

SCOTTS LIQUID GOLD INC
Form 10-Q
November 03, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED

September 30, 2005

Commission File No. 001-13458

SCOTT'S LIQUID GOLD-INC.
4880 Havana Street
Denver, CO 80239
Phone: 303-373-4860

Colorado
State of Incorporation

84-0920811
I.R.S. Employer
Identification 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 checkmark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes No

As of September 30, 2005, the Registrant had 10,501,000 shares of its \$0.10 par value common stock outstanding.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SCOTT'S LIQUID GOLD-INC. & SUBSIDIARIES
Consolidated Statements of Operations (Unaudited)

Three Months

Nine Months

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| | Ended September 30, | | Ended September 30, | |
|---|---------------------|--------------|---------------------|--------------|
| | 2005 | 2004 | 2005 | 2004 |
| Net sales | \$ 6,506,000 | \$ 5,116,700 | \$17,753,300 | \$15,633,600 |
| Operating costs and expenses: | | | | |
| Cost Of Sales | 3,513,600 | 3,129,000 | 9,752,500 | 8,849,600 |
| Advertising | 151,800 | 101,000 | 630,300 | 738,100 |
| Selling | 1,455,700 | 1,381,200 | 4,422,000 | 4,162,600 |
| General and administrative | 757,100 | 835,700 | 2,779,100 | 2,772,400 |
| | 5,878,200 | 5,446,900 | 17,583,900 | 16,522,700 |
| Income (loss) from operations | 627,800 | (330,200) | 169,400 | (889,100) |
| Interest income | 9,900 | 10,400 | 30,200 | 30,900 |
| Interest expense | (54,000) | (40,000) | (149,300) | (128,300) |
| | 583,700 | (359,800) | 50,300 | (986,500) |
| Income tax expense (benefit) | - | - | - | - |
| Net income (loss) | \$ 583,700 | \$ (359,800) | \$ 50,300 | \$ (986,500) |
| Net income (loss) per common share (Note 3): | | | | |
| Basic | \$.06 | \$ (.03) | \$.00 | \$ (.10) |
| Diluted | \$.06 | \$ (.03) | \$.00 | \$ (.10) |
| Weighted average shares outstanding: | | | | |
| Basic | 10,494,800 | 10,387,900 | 10,478,900 | 10,368,600 |
| Diluted | 10,560,400 | 10,387,900 | 10,500,800 | 10,368,600 |

SCOTT'S LIQUID GOLD-INC. & SUBSIDIARIES
Consolidated Balance Sheets

| September 30, 2005 | December 31, 2004 |
|-----------------------|----------------------|
| (Unaudited) | |

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ASSETS

Current assets:

| | | |
|--|--------------|--------------|
| Cash and cash equivalents | \$ 1,912,900 | \$ 3,354,600 |
| Investment securities | 52,500 | 54,200 |
| Trade receivables, net of allowance for doubtful accounts of \$89,000 and \$83,000, respectively | 1,073,000 | 1,419,700 |
| Other receivables | 50,800 | 56,900 |
| Inventories | 4,795,700 | 2,940,300 |
| Prepaid expenses | 256,200 | 489,600 |
| Deferred tax assets | 304,000 | 339,400 |

| | | |
|----------------------|-----------|-----------|
| Total current assets | 8,445,100 | 8,654,700 |
|----------------------|-----------|-----------|

| | | |
|------------------------------------|------------|------------|
| Property, plant and equipment, net | 13,826,500 | 14,349,600 |
| Other assets | 14,500 | 22,600 |

| | | |
|--------------|--------------|--------------|
| TOTAL ASSETS | \$22,286,100 | \$23,026,900 |
|--------------|--------------|--------------|

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

| | | |
|---|--------------|------------|
| Line of Credit | \$ 1,030,000 | \$ 790,000 |
| Accounts payable | 1,603,200 | 1,795,700 |
| Accrued payroll and benefits | 925,500 | 1,050,500 |
| Other accrued expenses | 403,800 | 413,700 |
| Current maturities of long-term debt | 953,000 | 917,000 |

| | | |
|---------------------------|-----------|-----------|
| Total current liabilities | 4,915,500 | 4,966,900 |
|---------------------------|-----------|-----------|

| | | |
|---|-----------|-----------|
| Long-term debt, net of current maturities | 1,173,600 | 1,893,000 |
| Deferred tax liabilities | 304,000 | 339,400 |

| | | |
|-------------------|-----------|-----------|
| Total liabilities | 6,393,100 | 7,199,300 |
|-------------------|-----------|-----------|

Commitments and contingencies

Shareholders' equity:

| | | |
|--|-----------|-----------|
| Common stock; \$.10 par value, authorized 50,000,000 shares; issued and outstanding 10,501,000 shares and 10,471,000 shares, respectively | 1,050,100 | 1,047,100 |
| Capital in excess of par | 4,993,000 | 4,979,200 |
| Accumulated comprehensive income | 2,500 | 4,200 |
| Retained earnings | 9,847,400 | 9,797,100 |

| | | |
|----------------------|------------|------------|
| Shareholders' equity | 15,893,000 | 15,827,600 |
|----------------------|------------|------------|

| | | |
|---|--------------|--------------|
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$22,286,100 | \$23,026,900 |
|---|--------------|--------------|

SCOTT'S LIQUID GOLD-INC. & SUBSIDIARIES

Consolidated Statements of Cash Flows (Unaudited)

