

# SECURITIES AND EXCHANGE COMMISSION

## FORM S-1/A

General form of registration statement for all companies including face-amount certificate companies [amend]

Filing Date: **2022-02-02**  
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### FILER

#### SMART FOR LIFE, INC.

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Type: **S-1/A** | Act: **33** | File No.: [333-261699](#) | Film No.: **22583293**  
SIC: **2833** Medicinal chemicals & botanical products

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MIAMI FL 33132	MIAMI FL 33132
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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Amendment No. 3 to  
FORM S-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

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**SMART FOR LIFE, INC.**  
(Exact name of registrant as specified in its charter)

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<b>Delaware</b>	<b>2833</b>	<b>81-5360128</b>
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

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**990 Biscayne Blvd., Suite 503**  
**Miami, Florida 33132**  
**(786) 749-1221**  
(Address, including zip code, and telephone number, including area code, of registrant's principal executive  
offices)

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**Alfonso J. Cervantes, Jr.**  
**Executive Chairman**  
**990 Biscayne Blvd., Suite 503**  
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(Names, address, including zip code, and telephone number, including area code, of agent for service)

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Smaller reporting company ☒

Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for comply with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of Securities Act. ☐

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to such Section 8(a), may determine.**

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## EXPLANATORY NOTE

This registration statement contains two prospectuses, as set forth below.

- **Public Offering Prospectus.** A prospectus to be used for the public offering of units through the underwriter named on the cover page of this prospectus, which we refer to as Public Offering Prospectus.
- **The Resale Prospectus.** A prospectus to be used for the resale by selling stockholders of (i) 11,999,404 shares of common stock issuable upon the conversion of series A convertible preferred stock issued to the selling stockholders; (ii) 11,999,404 shares of common stock issuable upon the exercise of warrants issued to the selling stockholders; (iii) 2,250,000 shares of common stock issuable upon the conversion of debentures issued to the selling stockholders; (iv) up to an additional 26,248,808 shares of common stock that may be issuable to the selling stockholders upon the occurrence of certain adjustments to the conversion/exercise price of the series A convertible preferred stock, warrants and/or debentures; and (v) 654,376 shares of common stock issuable to the selling stockholders under future equity agreements, which we refer to as the Resale Prospectus.

The Resale Prospectus is substantively identical to the Public Offering Prospectus, except for the following principal points:

- they contain different front covers;
- they contain different Offering sections in the Prospectus Summary;
- they contain different Use of Proceeds sections;
- the Capitalization and Dilution sections are deleted from the Resale Prospectus;
- a Selling Stockholders section is included in the Resale Prospectus;
- the Underwriting section from the Public Offering Prospectus is deleted from the Resale Prospectus and a Plan of Distribution section is inserted in its place; and
- the Legal Matters section in the Resale Prospectus deletes the reference to counsel for the underwriter.

The registrant has included in this registration statement a set of alternate pages after the back cover page of the Public Offering Prospectus, which we refer to as the Alternate Pages, to reflect the foregoing differences in the Resale Prospectus as compared to the Public Offering Prospectus. The Public Offering Prospectus will exclude the Alternate Pages and will be used for the public offering by the Registrant. The Resale Prospectus will be substantively identical to the Public Offering Prospectus except for the addition or substitution of the Alternate Pages and will be used for the resale offering by the selling stockholders.



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**The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting offers to buy these securities in any state where the offer or sale is not permitted.**

**PRELIMINARY PROSPECTUS    SUBJECT TO COMPLETION**

**DATED FEBRUARY 2, 2022**



## **Smart for Life, Inc.**

### **1,800,000 Units consisting of: Common Stock Series A Warrants Series B Warrants**

This is an initial public offering of units of our securities. Prior to this offering, there has been no public market for shares of our common stock. We expect that the initial public offering price will be between \$9.00 and \$11.00 per unit.

Each unit consists of (i) one share of our common stock (or, at the purchaser's election, one share of series B convertible preferred stock), (ii) one series A warrant to purchase one share of our common stock at an exercise price equal to \$        per share (or 70% of the unit offering price), exercisable until the fifth anniversary of the issuance date, and (iii) one series B warrant to purchase one share of our common stock at an exercise price equal to \$        per share (or 100% of the unit offering price), exercisable until the fifth anniversary of the issuance date and subject to certain adjustment and cashless exercise provisions as described in this prospectus. We sometimes refer to the series A warrants and the series B warrants collectively as the warrants. The shares of our common stock and the warrants are immediately separable and will be issued separately but will be purchased together in this offering.

As noted above, we are offering to those purchasers, if any, whose purchase of our common stock in this offering would otherwise result in that purchaser, together with its affiliates and certain related parties, beneficially owning more than 4.99% (or, at the election of the purchaser prior to the date of issuance, 9.99%) of our outstanding common stock immediately following the consummation of this offering, the opportunity to substitute series B convertible preferred stock for the shares of common stock included in the units purchased by that investor. Each share of series B convertible preferred stock is being sold together with the same warrants described above being sold with each share of common stock. For each share of series B convertible preferred stock purchased in this offering in lieu of common stock, we will reduce the number of shares of common stock being sold in the offering on a one-for-one basis. Pursuant to this prospectus, we are also offering the shares of common stock issuable upon conversion of the series B convertible preferred stock.

Each share of series B convertible preferred stock is convertible into one share of our common stock (subject to adjustment as provided in the related designation of preferences) at any time at the option of the holder, provided that the holder will be prohibited from converting series B convertible preferred stock into shares of our common stock if, as a result of such conversion, the holder, together with its affiliates, would own more than 4.99% (or, at the election of the purchaser prior to the date of issuance, 9.99%) of the total number of shares of our common stock then issued and outstanding. However, any holder may increase such percentage to any other percentage not in excess of 9.99%, provided that any increase in such percentage shall not be effective until 61 days after such notice to us. The shares of series B convertible preferred stock will otherwise have the preferences, rights and limitations described under "*Description of Securities — Preferred Stock — Series B Convertible Preferred Stock*" in this prospectus.

