with the  
Securities and  
Exchange  
Commission on  
February 23,  
2016.

10.1\* Scott's Liquid  
Gold-Inc. Health  
and Accident  
Plan, Plan  
Document and  
Summary Plan  
Description  
Amended and  
Restated Effective  
October 1, 2003  
incorporated by  
reference to  
Exhibit 10.1 of  
our Annual  
Report on Form  
10-K for the year  
ended December  
31, 2004.

10.2 Scott's Liquid  
Gold & Affiliated  
Companies  
Employee Benefit  
Health And  
Welfare Plan  
Amendment  
#1-2004  
incorporated by  
reference to  
Exhibit 10.2 of  
our Annual

Report on Form  
10-K for the year  
ended December  
31, 2004.

10.3\* Form of  
Indemnification  
Agreement for  
executive officers  
and directors  
incorporated by  
reference to  
Exhibit 10.3 of  
the Company's  
Annual Report on  
Form 10-K for the  
year ended  
December 31,  
2012.

10.4 Exclusive  
Distribution  
Agreement,  
effective  
September 15,  
2014, between  
Montagne  
Jeunesse  
International  
Limited and  
Neoteric  
Cosmetics, Inc.  
incorporated by  
reference to  
Exhibit 10.1 of  
the Company's  
Quarterly Report  
on Form 10-Q,  
filed with the  
Commission on  
November 14,  
2014.

10.5\* Employment  
Agreement dated  
as of March 26,  
2014 between  
Scott's Liquid

Gold-Inc. and  
Mark Goldstein  
incorporated by  
reference to  
Exhibit 10.5 of  
the Company's  
Annual Report on  
Form 10-K, filed  
with the  
Commission on  
March 28, 2014.

10.6\*      Employment  
Agreement dated  
as of March 26,  
2014 between  
Scott's Liquid  
Gold-Inc. and  
Barry Levine  
incorporated by  
reference to  
Exhibit 10.6 of  
the Company's  
Annual Report on  
Form 10-K, filed  
with the  
Commission on  
March 28, 2014.

10.7\*      2005 Stock  
Incentive Plan, as  
amended,  
incorporated by  
reference to  
Exhibit 4 of our  
Registration  
Statement No.  
333-156191, filed  
with the  
Commission on  
December 16,  
2008.

10.8\*      Amendment to  
the 2005 Stock  
Incentive Plan,  
incorporated by  
reference to

Exhibit 10.1 of  
the Company's  
Current Report on  
Form 8-K, filed  
with the  
Commission on  
September 8,  
2014.

10.9\* Form of 2005  
Stock Option Plan  
Incentive Stock  
Option  
Agreement,  
incorporated by  
reference to  
Exhibit 10.4 of  
our Quarterly  
Report on Form  
10-QSB for the  
quarter ended  
March 31, 2007.

10.10\* Form of 2005  
Stock Incentive  
Plan Nonqualified  
Stock Option  
Agreement,  
incorporated by  
reference to  
Exhibit 10.6 of  
our Quarterly  
Report on Form  
10-QSB for the  
quarter ended  
March 31, 2007.

10.11 Financing  
Agreement and  
Addendum to  
Financing  
Agreement, both  
dated October 31,  
2008, between  
Summit Financial  
Resources, L.P.  
and the Company,  
incorporated by



reference to  
Exhibit 10.1 of  
the Company's  
Current Report on  
Form 8-K filed  
with the  
Commission on  
November 4,  
2008.