Nine Months Ended
September 30,

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| | ----- 2005 ----- | 2004 ----- |
|--|------------------------|---------------|
| Cash flows from operating activities: | | |
| Net income (loss) | \$ 50,300 | \$ (986,500) |
| | ----- | ----- |
| Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | 553,700 | 554,000 |
| Stock issued to ESOP | 16,800 | 30,000 |
| Changes in assets and liabilities: | | |
| Trade and other receivables, net | 352,800 | (242,900) |
| Inventories | (1,855,400) | (231,700) |
| Prepaid expenses and other assets | 225,300 | (51,600) |
| Accounts payable and accrued expenses | (327,400) | 678,900 |
| | ----- | ----- |
| Total adjustments to net income (loss) | (1,034,200) | 736,700 |
| | ----- | ----- |
| Net Cash Used by Operating Activities | (983,900) | (249,800) |
| | ----- | ----- |
| Cash flows from investing activities: | | |
| Purchase of investment securities | (248,400) | - |
| Proceeds from sale or maturity of investment securities | 250,000 | 250,000 |
| Purchase of property, plant & equipment | (16,000) | (109,800) |
| | ----- | ----- |
| Net Cash Provided (Used) by Investing Activities | (14,400) | 140,200 |
| | ----- | ----- |
| Cash flows from financing activities: | | |
| Proceeds from short-term borrowings | 500,000 | 200,000 |
| Payments on short-term borrowings | (260,000) | - |
| Principal payments on long-term borrowings | (683,400) | (652,500) |
| | ----- | ----- |
| Net Cash Used by Financing Activities | (443,400) | (452,500) |
| | ----- | ----- |
| Net Decrease in Cash and Cash Equivalents | (1,441,700) | (562,100) |
| | | |
| Cash and Cash Equivalents, beginning of period | 3,354,600 | 3,498,600 |
| | ----- | ----- |
| Cash and Cash Equivalents, end of period | \$ 1,912,900 | \$ 2,936,500 |
| | ===== | ===== |
| Supplemental disclosures: | | |
| Cash paid during period for: | | |
| Interest | \$ 145,500 | \$ 129,200 |
| | ===== | ===== |
| Income taxes | \$ 600 | \$ - |
| | ===== | ===== |

SCOTT'S LIQUID GOLD-INC. & SUBSIDIARIES
Notes to Consolidated Financial Statements (Unaudited)

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Note 1. 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, "we" or "our") manufacture and market quality household and skin care products. Since the first quarter of 2001, we have acted as a distributor in the United States of beauty care products contained in individual sachets and manufactured by Montagne Jeunesse. Our business is comprised of two segments, household products and skin care products.

(b) Principles of Consolidation

Our consolidated financial statements include our accounts and our 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 of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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, realizability of deferred tax assets, reserves for slow moving and obsolete inventory, customer returns and allowances, and bad debts. Actual results could differ from those 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) Investments in Marketable Securities

We account for investments in marketable securities in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115 "Accounting for Certain Investments in Debt and Equity Securities", which requires that we classify investments in marketable securities according to management's intended use of such investments. We invest our excess cash and have established guidelines relative to diversification and maturities in an effort to maintain safety and liquidity. These guidelines are periodically reviewed and modified to take advantage of trends in yields and interest rates. We consider all investments as available for use in our current operations and, therefore, classify them as short-term, available-for-sale investments. Available-for-sale investments are stated at fair value, with unrealized gains and losses, if any, reported net of tax, as a separate component of shareholders' equity and comprehensive income (loss). The cost of the securities sold is based on the specific identification method. Investments in corporate and government securities as of September 30, 2005, are scheduled to mature within one year.

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(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.

Inventories were comprised of the following at:

| | September 30, 2005 | December 31, 2004 |
|-----------------------------------|--------------------|-------------------|
| Finished goods | \$ 3,553,900 | \$ 2,256,100 |
| Raw materials | 1,550,800 | 993,200 |
| Inventory valuation in reserve | (309,000) | (309,000) |
| | \$ 4,795,700 | \$ 2,940,300 |

(g) Property, Plant and Equipment

Property, plant and equipment are recorded at historical cost. Depreciation is provided using the straight-line method over estimated useful lives of the assets ranging from three to forty-five years. Building structures and building improvements are estimated to have useful lives of 35 to 45 years and 3 to 20 years, respectively. Production equipment and production support equipment are estimated to have useful lives of 15 to 20 years and 3 to 10 years, respectively. Office furniture and office machines are estimated to have useful lives 10 to 20 and 3 to 5 years, respectively. Carpeting, drapes and company vehicles are estimated to have useful lives of 5 to 10 years. Maintenance and repairs are expensed as incurred. Improvements that extend the useful lives of the assets 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, investments in marketable securities, and trade receivables. We maintain our cash balances in the form of bank demand deposits with financial institutions that management believes are creditworthy. 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, and accounts payable and accrued expenses approximate fair value due to the short-term nature of these financial instruments. The fair value of investments in marketable securities is based upon quoted market value. Our long-term debt bears interest at a variable rate, the lender's base rate, which approximates the prime rate. The carrying value of long-term debt approximates fair value as of September 30, 2005 and December 31, 2004.

i) Long-Lived Assets

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We account for long-lived assets in accordance with the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This Statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(j) Income Taxes

We account for income taxes in accordance with the provisions of SFAS No. 109, "Accounting for Income Taxes," which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective 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.