Currently, no public market exists for our common stock. We have applied to list our common stock on the Nasdaq Capital Market, or Nasdaq, under the symbol "SMFL". We believe that upon the completion of this offering, we will meet the standards for listing on Nasdaq, and the closing of this offering is contingent upon such listing. We do not intend to apply for any listing of the warrants or series B convertible preferred stock on Nasdaq or any other securities exchange or nationally recognized trading system, and we do not expect a market to develop for the warrants or the series B convertible preferred stock.

We are an “emerging growth company,” as that term is used in the Jumpstart Our Business Startups Act of 2012, and as such, have elected to comply with certain reduced public company reporting requirements for this prospectus and future filings. See “*Prospectus Summary — Implications of Being an Emerging Growth Company*” and “*Risk Factors — Risks Related to this Offering and Ownership of Our Common Stock*.”

**Investing in our securities is highly speculative and involves a significant degree of risk. See “*Risk Factors*” beginning on page 24 of this prospectus for a discussion of information that should be considered before making a decision to purchase our securities.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

	Per Unit	Total
Initial public offering price	\$	\$
Underwriting discounts and commissions <sup>(1)</sup>	\$	\$
Proceeds to us, before expenses	\$	\$

(1) The underwriters will receive compensation in addition to the underwriting discount and commissions. See “*Underwriting*” beginning on page 117 of this prospectus for additional information regarding underwriting compensation.

We have granted the underwriters an option, exercisable one or more times in whole or in part, to purchase up to 15% of additional shares of common stock and/or series A warrants to purchase up to an aggregate of 15% of additional shares of common stock and/or series B warrants to purchase up to an aggregate of 15% additional shares of common stock, in any combinations thereof, from us at \$ per share of common stock, \$ per series A warrant and \$ per series B warrant, less the underwriting discounts and commissions, for 45 days after the date of this prospectus to cover over-allotments, if any.

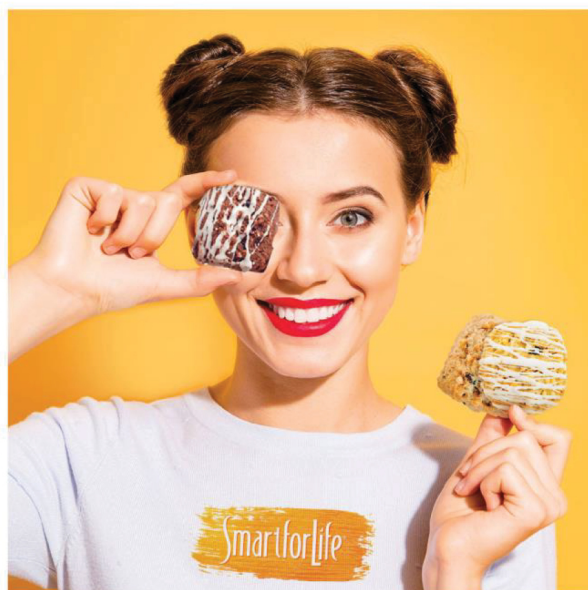
Delivery of the securities is expected to be made on or about , 2022, subject to customary closing conditions.

## DAWSON JAMES SECURITIES, INC.

The date of this prospectus is , 2022.

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# SmartforLife®



**EAT SMART • LIVE SMART™**

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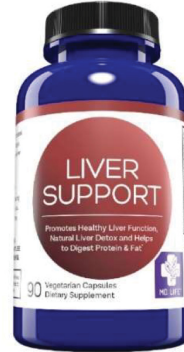
# DOCTORS SCIENTIFIC ORGANICA™

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# NEXUSOffers

Powered by **SmartforLife**



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# Sports Illustrated<sup>TM</sup> NUTRITION



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**Please read this prospectus carefully. It describes our business, financial condition, results of operations and prospects, among other things. We are responsible for the information contained in this prospectus and in any free-writing prospectus we have authorized. Neither we nor the underwriters have authorized anyone to provide you with different information, and neither we nor the underwriters take responsibility for any other information others may give you. Neither we nor the underwriters are making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. The information contained in this prospectus is accurate only as of the date on the front of this prospectus, regardless of the time of delivery of this prospectus or any sale of securities. You should not assume that the information contained in this prospectus is accurate as of any date other than its date.**

## **INDUSTRY AND MARKET DATA**

We are responsible for the disclosure in this prospectus. However, this prospectus includes industry data that we obtained from internal surveys, market research, publicly available information and industry publications. We did not fund and are not otherwise affiliated with any of the sources cited in this prospectus. The market research, publicly available information and industry publications that we use generally state that the information contained therein has been obtained from sources believed to be reliable. The information therein represents the most recently available data from the relevant sources and publications and we believe remains reliable. However, this data involves a number of assumptions and limitations regarding our industry which are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section titled “*Risk Factors*.” Forward-looking information obtained from these sources is also subject to the same qualifications and additional uncertainties regarding the other forward-looking statements in this prospectus.

## **TRADEMARKS AND COPYRIGHTS**

We own or have rights to various trademarks, service marks and trade names that we use in connection with the operation of our business. This prospectus may also contain trademarks, service marks and trade names of third parties, which are the property of their respective owners. Our use or display of third parties’ trademarks, service marks and trade names or products in this prospectus is not intended to, and does not imply a relationship with, or endorsement or sponsorship by us. Solely for convenience, the trademarks, service marks and trade names referred to in this prospectus may appear without the ®, TM or SM symbols, but the omission of such references is not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable owner of these trademarks, service marks and trade names.