- 10.12 Guarantees, dated October 31, 2008, by SLG Plastics, Inc. Advertising Promotions Incorporated, Colorado Product Concepts, Inc., Neoteric Cosmetics, Inc., and SLG Chemicals, Inc., incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed with the Commission on November 4, 2008.
- 10.13 First Amendment to Financing Agreement dated March 12, 2009 between Summit Financial Resources, L.P. and the Company, incorporated by reference to Exhibit 10.18 of our Annual Report on Form 10-K for the year ended December 31, 2008.
- 10.14 Second Amended and Restated Financing Agreement and Addendum to dated March 16, 2011 between Summit Financial Resources, L.P. and the Company, incorporated by reference to Exhibit 10.19 of the Company's Annual Report on Form 10-K filed with the Commission on March 29, 2011.
- 10.15 First Amendment to the Second Amended and Restated Financing Agreement, dated June 29, 2012, between Summit Financial Resources, L.P. and the Company, incorporated by reference to Exhibit 99.1 of the Current Report on Form 8-K filed with the Commission on July 2, 2012.
- 10.16 Receivables Purchase Agreement dated March 16, 2011 between Wells Fargo Bank, National Association and Scott's Liquid Gold, Inc., incorporated by reference to Exhibit 10.20 of the Company's Annual Report on Form 10-K filed with the Commission on March 29, 2011.
- 10.17 Receivables Purchase Agreement dated March 16, 2011 between Wells Fargo Bank, National Association and Neoteric Cosmetics, Inc., incorporated by reference to Exhibit 10.21 of the Company's Annual Report on Form 10-K filed with the Commission on March 29, 2011.
- 10.18 Customer Agreement, dated July 15, 2014, between Church & Dwight Co. Inc. and Neoteric Cosmetics, Inc. incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q, filed with the Commission on August 14, 2014.
- 10.19 Purchase and Sale Agreement, dated November 21, 2012, between the Company and Havana Gold, LLC. incorporated by reference to Exhibit 10.24 of the Company's Annual Report on Form 10-K for the year ended December 31, 2012.
- 10.20 Real Property Lease (Warehouse Lease), dated February 1, 2013, between the Company and Havana Gold, LLC. incorporated by reference to Exhibit 10.25 of the Company's Annual Report on Form 10-K for the year ended December 31, 2012.
- 10.21 Real Property Lease (Office Lease), dated February 1, 2013, between the Company and Havana Gold, LLC. incorporated by reference to Exhibit 10.26 of the Company's Annual Report on Form 10-K for the year ended

December 31, 2012.

- 10.22\* Scott's Liquid Gold-Inc. Employee Stock Ownership Plan and Trust Agreement, Amended and Restated effective January 1, 2012 incorporated by reference to Exhibit 10.27 of the Company's Annual Report on Form 10-K, filed with the Commission on March 28, 2014..
  
  - 10.23\* Scott's Liquid Gold-Inc. 2015 Equity and Incentive Plan incorporated by reference to Appendix A to the Company's Definitive Proxy Statement for its annual meeting of shareholders held on June 4, 2015 filed with the Securities and Exchange Commission on April 27, 2015.
  
  - 10.24\* Form of 2015 Equity and Incentive Plan Incentive Stock Option Agreement.
  
  - 10.25\* Form of 2015 Equity and Incentive Plan Non-Qualified Stock Option Agreement.
  
  - 10.26 First Amendment to Real Property Lease (Warehouse Lease), dated March 25, 2016, between the Company and Havana Gold, LLC.
  
  - 10.27 First Amendment to Real Property Lease (Office Lease), dated March 25, 2016, between the Company and Havana Gold, LLC.
  
  - 21 List of Subsidiaries incorporated by reference to Exhibit 21 of the Company's Annual Report on Form 10-K for the year ended December 31, 2014.
  
  - 23 Consent of EKS&H LLLP.
  
  - 24 Powers of Attorney.
  
  - 31.1 Rule 13a-14(a) Certification of the Chief Executive Officer.
- 

37

31.2 Rule 13a-14(a) Certification of the Chief Financial Officer.

32.1\*\* Section 1350 Certification.

101.INS XBRL Instance Document.

101.SCH XBRL Taxonomy Extension Schema Document.

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.

101.LAB XBRL Taxonomy Extension Label Linkbase Document.

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.

101.DEF XBRL Taxonomy Extension Definition Linkbase Document.

\* Management contract or compensatory plan or arrangement.

\*\*Furnished, not filed.