(k) Revenue Recognition

Revenue is generally recognized upon delivery of products to customers, which is when title passes. Reserves for estimated market development support, pricing allowances and returns are provided in the period of sale as a reduction of revenue. Reserves for returns and allowances are maintained at a level that management believes is appropriate to account for amounts applicable to existing sales. Reserves for coupons and certain other promotional activities are recorded as a reduction of revenue at the later of the date at which the related revenue is recognized or the date at which the sales incentive is offered. At September 30, 2005 and December 31, 2004 approximately \$888,400 and \$862,600, respectively, had been reserved as a reduction of accounts receivable, and approximately \$35,000 and \$90,000, respectively, had been reserved as current liabilities. Co-op advertising, marketing funds, slotting fees and coupons are deducted from gross sales and total \$1,447,900 and \$1,380,600 for the nine months ended September 30, 2005 and September 30, 2004, respectively.

(l) Advertising Costs

We expense advertising costs as incurred.

(m) Stock-based Compensation

We have elected to follow Accounting Principles Board

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Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for our employee stock options. Under APB No. 25, employee stock options are accounted for based upon the intrinsic value, which is the difference between the exercise price and fair value of the underlying common stock. Generally, if the exercise price of employee stock options equals the market price of the underlying stock on the date of the grant, no compensation expense is recorded. We have adopted the disclosure only provisions of SFAS No. 123, "Accounting for Stock-based Compensation".

We granted 720,000 options for shares of our common stock during the nine months ended September 30, 2005 with an average exercise price equal to \$0.57. Had compensation cost been recorded based on the fair value of options granted by us, our pro-forma net income (loss) and net income (loss) per share would have been as follows:

| | Three Months Ended September 30, | | | |
|---------------------------------|----------------------------------|------------|--------------|--------------|
| | 2005 | | 2004 | |
| | As Reported | Pro Forma | As Reported | Pro-Forma |
| Net income (loss) | \$ 583,700 | \$ 526,200 | \$ (359,800) | \$ (360,600) |
| Basic income (loss) per share | \$ 0.06 | \$ 0.05 | \$ (0.03) | \$ (0.03) |
| Diluted income (loss) per share | \$ 0.06 | \$ 0.05 | \$ (0.03) | \$ (0.03) |

| | Nine Months Ended September 30, | | | |
|---------------------------------|---------------------------------|-------------|--------------|----------------|
| | 2005 | | 2004 | |
| | As Reported | Pro Forma | As Reported | Pro-Forma |
| Net income (loss) | \$ 50,300 | \$ (98,200) | \$ (986,500) | \$ (1,003,900) |
| Basic income (loss) per share | \$ - | \$ (0.01) | \$ (0.10) | \$ (0.10) |
| Diluted income (loss) per share | \$ - | \$ (0.01) | \$ (0.10) | \$ (0.10) |

The fair value of options granted has been estimated as of the date of grant using the following assumptions as of:

| | Three Months Ended September 30 | | Nine Months Ended September 30, | |
|--------------------------|------------------------------------|-------|------------------------------------|-------|
| | 2005 | 2004 | 2005 | 2004 |
| | Dividend rate | \$ - | \$ - | \$ - |
| Expected volatility | 65% | 72% | 65% | 153% |
| Risk-free interest rate | 3.80% | 3.10% | 3.80% | 3.10% |
| Expected life (in years) | 4.5 | 4.5 | 4.5 | 4.5 |

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(n) Comprehensive Income

We follow SFAS No. 130, "Reporting Comprehensive Income" which establishes standards for reporting and displaying comprehensive income and its components. Comprehensive income includes all changes in equity during a period from non-owner sources.

The following table is a reconciliation of our net income (loss) to our total comprehensive income (loss) for the three months and nine months ended September 30, 2005 and 2004:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|--------------|------------------------------------|--------------|
| | 2005 | 2004 | 2005 | 2004 |
| Net income (loss) | \$ 583,700 | \$ (359,800) | \$ 50,300 | \$ (986,500) |
| Unrealized gain (loss) on investment securities | (900) | 1,500 | (1,700) | (1,000) |
| Comprehensive income (loss) | \$ 582,800 | \$ (358,300) | \$ 48,600 | \$ (987,500) |
| | ===== | ===== | ===== | ===== |

(o) 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 and nominal outside warehousing costs as a component of selling expense on the accompanying Consolidated Statement of Operations. Shipping and handling costs totaled \$1,198,600 and \$1,073,700 for the nine months ended September 30, 2005 and 2004, respectively. For the three months ended September 30, 2005 and 2004, shipping and handling costs totaled \$438,500 and \$383,200, respectively.

Selling expenses consist primarily of shipping and handling costs, wages and benefits for sales and sales support personnel, travel brokerage commissions, promotional costs, as well as other indirect costs.

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

(p) Recently Issued Accounting Pronouncements

In November 2004 the FASB issued Statement of Financial Accounting Standards No. 151, "Inventory Costs - an amendment of ARB No. 43, Chapter 4" (SFAS No. 151). The provisions of SFAS 151 are intended to eliminate narrow differences between the existing accounting standards of the FASB and the International Accounting Standards Board (IASB) related to inventory costs, in particular, the treatment of abnormal idle facility expense, freight,