## PROSPECTUS SUMMARY

*This summary highlights selected information contained elsewhere in this prospectus. This summary is not complete and does not contain all of the information that you should consider before deciding whether to invest in our securities. You should carefully read the entire prospectus, including the risks associated with an investment in our company discussed in the “Risk Factors” section of this prospectus, before making an investment decision. Some of the statements in this prospectus are forward-looking statements. See the section titled “Cautionary Statement Regarding Forward-Looking Statements.”*

*Unless otherwise indicated by the context, reference in this prospectus to “we,” “us,” “our,” “our company” and similar references are to the combined business of Smart for Life, Inc. (formerly Bonne Santé Group, Inc) and its consolidated subsidiaries.*

## OUR COMPANY

### Overview

We are engaged in the development, marketing, manufacturing, acquisition, operation and sale of a broad spectrum of nutritional and related products with an emphasis on health and wellness. Structured as a global holding company, we are executing a buy-and-build strategy with serial accretive acquisitions creating a vertically integrated company with an objective of aggregating companies generating a minimum of \$300 million in revenues within the next thirty-six months. To drive growth and earnings, we are developing proprietary products as well as acquiring other profitable companies, encompassing brands, manufacturing and distribution channels.

### Our Business Model

We are engaged in a comprehensive program to develop a robust pipeline of prospective acquisitions in addition to the companies currently operated by us. Our management has significant experience in locating and evaluating prospective target operating companies. We have also entered into buy-side agreements with certain advisers and consultants to assist management in identifying and evaluating prospective target operating companies. The nutritional products industry is highly fragmented with a large pool of companies generating less than \$20 million in revenues representing significant opportunity for industry consolidation.

We plan to acquire target companies utilizing a combination of cash, promissory notes, earnouts and public company stock, generally at 4x to 6x trailing adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization). Aside from our first acquisition described below, we intend on paying no more than 60% cash on any acquisition that we execute with a target of 50%. The remainder is allocated between stock and a note and/or earnout with a heavier weighting toward the former. Although the acquisition consideration is structured, we believe that our acquisitions will provide three distinct benefits to the principals of an acquisition. First, a significant liquidity event. Second, the creation of a significant equity position in an emerging growth public company. Third, ongoing employment at customary industry compensation.

Over the next 24 months, we plan to acquire multiple companies aggregating a minimum of \$100 million in annualized revenues with the number of prospective acquisitions in the pipeline representing over \$50 million in additional revenue. As of the date of this prospectus, we have determined that none of these prospective acquisitions are probable, within the meaning of Regulation S-X, due to numerous factors, including that we have not yet entered into definitive or other binding agreements, completed our due diligence, obtained board approval or publicly announced the prospective acquisitions, nor are we subject to financial penalties if these prospective acquisitions are not completed.

We do not currently have sufficient capital to complete these acquisitions. We intend to raise capital for additional acquisitions primarily through debt financing at our operating company level, additional equity offerings by our company, or by undertaking a combination of any of the above. The sale of additional equity

securities could result in dilution to our stockholders. The incurrence of indebtedness would result in increased debt service obligations and could require us to agree to operating and financial covenants that would restrict our operations. Financing may not be available in amounts or on terms acceptable to us, if at all.

There is no guarantee that we will be able to acquire additional businesses under the terms outlined above or that we will be able to find additional acquisition candidates should we terminate our plans for any of our current acquisition targets.

## **Our Corporate History**

Our company was incorporated in the State of Delaware on February 2, 2017 under the name Bonne Santé Group, Inc. On August 4, 2021, we changed our name to Smart for Life, Inc. in connection with the acquisition of Doctors Scientific Organica described below.

### ***Acquisition of Bonne Santé Natural Manufacturing***

On March 8, 2018, we acquired 51% of Millenium Natural Manufacturing Corp. and Millenium Natural Health Products Inc. for a purchase price of \$2,140,272. On October 8, 2019, we entered into an agreement to acquire the remaining 49% of these companies for a purchase price of \$100,000, which was completed on October 8, 2019.

On September 30, 2020, we changed the name of Millenium Natural Manufacturing Corp. to Bonne Santé Natural Manufacturing, Inc., or Bonne Santé Natural Manufacturing, and on November 24, 2020, we merged Millenium Natural Health Products Inc. into Bonne Santé Natural Manufacturing to better reflect our vertical integration.

Based in Doral, Florida, Bonne Santé Natural Manufacturing operates a 22,000 square foot manufacturing facility. From inception through September 30, 2021, it has manufactured nutritional products for approximately 240 companies, and from January 1, 2021 to September 30, 2021, it manufactured nutritional products for approximately 26 companies.

### ***Acquisition of Doctors Scientific Organica***

On February 11, 2020, we entered into securities purchase agreement, which was amended on July 7, 2020 and June 4, 2021, to acquire Doctors Scientific Organica, LLC d/b/a Smart for Life, Oyster Management Services, Ltd., Lawee Enterprises, L.L.C. and U.S. Medical Care Holdings, L.L.C. On July 1, 2021, the acquisition was completed.

The total purchase price was \$12,000,000 (subject to adjustment), comprised of (i) \$6,000,000 in cash (subject to adjustment), (ii) a 6% secured subordinated convertible promissory note in the principal amount of \$3,000,000 and (iii) a 6% secured subordinated promissory note in the principal amount of \$3,000,000.

On August 27, 2021, we transferred all of the equity interests of Oyster Management Services, Ltd., Lawee Enterprises, L.L.C. and U.S. Medical Care Holdings, L.L.C. to Doctors Scientific Organica, LLC. As a result, these entities are now wholly owned subsidiaries of Doctors Scientific Organica, LLC. In this prospectus, we collectively refer to Doctors Scientific Organica, LLC and its consolidated subsidiaries as Doctors Scientific Organica.

Doctors Scientific Organica manufactures, sells and owns the Smart for Life brand of natural health and wellness meal replacement products.

### ***Establishment of Canadian Subsidiary***

On August 24, 2021, we established Smart for Life Canada Inc. as a wholly owned subsidiary of Doctors Scientific Organica in Canada. This subsidiary sells retail products through a retail store location in Montreal Canada and the same location also acts as distribution center for our international direct to consumer and big box customers. We maintain inventory and employees at this location.

### ***Acquisition of Nexus***

On July 21, 2021, we entered into a securities purchase agreement, which was amended on November 8, 2021, to acquire all of the issued and outstanding capital stock of Nexus Offers, Inc., or Nexus. On November 8, 2021, the acquisition was completed.