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handling costs, and spoilage. SFAS No. 151 requires that these costs be recognized as current period charges regardless of the extent to which they are considered abnormal. The provisions of SFAS 151 are effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The adoption of SAAS 151 is not expected to have a material impact on our operations, financial position or liquidity.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123, (revised 2004) "Share-Based Payment" ("SFAS 123(R)"). This statement is a revision of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" as amended ("SFAS 123"), and requires entities to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The cost will be recognized over the period during which an employee is required to provide services in exchange for the award (usually the vesting period). SFAS 123(R) covers various share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. SFAS 123(R) eliminates the ability to use the intrinsic value method of accounting for share options, as provided in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). SFAS 123(R) is effective beginning January 1, 2006, with early adoption encouraged. We are currently evaluating the statement's transition methods and do not expect this statement to have an effect materially different than that of the pro forma SFAS 123 disclosures provided in Note 1 to the our Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" in our 2004 Annual Report on Form 10-K and in Note 1 above.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 153, "Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29" ("SFAS 153"). This Statement amends APB Opinion No. 29 to permit the exchange of nonmonetary assets to be recorded on a carry over basis when the nonmonetary assets do not have commercial substance. This is an exception to the basic measurement principal of measuring a nonmonetary asset exchange at fair value. A nonmonetary asset exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. We have not entered into exchanges of nonmonetary assets in the past and do not expect to enter into any nonmonetary assets exchanges in the foreseeable future; however, if we enter into significant nonmonetary asset exchanges in the future, SFAS 153 could have a material effect on our consolidated financial position, results of operations or cash flows.

(q) Reclassifications

Certain reclassifications have been made to the December 31, 2004 balance sheet to conform to the current period presentation.

Note 2. Basis of Preparation of Financial Statements

We have prepared these unaudited interim consolidated financial statements in accordance with the rules and regulations of the Securities and Exchange Commission. Such rules and

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regulations allow the omission of certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles as long as the statements are not misleading. In the opinion of management, all adjustments necessary for a fair presentation of these interim statements have been included and are of a normal recurring nature. These interim financial statements should be read in conjunction with our financial statements included in our 2004 Annual Report on Form 10-K.

Note 3. Earnings per Share

Per share data was determined by using the weighted average number of common shares outstanding. Potentially dilutive securities, including stock options, are considered only for diluted earnings per share, unless considered anti-dilutive. The potentially dilutive securities are comprised of outstanding stock options of 1,780,000 and 1,120,000 at September 30, 2005 and 2004.

A reconciliation of the weighted average number of common shares outstanding for the three and nine months ended September 30, 2005 follows:

| | Three Months ----- | Nine Months ----- | Total Shares ----- |
|--|-----------------------|----------------------|--------------------------|
| Common shares outstanding | | | |
| beginning of period | 10,471,000 | 10,471,000 | 10,471,000 |
| Stock issued to ESOP | 23,800 | 7,900 | 30,000 |
| | ----- | ----- | ----- |
| Weighted average number of common shares outstanding | 10,494,800 | 10,478,900 | 10,501,000 |
| Dilutive effect of common share equivalents | 65,600 | 21,900 | - |
| | ----- | ----- | ----- |
| Diluted weighted average number of common shares outstanding | 10,560,400 | 10,500,800 | 10,501,000 |
| | ===== | ===== | ===== |

* For the three and nine months ended September 30, 2005, the stock issued to the ESOP is a weighted average.

At September 30, 2005, there were authorized 50,000,000 shares of our \$0.10 par value common stock and 20,000,000 shares of preferred stock issuable in one or more series. None of the preferred stock was issued or outstanding at September 30, 2005.

Note 4. Segment Information

We operate in two different segments: household products and skin care products. Our products are sold in the United States and internationally (primarily Canada), directly and through independent brokers, to mass merchandisers, drug stores, supermarkets, wholesale distributors and other retail outlets. Our Management has chosen to organize our business around these

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segments based on differences in the products sold. The household products segment includes "Scott's Liquid Gold" for wood, a wood cleaner which preserves as it cleans, and "Touch of Scent, " a room air freshener. The skin care segment includes: "Alpha Hydrox, " alpha hydroxy acid cleansers and lotions; a retinol product; "Diabetic Skin Care," a healing cream and moisturizer developed to address skin conditions of diabetics; and skin care and other sachets of Montagne Jeunesse distributed by us.

The following provides information related to our segments as of and for the three and nine months ended September 30, 2005 and 2004:

| | Three Months Ended September 30, | | | |
|--|----------------------------------|-----------------------|-----------------------|-----------------------|
| | 2005 | | 2004 | |
| | Household Products | Skin Care Products | Household Products | Skin Care Products |
| Net sales to external customers | \$ 1,874,400 | \$ 4,631,600 | \$ 2,059,800 | \$ 3,056,900 |
| Income (loss) Before profit sharing, bonuses, and income taxes | \$ (91,000) | \$ 674,700 | \$ (121,100) | \$ (238,700) |
| Identifiable Assets | \$ 3,420,400 | \$ 7,797,600 | \$ 3,476,600 | \$ 6,830,900 |
| | Nine Months Ended September 30, | | | |
| | 2005 | | 2004 | |
| | Household Products | Skin Care Products | Household Products | Skin Care Products |
| Net sales to external customers | \$ 6,027,900 | \$11,725,400 | \$ 6,815,100 | \$ 8,818,500 |
| Income (loss) before profit sharing, bonuses and income taxes | \$ (845,600) | \$ 895,900 | \$ (555,500) | \$ (431,000) |
| Identifiable Assets | \$ 3,420,400 | \$ 7,797,600 | \$ 3,476,600 | \$ 6,830,900 |

The following is a reconciliation of segment information to consolidated information as of and for the three and nine months ended September 30, 2005 and 2004:

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| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|--------------|------------------------------------|--------------|
| | 2005 | 2004 | 2005 | 2004 |
| Net sales to external customers | \$ 6,506,000 | \$ 5,116,700 | \$17,753,300 | \$15,633,600 |
| Income (loss) before profit sharing, bonuses and income taxes | \$ 583,700 | \$ (359,800) | \$ 50,300 | \$ (986,500) |
| Identifiable assets | \$11,218,000 | \$10,307,500 | \$11,218,000 | \$10,307,500 |
| Corporate assets | 11,068,100 | 13,366,900 | 11,068,100 | 13,366,900 |
| Consolidated total assets | \$22,286,100 | \$23,674,400 | \$22,286,100 | \$23,674,400 |

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

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Unaudited)

Results of Operations

During the first nine months of 2005 we experienced increases in sales of our Montagne Jeunesse line of skin care products and an increase in sales of our other skin care products because of the introductions of new Alpha Hydrox products and additional Montagne Jeunesse sachets, while experiencing a decrease in our line of household products. Our net income for the first nine months of 2005 was \$50,300 versus a loss of \$986,500 in the first nine months of 2004. The income for 2005 was primarily due to the increase in sales from our new Alpha Hydrox product introductions.

Summary of Results as a Percentage of Net Sales

| | Year Ended December 31, 2004 | Nine Months Ended September 30, | |
|--|------------------------------------|------------------------------------|---------------------|
| | (Audited) | 2005 (Unaudited) | 2004 (Unaudited) |
| Net sales | | | |
| Scott's Liquid Gold household products | 41.3% | 34.0% | 43.6% |
| Neoteric Cosmetics | 58.7% | 66.0% | 56.4% |
| Total Net Sales | 100.0% | 100.0% | 100.0% |
| Cost of Sales | 57.0% | 54.9% | 56.6% |
| Gross profit | 43.0% | 45.1% | 43.4% |

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| | | | |
|--------------------------------------|--------|-------|--------|
| Other revenue | 0.2% | 0.2% | 0.2% |
| | ----- | ----- | ----- |
| | 43.2% | 45.3% | 43.6% |
| | ----- | ----- | ----- |
| Operating expenses | 46.4% | 44.2% | 49.1% |
| Interest expense | 0.8% | 0.8% | 0.8% |
| | ----- | ----- | ----- |
| | 47.2% | 45.0% | 49.9% |
| | ----- | ----- | ----- |
| Income (loss) before income taxes | (4.0%) | 0.3% | (6.3%) |
| | ===== | ===== | ===== |

Our gross margins may not be comparable to those of other entities, since some entities include all of the costs related to their distribution network in cost of sales and others, like us, exclude a portion of them (freight out to customers and nominal outside warehouse costs) from gross margin, including them instead in the selling expense line item. See Note 1(o), Operating Costs and Expenses Classification, to the Consolidated Financial Statements in this Report.

Comparative Net Sales

| | Nine Months Ended September 30, | | Percentage Increase (Decrease) |
|--------------------------------------|------------------------------------|--------------|--------------------------------------|
| | 2005 | 2004 | |
| | ----- | ----- | ----- |
| Scott's Liquid Gold | \$ 4,683,000 | \$ 4,908,800 | (4.6%) |
| Touch of Scent | 1,344,900 | 1,906,300 | (29.5%) |
| | ----- | ----- | ----- |
| Total household chemical products | 6,027,900 | 6,815,100 | (11.6%) |
| | ----- | ----- | ----- |
| Alpha Hydrox and other skin care | 4,863,500 | 2,698,300 | 80.2% |
| Montagne Jeunesse skin care | 6,861,900 | 6,120,200 | 12.1% |
| | ----- | ----- | ----- |
| Total skin care Products | 11,725,400 | 8,818,500 | 33.0% |
| | ----- | ----- | ----- |
| Total Net Sales | \$17,753,300 | \$15,633,600 | 13.6% |
| | ===== | ===== | ===== |

Nine Months Ended September 30, 2005
Compared to Nine Months Ended September 30, 2004

Consolidated net sales for the first nine months of the current year were \$17,753,300 versus \$15,633,600 for the first nine months of 2004, an increase of \$2,119,700 or about 13.6%. Average selling prices for the first nine months of 2005 were down by \$174,000 over those of the comparable period of 2004, prices of household products being up by \$27,800, while average selling

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prices of skin care products were down by \$201,800. This decrease was primarily due to price promotions on selected cosmetic products. Co-op advertising, marketing funds, slotting fees and coupon expenses (promotional allowances) paid to retailers were subtracted from gross sales in accordance with current accounting policies totaling \$1,447,900 in the first nine of 2005 versus \$1,380,600 in the same period in 2004, an increase of \$67,300 or 4.9%.

During the first nine months of the year, net sales of skin care products accounted for 66.0% of consolidated net sales compared to 56.4% for the first nine months of 2004. Net sales of these products for those periods were \$11,725,400 in 2005 compared to \$8,818,500 in 2004, an increase of \$2,906,900 or 33.0%. We have continued to experience a drop in unit sales of our earlier-established alpha hydroxy acid products due primarily to maturing in the market for alpha hydroxy acid-based skin care products, intense competition from producers of similar or alternative products, many of which are considerably larger than Neoteric Cosmetics, Inc. and reduced distribution of these products at retail stores in prior periods. During the first quarter of 2005 we began introduction of four new items in our Alpha Hydrox line of cosmetic products. Because of this, our sales of Alpha Hydrox products (with and without alpha hydroxy acid) have increased during the first nine months of 2005. Although we are optimistic that this trend will continue, it is still too early to tell the consumer acceptance of these products which is necessary for reorders of these products and expanding the distribution of these products. For the first nine months of 2005, the sales of our Alpha Hydrox products accounted for 32.9% of net sales of skin care products and 21.7% of total net sales, compared to 19.5% of net sales of skin care products and 11.0% of total net sales in the first nine months of 2004.