The total purchase price was \$6,000,000 (subject to adjustment), comprised of (i) \$2,200,000 in cash (subject to adjustment), (ii) a 5% secured subordinated convertible promissory note in the principal amount of \$1,900,000 and (iii) a 5% secured subordinated promissory note in the principal amount of \$1,900,000.

Nexus is a network platform in the affiliate marketing space. Affiliate marketing is an advertising model in which a product vendor compensates third-party digital marketers to generate traffic or leads for the product vendor's products and services. The third-party digital marketers are referred to as affiliates, and the commission fee incentivizes them to find ways to promote the products being sold by the product vendor.

### ***Acquisition of GSP Nutrition***

On November 29, 2021, we entered into a contribution and exchange agreement to acquire all of the issued and outstanding capital stock of GSP Nutrition Inc., or GSP Nutrition. On December 6, 2021, the acquisition was completed.

The total purchase price was \$425,000, payable in 42,500 shares of our common stock; provided that if the effective price per share of common stock in this offering (as determined in accordance with the contribution and exchange agreement) is less than \$10 per share, then we must issue an additional number of shares of common stock equal to an amount determined by dividing the \$425,000 purchase price by the effective offering price per share, minus 42,500. In connection with this acquisition, we also issued 14,723 shares of common stock to certain vendors of GSP who agreed to settle accounts payable owed to them into our common stock.

GSP Nutrition is a sports nutrition company that offers nutritional supplements for athletes and active lifestyle consumers under the Sports Illustrated Nutrition brand.

### **Our Opportunity**

The nutraceutical industry focuses on nutritional supplements intended to improve longevity, sports fitness and provide health benefits in addition to the basic nutritional value present in food. Most people are familiar with various nutraceutical products — and have likely used them — even if they are unfamiliar with the industry name. Nutraceuticals comprise such commonly used items as herbal products, specific diet products, vitamins, processed foods and beverages, functional foods, isolated nutrients and other dietary products.

Functional foods are foods that have a potentially positive effect on health beyond basic nutrition. A familiar example of a functional food is oatmeal because it contains soluble fiber that can help lower cholesterol levels. Some foods are also modified to have health benefits. An example is orange juice that has been fortified with calcium for bone health.

The nutraceutical industry has experienced significant growth across the globe, propelled by the increasing age expectancies and associated increases in diseases of aging and lifestyle. A shift in demographics has also allowed manufacturers to benefit in recent years. The number of Americans ages 65 and older is projected to nearly double from 52 million in 2018 to 95 million by 2060, and the 65-and-older age group's share of the total population will rise from 16% to 23%. Moreover, the Council for Responsible Nutrition, or CRN, reported 77% of U.S. adults take dietary supplements. With respect to the types of supplements being taken, CRN's 2019 survey found that vitamins and minerals continue to be the most commonly consumed supplement category, with 76% of Americans having taken these products in the past twelve months.

According to a study by Grand View Research, Inc., amid the COVID-19 crisis, the global market for nutraceuticals is projected to grow from \$412.7 billion in the year 2020 and reach \$722.5 billion by 2027, growing at a compound annual growth rate, or CAGR, of 8.3% over the analysis period. As a specific segment in the overall global nutraceutical market, functional foods accounted for the largest share in 2019 and generated revenue of \$187.51 billion on a standalone basis.

The nutraceuticals market in the United States is estimated at \$104.5 billion in the year 2021 according to Global Industry Analysts Inc. The U.S. currently accounts for a 34.57% share in the global market. Among the other noteworthy geographic markets are China, Japan and Canada, each forecast to grow at 9.6%, 6.3% and 6.7%, respectively, over the analysis period. Within Europe, Germany is forecast to grow at approximately 7.1% CAGR.

As a result of our acquisition of Nexus, we have also entered the digital marketing industry as a way to promote the products and brands that we sell. Digital marketing is a component of marketing that uses internet and online based digital technologies such as desktop computers, mobile phones and other digital media and platforms to promote products and services.



The COVID-19 pandemic resulted in people staying at home and/or working remotely from home, resulting in huge increase in online traffic. According to Global Industry Analysis, Inc., a leading publisher of off-the-shelf market research, while overall digital marketing spending declined due the pandemic-induced cuts in marketing and advertising budgets during the lockdown, available budgets are being directed at digital marketing initiatives. As a result, the pandemic is driving changes to digital marketing strategies at companies, especially at companies where digital marketing initiatives had relatively low priority.

According to Global Industry Analysis, Inc., amid the COVID-19 crisis, the global market for digital advertising and marketing is estimated at \$350 billion in the year 2020, and is projected to reach \$786.2 billion by 2026, growing at a CAGR of 13.9% over the analysis period. The digital advertising and marketing market in the U.S. is estimated at \$155.3 billion in the year 2021. We believe that our market share is currently less than 1%.

The markets in which we operate are characterized by rapid technological changes, frequent new product introductions, established and emerging competition, extensive intellectual property disputes and litigation, price competition, aggressive marketing practices, evolving industry standards and changing customer preferences. Accordingly, our prospects must be considered in light of the uncertainties, risks, expenses, and difficulties frequently encountered by companies operating in rapidly changing and competitive markets.

### **Our Operating Subsidiaries**

#### ***Bonne Santé Natural Manufacturing***

Bonne Santé Natural Manufacturing is a nutraceutical contract manufacturer. Since 1998, our strong manufacturing capabilities and dedication to our clients has enabled us to build relationships with hundreds of customers throughout the United States and around the world, including South America, Central America and Europe. We specialize in a wide variety of products to fill our client's needs, from the private labeling of vitamins, dietary supplements, nutraceuticals, sport nutrition and broad-spectrum nutritional supplements. Our experienced team of scientists, formulators, and manufacturing experts have the years of knowledge necessary to take our client's concepts all the way from initial idea to finished product. In addition, we can provide the support for a simple and cost-effective "turn key" solution to manufacturing existing formulations.

To meet the specific demands of any order, we have state-of-the-art manufacturing and packaging lines to decrease cost and maximize efficiencies. We certify that all products and labels meet stringent U.S. Food and Drug Administration, or FDA, requirements and our quality control associates will continually monitor the entire process until products are delivered. Our goal is to exceed our customer's expectations with respect to product quality, service and price.

#### ***Doctors Scientific Organica***

Doctors Scientific Organica manufactures, sells and owns the Smart for Life brand of natural health and wellness meal replacement products. The brand includes proprietary hunger suppressing functional foods that are designed to work with the body's natural ability to lose weight. The program uses an exact protein-to-sugar ratio, a low glycemic index and glycemic load as well as multiple small meals throughout the day to deliver specific amounts of protein, super fibers and complex carbs to suppress hunger, keep sugar and insulin low and trigger the body's release of the fat releasing hormone glucagon.

Our Smart for Life products deliver:

- Hunger controlling protein mix
- No toxins or preservatives
- The right amount of protein per calorie ratio
- NO insulin spike, lets glucagon do its job
- A small amount of essential good fats
- Right amount of complex carbs

Doctors Scientific Organica also develops premium supplements and commodities that will promote optimal health and wellness. This natural product line uses simple quality ingredients to help create a more sustainable

lifestyle. Doctors Scientific Organica has over 15 years of experience providing high-quality products to premium retail locations and companies. All products are packaged in eco-friendly and bio-degradable packaging.

### ***GSP Nutrition***

GSP Nutrition is a sports nutrition company that was incorporated on January 3, 2020. It offers nutritional supplements for athletes and active lifestyle consumers through a variety of wellness solutions and delivery methods, including powders, tablets and soft gels that are formulated to support energy and performance; nutrition and wellness; and focus and clarity.

GSP Nutrition's initial line of nutritional products are marketed under the Sports Illustrated Nutrition brand. The product line currently consists of whey protein isolate powder, tablet supplements for joint health, nitric oxide, post workout blends, Omega-3 supplements, and pre-workout supplements, among others.

We believe that the Sports Illustrated brand is one of the most recognized brands in sports and athletics. GSP Nutrition has a license for the exclusive use of the Sports Illustrated brand (excluding the Sports Illustrated Swimsuit brand for which it has a right of first offer under the license) for certain dietary and nutritional supplements, in each case to be sold to/through certain approved accounts in the United States and Canada. See "Business — Intellectual Property" for additional details regarding this license.

### ***Nexus***

Nexus operates a cost per action/cost per acquisition network. This network consists of hundreds of digital marketers who stand ready to market products introduced to the Nexus network. The cost per action/cost per acquisition model is where digital marketers are paid for an action (e.g., a product sale or lead generation) that is taken as a direct result of their marketing efforts. Through the digital marketer's method of marketing, the digital marketer sends traffic to one of the product vendor's offers listed on the network.

Nexus' has relationships with both product vendors and digital marketers. A product vendor is a Nexus customer that has products, whether digital or physical, for sale and is looking for increased sales through digital marketing avenues from digital marketers. Digital marketers are Nexus contractors that engage in digital marketing. An example of a digital marketer is someone who has a strong Facebook following, or a strong knowledge of Facebook ad marketing. Other examples include google ad marketing or email marketers who send marketing messages to an opted in list of subscribers. Historically, Nexus' customers consisted exclusively of owners of digital products that were also delivered digitally. Following our acquisition of Nexus, Bonne Santé Natural Manufacturing, Doctors Scientific Organica, GSP Nutrition, as well as any additional nutraceutical companies that we acquire in the future, will also become customers of Nexus. Nexus will use its online marketplace to market our nutraceutical products through its network of digital marketers. Our nutraceutical product companies will then sell and physically deliver the nutraceutical products to the end users identified through the efforts of the digital marketers. Nexus has the ability to "plug and play" with any of the products sold by companies that we may acquire in the future as we can take the consumer facing products being sold by those companies and seamlessly add them to the Nexus network to generate sales.

Product vendors come to Nexus to increase sales of their products and digital marketers come to Nexus to receive a commission in exchange for their marketing efforts, which are designed to generate sales for the product vendors. When a digital marketer's marketing efforts results in a sale of a product by a product vendor, the digital marketer is then credited with a commission. The product vendor is billed weekly for the sales that the product vendor makes during the week as the result of such digital marketers' marketing efforts. The product vendor pays Nexus and Nexus pays the digital marketer. This is an anonymous transaction as digital marketers and product vendors are only defined inside the marketplace by an offer name (product vendor) and an affiliate number (digital marketer).

As described above, Nexus' customers are product vendors. Although the number of customers that Nexus has fluctuates from year to year, it has established long-term relationships with its significant product vendors, but it does not have long-term contracts with any of its customers. The relationship with customers can be terminated at any time by either party; however, as a result of Nexus' extensive network of digital marketers,

which drive sales for product vendors, the average length of Nexus' relationships with its significant customers is 5 years. Most of Nexus' customers are acquired through existing customer referrals. Nexus also attends Internet marketing conferences to promote its service.

We believe that Nexus is accretive to our other subsidiary companies and allows us access to a broad spectrum of marketing tools to be utilized across the entire spectrum of our products.

## Our Competitive Strengths

Based on management's belief and experience in the industry, we believe that the following competitive strengths enable us to compete effectively.