For 2005, net sales of Montagne Jeunesse were approximately \$6,861,900 compared to \$6,120,200 in 2004. We believe that this increase in sales of Montagne Jeunesse is attributable to an increase in the number and type of Montagne Jeunesse sachets on retailers' shelves in the first half of 2005 versus 2004. We also believe that there were fewer units of products left over from holiday sales at the end of 2004 versus 2003 thus creating a need to replenish retailer inventory in the following year.

In 2001, we commenced purchases of the skin care sachets from Montagne Jeunesse under a distribution agreement covering the United States. Montagne Jeunesse is the sole supplier of that product. On May 4, 2005, we entered into a new distribution agreement with Montagne Jeunesse International Ltd., which replaces the distribution agreement previously in effect. Sales of these products represent a significant source of our revenues. If the Montagne Jeunesse distribution agreement were to be terminated, it would significantly reduce our revenues, would have a material adverse effect on our operating results and cash flow and, absent other developments, would result in the need for substantial reductions in our expenses. The principal and controlling owner of Montagne Jeunesse is, to our knowledge, the beneficial owner at March 15, 2005 of approximately 10% of our outstanding common stock.

Sales of household products for the first nine months of this year accounted for 34.0% of consolidated net sales compared to 43.6% for the same period of 2004. These products are comprised primarily of "Scott's Liquid Gold" for wood, a wood cleaner which preserves as it cleans, and "Touch of Scent", a room air freshener. During the

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nine months ended September 30, 2005, sales of household products were \$6,027,900, as compared to sales of \$6,815,100 for the same nine months of 2004. Sales of "Scott's Liquid Gold" for wood were down by \$225,800, a decrease of 4.6%. This decrease was due to decreased distribution at retail stores. Sales of "Touch of Scent" were down by \$561,400 or 29.5%, due to a decrease in distribution. In the second quarter, we began introducing a wood wash under the Scott's Liquid Gold product line; sales have been minimal to date.

As sales of a consumer product decline, there is the risk that retail stores will stop carrying the product. The loss of any significant customer for any skin care products, "Scott's Liquid Gold" for wood or "Touch of Scent", could have a significant adverse impact on our revenues and operating results. We believe that our future success is highly dependent on favorable acceptance in the marketplace of Montagne Jeunesse products and the sales of our Alpha Hydrox products and "Scott's Liquid Gold" for wood.

On a consolidated basis, cost of goods sold was \$9,752,500 during the first nine months of 2005 compared to \$8,849,600 for the same period of 2004, an increase of \$902,900 (10.2% on a sales increase of 13.6%). As a percentage of consolidated net sales for the first nine months of 2005, cost of goods sold was 54.9% compared to 56.6% in 2004, a decrease of 3.0%. This was essentially due to our increase in plant utilization, resulting from increased sales of our Alpha Hydrox cosmetic products during 2005, offset by greater sales of Montagne Jeunesse products at a higher cost per unit, along with the increased cost of steel cans and increase in the cost of petroleum based raw materials used in many of our products.

Operating Expenses, Interest Expense and Other Income

| | Nine Months Ended September 30, | | Percentage Increase (Decrease) |
|-----------------------------|------------------------------------|--------------|--------------------------------------|
| | 2005 | 2004 | |
| | ----- | ----- | ----- |
| Operating Expenses | | | |
| Advertising | \$ 630,300 | \$ 738,100 | (14.6%) |
| Selling | 4,422,000 | 4,162,600 | 6.2% |
| General & Administrative | 2,779,100 | 2,772,400 | 0.2% |
| | ----- | ----- | ----- |
| Total operating expenses | \$ 7,831,400 | \$ 7,673,100 | 2.1% |
| | ===== | ===== | ===== |
| Interest Income | \$ 30,200 | \$ 30,900 | (2.3%) |
| | ===== | ===== | ===== |
| Interest Expense | \$ 149,300 | \$ 128,300 | 16.4% |
| | ===== | ===== | ===== |

Operating expenses, comprised primarily of advertising, selling and general and administrative expenses, increased by \$158,300 or 2.1% in the first nine months of 2005, when compared to the first nine months of 2004. The various components of operating expenses are discussed below.

Advertising expenses for the first nine months of 2005 were \$630,300 compared to \$738,100 for the comparable nine months of 2004, a decrease of \$107,800 or 14.6%. That decrease was entirely due to a decrease in advertising expenses applicable to household

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products. We will be advertising both our household chemical products and our skincare products in the fourth quarter. As a result, our advertising expenses for 2005 could be approximately equal to last year's totals. This additional advertising in the fourth quarter over the third quarter could also (depending on the sales benefit of that advertising) result in lower operating results in the fourth quarter.

Selling expenses for the first nine months of 2005 were \$4,422,000 compared to \$4,162,600 for the comparable nine months of 2004, an increase of \$259,400 or 6.2%. That increase was comprised of an increase in freight and brokerage expenses of \$87,500, an increase in salaries and fringe benefits and related travel expense of \$138,700 primarily because of staffing changes and sales incentives in 2005 versus 2004, an increase in depreciation and royalty expense of \$68,500 offset by a net decrease in other selling expenses, none of which by itself is significant, of \$35,300.

General and administrative expenses for the first nine months of 2005 were \$2,779,100 compared to \$2,772,400 for the comparable nine months of 2004, an increase of \$6,700 or 0.2%.

Interest expense for the first nine months of 2005 was \$149,300 versus \$128,300 for the comparable period of 2004. Interest expense increased because of higher interest rates and borrowing levels under our line of credit. Interest income for the nine months ended September 30, 2005 was \$30,200 compared to \$30,900 for the same period of 2004, which consists of interest earned on our cash reserves in 2005 and 2004.