- ***Proprietary manufacturing facilities.*** Bonne Santé Natural Manufacturing and Doctors Scientific Organica own and operate proprietary manufacturing facilities, which allow for a high level of managerial control over all aspects of production, including sourcing, logistics and maintaining the highest levels of quality during the manufacturing process. Through direct ownership, we are able to optimize our sales and marketing practices and provide a completely integrated approach, all solidified by a single manufacturing platform for capsules, tablets, powders and various other delivery methods for all vitamins and supplements. In addition, as a private label contract manufacturer for third parties, we can provide a turnkey solution for brands and retailers who want to minimize their supply chain disruption and maximize their control over product flow to end customers. In addition, as a middle market-sized contract manufacturer, we are not encumbered by the often overly complex processes that our larger competitors may have. We can be nimble and highly adaptable, “flexing” with our customers’ needs as they change over time, which allows us to better service our ever-expanding international client base. We are able to maintain a competitive advantage due to our vertically integrated operational control. This vertical integration also allows us to minimize intellectual property and data security risks, while also eliminating costs, improving focus, optimizing quality and launching with a faster time-to-market for new products. We retain control over every step of the manufacturing processes, allowing us to establish our own institutional advantages and maximize efficiencies.
- ***Established and trusted brands.*** Smart for Life, Doctors Scientific Organica and Sports Illustrated Nutrition are well-established brands in the in the health and wellness industry. In particular, Smart for Life products are currently sold in many of the largest big-box retailers in the United States and Canada, including Costco, Walmart, Sam’s Club, BJ’s and Publix, as well as through online channels such as Amazon. Doctors Scientific Organica has established a dedicated following of consumers that are strong believers in the high-quality vitamins and supplements it sells to its customers, along with the eco-friendly and bio-degradable packaging, with Amazon sales numbers continuing to increase as a result. We believe that the Sports Illustrated brand is one of the most recognized brands in sports and athletics. In connection with our acquisition of GSP Nutrition, we acquired a license for the exclusive use of the Sports Illustrated brand (excluding the Sports Illustrated Swimsuit brand for which we have a right of first offer under the license) for certain dietary and nutritional supplements, in each case to be sold to/through certain approved accounts in the United States and Canada.
- ***Client focused innovative research and development.*** We believe that our research and development team adds significant value to our company and our customers and is a differentiating factor for our company. We strive to be technology driven leveraging technology, science, and innovation in our research and development efforts. We work closely with our clients to create and develop new and exciting products. We frequently work directly with our customers in our research and development labs to create innovative solutions that create value for our customers in a timely manner. Our team works closely with physicians to create novel wholesome products that add nutritional and functional value.
- ***Ability to market through captive marketing subsidiary.*** We believe that our subsidiary, Nexus, allows us access to a broad spectrum of marketing tools to be utilized across the entire spectrum of our products. We believe that having an experienced management team and existing customer base accessible to all of our other brands in our portfolio will allow us to drive sales and revenue of existing products as well as test new product offerings generated through our research and development.

- ***Referral only network based on long term relationships.*** Nexus operates a referral only network, meaning that all of its digital marketers are referred. There is no way to get a Nexus account other than being directly referred by a known good account holder. This allows Nexus to stem any fraudulent traffic, which we believe is a substantial competitive advantage for product vendors. Nexus has also established long term relationships with its product vendors and offers competitive bonuses for its digital marketer base. We believe that these factors set Nexus apart from its competition.

## Our Growth Strategies

We will strive to grow our business by pursuing the following growth strategies.

- ***Acquisition of additional businesses.*** The nutritional products industry is highly fragmented with a large pool of companies generating less than \$20 million in revenues representing significant opportunity for industry consolidation. Over the next 24 months, we plan to acquire multiple companies aggregating a minimum of \$100 million in annualized revenues with the number of prospective acquisitions in the pipeline representing over \$50 million in additional revenue. As of the date of this prospectus, we have determined that none of these prospective acquisitions are probable, within the meaning of Regulation S-X, due to numerous factors, including that we have not yet entered into definitive or other binding agreements, completed our due diligence, obtained board approval or publicly announced the prospective acquisitions, nor are we subject to financial penalties if these prospective acquisitions are not completed. As noted above, we also do not currently have sufficient capital to complete these acquisitions. We intend to raise capital for additional acquisitions primarily through debt financing at our operating company level, additional equity offerings by our company, or by undertaking a combination of any of the above. The sale of additional equity securities could result in dilution to our stockholders. The incurrence of indebtedness would result in increased debt service obligations and could require us to agree to operating and financial covenants that would restrict our operations. Financing may not be available in amounts or on terms acceptable to us, if at all. There is no guarantee that we will be able to acquire additional businesses under the terms outlined above or that we will be able to find additional acquisition candidates should we terminate our plans for any of our current acquisition targets.
- ***Increase sales from existing and new customers.*** We expect to continue to drive growth for our consumer products branded business through our increased focus on our top brands and continued expansion in various health and wellness categories, which we expect to result in incremental shelf space with existing customers and new customer additions. We expect that our focus on delivering tangible benefits to consumers through product innovation will not only benefit us but also benefit our customers. Our ability to supply both branded and private label products broadens and deepens our partnerships with key retail customers, providing us more opportunities for category leadership and growth. We view the private label business as an important and valuable service that we provide to key accounts.
- ***Further penetrate international markets.*** Our products are currently marketed and sold in the United States and Canada. In fiscal 2020, approximately 18% of our sales (on a pro forma combined basis) were to customers outside the United States. We plan to capitalize on our marketing and distribution capabilities to drive incremental international sales of our consumer product brands in emerging markets, which are characterized by a rising middle class and a strong demand for high quality nutritional and wellness products from U.S.-based manufacturers.
- ***Drive productivity through operational efficiencies.*** We expect to continue to focus on improving efficiency across our operations to allow us to reduce costs in our manufacturing facilities as well as across our overhead cost areas. Our recent acquisition of Doctors Scientific Organica significantly increased our production capacity. In addition, we have launched an initiative to optimize our product portfolio, which we expect will enable further efficiencies across our manufacturing network. We are also introducing new initiatives that leverage automation, standardization and simplification and are expected to increase productivity across our operations.



**Impact of Coronavirus Pandemic**

Starting in late 2019, a novel strain of the coronavirus, or COVID-19, began to rapidly spread around the world and every state in the United States. At this time, there continues to be significant volatility and uncertainty relating to the full extent to which the COVID-19 pandemic and the various responses to it will impact our business, operations and financial results.