During the third quarter of 2005 and of 2004, expenditures for research and development were not material (under 2% of revenues).

Three Months Ended September 30, 2005
Compared to Three Months Ended September 30, 2004

Consolidated net sales for the third quarter of the current year were \$6,506,000 versus \$5,116,700 for the comparable quarter of 2004, an increase of \$1,389,300 or about 27.2%. Average selling prices for the third quarter of 2005 were down by \$199,300 over those of the comparable period of 2004, prices of household products being down by \$55,100, while average selling prices of skin care products were down by \$144,200. Co-op advertising, marketing funds, slotting fees and coupon expenses (promotional allowances) paid to retailers were subtracted from gross sales in accordance with current accounting policies totaling \$592,400 in the third quarter of 2005 versus \$458,800 in the same period in 2004, an increase of \$133,600 or 29.1%. This increase consisted of an increase in coupon expenses of \$13,700, an increase in slotting of \$111,900, and an increase in co-op advertising of \$8,000.

During the third quarter of 2005, net sales of skin care products accounted for 71.2% of consolidated net sales compared to 59.7% for the third quarter of 2004. Net sales of these products for those periods were \$4,631,600 in 2005 compared to \$3,056,900 in 2004, an increase of \$1,574,700 or 51.5%. The increase was almost entirely due to the introduction of four new items in our Alpha Hydrox line of products. Net sales of Montagne Jeunesse were approximately \$2,168,900 in the third quarter of 2005 compared to \$2,509,500 in the third quarter of 2004, this

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decrease was primarily due to a decrease in promotional display orders.

Sales of household products for the third quarter of this year accounted for 28.8% of consolidated net sales compared to 40.3% for the same period of 2004. These products are comprised primarily of "Scott's Liquid Gold" for wood, a wood cleaner which preserves as it cleans, and "Touch of Scent", a room air freshener. During the third quarter of 2005, sales of household products were \$1,874,400, as compared to sales of \$2,059,800 for the same three months of 2004. Sales of "Scott's Liquid Gold" for wood were down by \$59,800, a decrease of 4.0%. Please see the discussion above for the first nine months of 2005 for additional information regarding sales of household products, which is also applicable to sales of household products in the third quarter of 2005.

On a consolidated basis, cost of goods sold was \$3,513,600 during the third quarter of 2005 compared to \$3,129,000 for the same period of 2004, an increase of \$384,600 (12.3%, on a sales increase of 27.2%). As a percentage of consolidated net sales for the third quarter of 2005, cost of goods sold was 54.0% compared to 61.2% in 2004, a decrease of 11.7%. This percentage decrease was essentially due to greater sales of our Alpha Hydrox products at a lower cost per unit offset by increased cost of steel cans and the increase in the cost of petroleum based raw materials used in many of our products.

Operating expenses, comprised primarily of advertising, selling and general and administrative expenses, increased by \$46,700 or 2.0% in the third quarter of 2005, when compared to the same period during 2004. The various components of operating expenses are discussed below.

Advertising expenses for the third quarter of 2005 were \$151,800 compared to \$101,000 for the comparable quarter of 2004, an increase of \$50,800 or 50.3%. Advertising expenses applicable to household products decreased by \$12,100 (29.9%), and advertising expenses for Alpha Hydrox products increased for the comparative three-month period by \$62,900 (104.0%).

Selling expenses for the three months ended September 30, 2005 were \$1,455,700 compared to \$1,381,200 for the comparable three months of 2004, an increase of \$74,500 or 5.4%. That increase was primarily because of an increase in depreciation and royalty expense of \$68,800 and a net increase in other selling expenses, none of which by itself is significant, of \$5,700.

General and administrative expenses for the third quarter of 2005 were \$757,100 compared to \$835,700 for the comparable period of 2004, a decrease of \$78,600 or 9.4%. Such decrease was primarily attributable to a decrease in bad debt expense of \$61,400, a decrease in salaries and fringe benefits of \$42,100, and a net increase in other administrative expenses, none of which by itself is significant, of \$24,900.

Interest expense for the third quarter of 2005 was \$54,000 versus \$40,000 for the comparable period of 2004. Interest expense increased because of higher interest rates and borrowing levels under our line of credit. Interest income for the three months ended September 30, 2005 was \$9,900 compared to \$10,400 for the

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same period of 2004.

During the third quarter of 2005 and of 2004, expenditures for research and development were not material (under 2% of revenues).

Liquidity and Capital Resources

On August 8, 2005 we obtained a new \$1,800,000 line of credit with Citywide Banks of Aurora, Colorado. This line replaced the \$1,500,000 line of credit dated August 8, 2004, from the same bank. Initially the original line of credit was to assist with inventory for the 2004 holiday sales; we continue to use the line of credit for inventory and other working capital purposes. The line of credit bears interest at a rate of .5% over the bank's base rate (6.75% at September 30, 2005) and matures on August 8, 2006. The line of credit is secured by inventory and accounts receivable. Under its terms, events of default include a material adverse change in our financial condition. The covenants remain the same as the bank loan described below.

We have a bank loan for approximately \$2.13 million at the bank's base rate, adjustable annually each November (5.00% at November 2004), secured by our land and buildings, with principal and interest payable monthly through November 2007. The loan agreement contains a number of covenants, including the requirement for maintaining a current ratio of at least 1:1 and a ratio of consolidated long-term debt to consolidated net worth of not more than 1:1. We may not declare any dividends that would result in a violation of either of these covenants. The foregoing requirements were met at the end of the first nine months of 2005.