Most states and cities have at various times instituted quarantines, restrictions on travel, “stay at home” rules, social distancing measures and restrictions on the types of businesses that could continue to operate, as well as guidance in response to the pandemic and the need to contain it. Based on the nature of the business in our facilities in Doral and Riviera Beach, neither facility closed or operated at reduced capacity for our production and packaging operations.

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However, the situation surrounding COVID-19 remains fluid, and we may be required to close or limit capacity in our facilities in response to guidance from applicable government and public health officials, which could adversely affect our operations and revenues.

In addition, we are dependent upon certain contract manufacturers and suppliers and their ability to reliably and efficiently fulfill our orders is critical to our business success. The COVID-19 pandemic has impacted and may continue to impact certain of our manufacturers and suppliers. As a result, we have faced and may continue to face delays or difficulty sourcing certain products and raw materials, which could negatively affect our business and financial results. Even if we are able to find alternate sources for such raw materials, they may cost more, which could adversely impact our profitability and financial condition.

The global deterioration in economic conditions, which may have an adverse impact on discretionary consumer spending, could also impact our business and demand for our products. For instance, consumer spending may be negatively impacted by general macroeconomic conditions, including a rise in unemployment, and decreased consumer confidence resulting from the pandemic. Changing consumer behaviors as a result of the pandemic may also have a material impact on our revenue.

The spread of COVID-19 has also adversely impacted global economic activity and has contributed to significant volatility and negative pressure in financial markets. The pandemic has resulted, and may continue to result, in a significant disruption of global financial markets, which may reduce our ability to access capital in the future, which could negatively affect our liquidity.

If the COVID-19 pandemic does not continue to slow and the spread of COVID-19 is not contained, our business operations, including those of our contract manufacturers and suppliers, could be further delayed or interrupted. We expect that government and health authorities may announce new or extend existing restrictions, which could require us to make further adjustments to our operations in order to comply with any such restrictions. We may also experience limitations in employee resources. In addition, our operations could be disrupted if any of our employees were suspected of having COVID-19, which could require quarantine of some or all such employees or closure of our facilities for disinfection. The duration of any business disruption cannot be reasonably estimated at this time but may materially affect our ability to operate our business and result in additional costs.

The extent to which the COVID-19 pandemic may impact our results will depend on future developments, which are highly uncertain and cannot be predicted as of the date of this prospectus, including the effectiveness of vaccines and other treatments for COVID-19, and other new information that may emerge concerning the severity of the pandemic and steps taken to contain the pandemic or treat its impact, among others. Nevertheless, the pandemic and the current financial, economic and capital markets environment, and future developments in the global supply chain and other areas present material uncertainty and risk with respect to our performance, financial condition, results of operations and cash flows. See also “*Risk Factors*” for more information.

### **Our Risks and Challenges**

An investment in our securities involves a high degree of risk. You should carefully consider the risks summarized below. These risks are discussed more fully in the “*Risk Factors*” section immediately following this Prospectus Summary. These risks include, but are not limited to, the following:

- We are an early-stage company with a limited operating history.
- The COVID-19 pandemic may cause a material adverse effect on our business.
- Our acquisitions may result in significant transaction expenses, integration and consolidation risks, and we may be unable to profitably operate our consolidated company.

- Our ability to obtain continued financing is critical to the growth of our business. We will need additional financing to fund operations, which additional financing may not be available on reasonable terms or at all.
- Unfavorable publicity or consumer perception of our products and any similar products distributed by other companies could have a material adverse effect on our business.
- Our success is linked to the size and growth rate of the vitamin, mineral and supplement market and an adverse change in the size or growth rate of that market could have a material adverse effect on us.

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- We operate in highly competitive and fast-evolving industries, and our failure to compete effectively could affect our market share, financial condition and growth prospects adversely.
- Our major customers account for a significant portion of our consolidated net sales and the loss of any major customer could have a material adverse effect on our results of operations.
- If we experience product recalls, we may incur significant and unexpected costs, and our business reputation could be adversely affected.
- We may incur material product liability claims, which could increase our costs and adversely affect our reputation, revenues and operating income.
- We rely on our manufacturing operations to produce the vast majority of the nutritional supplements that we sell, and disruptions in our manufacturing system or losses of manufacturing certifications could affect our results of operations adversely.
- We are also dependent on certain third-party contract manufacturers and suppliers.
- An increase in the price and shortage of supply of key raw materials could adversely affect our business.
- Our expansion into new business lines and services may result in unseen risks, challenges and uncertainties.
- Privacy protection is increasingly demanding, and we may be exposed to risks and costs associated with security breaches, data loss, credit card fraud and identity theft that could cause us to incur unexpected expenses and loss of revenue, suffer reputational harm with our customers, as well as other risks.
- Assertions by third parties of infringement, misappropriation or other violation by us of their intellectual property rights could result in significant costs and substantially harm our business and operating results.
- We may be required to indemnify our vendors and/or customers, the payment of which could have a material adverse effect on our business, financial condition and operating results.
- Compliance with new and existing laws and governmental regulations could increase our costs significantly and adversely affect our results of operations.
- Our failure to comply with FTC regulations could result in substantial monetary penalties and could adversely affect our operating results.
- Our operations are subject to environmental and health and safety laws and regulations that may increase our cost of operations or expose us to environmental liabilities.
- Economic, political and other risks associated with our international operations could adversely affect our revenues and international growth prospects.
- We may not complete our analysis of our internal control over financial reporting in a timely manner, or these internal controls may not be determined to be effective.
- We may not be able to satisfy listing requirements of Nasdaq or obtain or maintain a listing of our common stock on Nasdaq.
- There is no public market for the series A warrants or series B warrants being offered.
- Our management has broad discretion as to the use of the net proceeds from this offering allocated to working capital and general corporate purposes.

- You will experience immediate and substantial dilution as a result of this offering.
- An investment in this offering may result in uncertain U.S. federal income tax consequences.