During the first nine months of 2005, our working capital decreased by \$158,200, and concomitantly, our current ratio (current assets divided by current liabilities) decreased from 1.74:1 at December 31, 2004 to 1.72:1 at September 30, 2005. This decrease in working capital is attributable to net income in the first nine months of 2005 of \$50,300, and a reduction in long-term debt of \$719,400, a decrease in deferred tax liabilities of \$35,400, a decrease in accumulated comprehensive income of \$1,700, offset by depreciation in excess of capital additions of \$523,100, a decrease in other assets of \$8,100 and an increase in common stock and capital in excess of par of \$16,800.

At September 30, 2005, trade accounts receivable were \$1,073,000 versus \$1,419,700 at year-end, largely because sales in December of 2004 were greater than those of September of 2005. Accounts payable decreased from the end of 2004 through September of 2005 by \$192,500, primarily due to a decrease in trade suppliers payables related to the increased inventory purchases in previous quarters. At September 30, 2005 inventories were \$1,855,400 more than at December 31, 2004, due to the increase in inventories of Montagne Jeunesse, Alpha Hydrox, and household products to support sales of these products in the upcoming quarters. Accrued payroll and benefits decreased \$125,000 from December 31, 2004 to September 30, 2005 primarily because of the decrease in accrued payroll, due to a decrease in the number of days of accrued payroll at September 30, 2005, versus December 31, 2004. Other accrued liabilities decreased by \$9,900. Prepaid expenses decreased primarily because of a decrease in prepaid promotional expenses and prepaid insurance expenses.

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We have no significant capital expenditures planned for 2005 and have no current plans for any external financing, other than our existing bank loans. We expect that our available cash, cash flows from operating activities and borrowings under our line of credit will fund the cash requirements through September 30, 2006.

Our dependence on operating cash flow means that risks involved in our business can significantly affect our liquidity. Any loss of a significant customer, any further decreases in distribution of our earlier established skin care products or our household products, insufficient consumer acceptance of our new Alpha Hydrox products, any 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, such as through a bank financing. Except for the short-term line of credit described above, we have no arrangements for an external financing of debt or equity, and we are not certain whether any such financing would be available on acceptable terms. Please also see other risks summarized in "Forward Looking Statements" below. We expect our operating cash flows to improve if we achieve profitability in 2005.

Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss due to adverse changes in financial and commodity market prices and rates. We are not materially exposed to market risks regarding interest rates because the interest on our outstanding debt is at the lender's base rate, which approximates the prime rate, adjustable yearly. Our investments in debt and equity securities are short-term and not subject to significant fluctuations in fair value. If interest rates were to rise 10% from year-end levels, the fair value of our debt and equity securities would have decreased by approximately \$600. Further, we do not use foreign currencies in our business. Currently, we receive payments for sales to parties in foreign countries in U.S. dollars. Additionally, we do not use derivative instruments or engage in hedging activities. As a result, we do not believe that near-term changes in market risks will have a material effect on results of our operations, financial position or cash flows.

Forward-Looking Statements

This report may contain "forward-looking statements" within the meaning of U.S. federal securities laws. 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, continued acceptance of the our products in the marketplace; the degree of success of any new product or product line introduction by us; competitive factors; any decrease in distribution of (i.e., retail stores carrying) our significant products; continuation of our distributorship agreement with Montagne Jeunesse; the need for effective advertising of our products; limited resources available for such advertising; new competitive products and/or technological changes; dependence upon third party vendors and upon sales to major customers; changes in the regulation of our products, including applicable environmental regulations; adverse developments in pending litigation; the loss

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of any executive officer; and other matters discussed in our periodic filings with the Securities and Exchange Commission. 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Please see "Market Risks" in Item 2 of Part I of this Report which information is incorporated herein by this reference.

Item 4. Controls and Procedures

As of September 30, 2005, 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 to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms as of September 30, 2005. There was no change in our internal control over financial reporting during the quarter ended September 30, 2005 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Not Applicable

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On July 20, 2005, we contributed 30,000 shares of our common stock to our Employee Stock Ownership Plan (the "Plan"). No consideration was paid by the Plan for these contributions. We believe that these contributions were not subject to the securities registration requirements of the Securities Act of 1933 because they did not involve a sale. The contributions of the shares to the Plan may also be exempt from such securities registration as a non-public offering under Section 4(2) of the Securities Act of 1933.

Please see Item 2 of Part I, Management's Discussion and Analysis of Financial Condition and Results of Operation, for information in the first two paragraphs under "Liquidity and Capital Resources" regarding a bank line of credit established in August, 2005. Such information is incorporated by reference. The bank line of credit includes covenants on maintaining a current ratio and limitations on the payment of dividends.

Item 3. Not Applicable

Item 4. Not Applicable

Item 5. Not Applicable

Item 6. Exhibits and Reports on Form 8-K

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(b) Exhibits

- 31.1 Rule 13(a)-14(a) Certification of the Chief Executive Officer
- 31.2 Rule 13(a)-14(a) Certification of the Chief Financial Officer
- 32.1 Section 1350 Certifications

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.

BY: /s/ Mark E. Goldstein

Date November 3, 2005 Mark E. Goldstein
President and Chief Executive Officer

BY: /s/ Jeffry B. Johnson

Date November 3, 2005 Jeffry B. Johnson
Treasurer and Chief Financial Officer

EXHIBIT INDEX

| Exhibit No. | Document |
|-------------|---|
| 31.1 | Rule 13(a)-14(a) Certification of the Chief Executive Officer |
| 31.2 | Rule 13(a)-14(a) Certification of the Chief Financial Officer |
| 32.1 | Section 1350 Certification |