### **Implications of Being an Emerging Growth Company**

We qualify as an “emerging growth company” under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. As a result, we will be permitted to, and intend to, rely on exemptions from certain disclosure requirements. For so long as we are an emerging growth company, we will not be required to:

- have an auditor report on our internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act;
- comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements (i.e., an auditor discussion and analysis);
- submit certain executive compensation matters to stockholder advisory votes, such as “say-on-pay” and “say-on-frequency;” and
- disclose certain executive compensation related items such as the correlation between executive compensation and performance and comparisons of the chief executive officer’s compensation to median employee compensation.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended, or the Securities Act, for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the benefits of this extended transition period. Our consolidated financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards.

We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year following the fifth anniversary of this offering, (ii) the last day of the first fiscal year in which our total annual gross revenues are \$1.07 billion or more, (iii) the date that we become a “large accelerated filer” as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended, or the Exchange Act, which would occur if the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter or (iv) the date on which we have issued more than \$1 billion in non-convertible debt during the preceding three year period.

### **Corporate Information**

Our principal executive offices are located at 990 Biscayne Blvd., Suite 503, Miami, Florida 33132, and our telephone number is (786) 749-1221. We maintain a website at [www.smartforlifecorp.com](http://www.smartforlifecorp.com). Information available on our website is not incorporated by reference in and is not deemed a part of this prospectus.

## THE OFFERING

### Units offered by us:

Each unit consists of (i) one share of our common stock (or, at the purchaser's election, one share of series B convertible preferred stock), (ii) one series A warrant to purchase one share of our common stock at an exercise price equal to \$      per share (or 70% of the unit offering price), exercisable until the fifth anniversary of the issuance date, and (iii) one series B warrant to purchase one share of our common stock at an exercise price equal to \$      per share (or 100% of the unit offering price), exercisable until the fifth anniversary of the issuance date and subject to certain adjustment and cashless exercise provisions as described herein. Additionally, the holders of series B warrants may exercise such warrants on a "cashless" basis upon the earlier of (i) 10 trading days from the issuance date of such warrant or (ii) the time when \$10.0 million of volume is traded in our common stock, if the volume weighted average price, or VWAP, of our common stock on any trading day on or after the date of issuance fails to exceed the exercise price of the series B warrant (subject to adjustment for any stock splits, stock dividends, stock combinations, recapitalizations and similar events). In such event, the aggregate number of shares of common stock issuable in such cashless exercise shall equal the product of (x) the aggregate number of shares of common stock that would be issuable upon exercise of the series B warrant in accordance with its terms if such exercise were by means of a cash exercise rather than a cashless exercise and (y) 1.00. The shares of our common stock and the warrants are immediately separable and will be issued separately but will be purchased together in this offering.

As noted above, we are offering to those purchasers, if any, whose purchase of common stock in this offering would otherwise result in such purchaser, together with its affiliates and certain related parties, beneficially owning more than 4.99% (or, at the election of the purchaser prior to the date of issuance, 9.99%) of our outstanding common stock immediately following the consummation of this offering, the opportunity to substitute series B convertible preferred stock for the shares of common stock included in the units purchased by that investor. This prospectus also relates to the offering of shares of common stock issuable upon conversion of the series B convertible preferred stock.

Each share of series B convertible preferred stock is convertible into one share of our common stock (subject to adjustment as provided in the related certificate of designation) at any time at the option of the holder, provided that the holder will be prohibited from converting the series B convertible preferred stock into shares of our common stock if, as a result of such conversion, the holder, together with its affiliates, would own more than 4.99% (or, at the election of the purchaser prior to the date of issuance, 9.99%) of the total number of shares of our common stock then issued and outstanding. However, any holder may increase such percentage to any other percentage not in excess of 9.99%, provided that any increase in such percentage shall not be effective until 61 days after such notice to us.

In the event of our liquidation, dissolution, or winding up, holders of our series B convertible preferred stock will be entitled to receive the amount of cash, securities or other property to which such holder would be entitled to receive with respect to such shares of series B convertible preferred stock if such shares had been converted to common stock immediately prior to such event (without

giving effect for such purposes to any beneficial ownership limitation), subject to the preferential rights of holders of any class or series of our capital stock specifically ranking by its terms senior to the series B convertible preferred stock as to distributions of assets upon such event, whether voluntarily or involuntarily.

The holders of the series B convertible preferred stock have no voting rights, except as required by law. Any amendment to our certificate of incorporation that adversely affects the powers, preferences and rights of the series B convertible preferred stock requires the approval of the holders of a majority of the shares of series B convertible preferred stock then outstanding.



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	<p>The holders of our series B convertible preferred stock are entitled to receive dividends on shares of series B convertible preferred stock equal (on an as-if-converted-to-common-stock basis, without giving effect for such purposes to any beneficial ownership limitation) to and in the same form as dividends actually paid on shares of the common stock when such dividends are specifically declared by our board of directors.</p>
Offering price:	We currently estimate that the initial public offering price will be between \$9.00 and \$11.00 per unit.
Common stock outstanding prior to this offering <sup>(1)</sup> :	13,927,223 shares of common stock.
Common stock outstanding after the offering <sup>(1)(2)</sup> :	20,566,124 shares of common stock (or 20,836,124 shares if the underwriters exercise the over-allotment option in full).
Over-allotment option:	<p>We have granted the underwriters an option, exercisable one or more times in whole or in part, to purchase up to 15% of additional shares of common stock and/or series A warrants to purchase up to an aggregate of 15% of additional shares of common stock, and/or series B warrants to purchase up to an aggregate of 15% of additional shares of common stock, in any combinations thereof, from us at the public offering price per security, less the underwriting discounts and commissions, for 45 days after the date of this prospectus to cover over-allotments, if any. See “Underwriting” for additional information.</p> <p>Because the warrants will not be listed on a national securities exchange or other nationally recognized trading market, the underwriters will be unable to satisfy any over-allotment of shares and warrants without exercising the underwriters’ over-allotment option with respect to the warrants. As a result, the underwriters will exercise their over-allotment option for all of the warrants which are over-allotted, if any, at the time of the initial offering of the shares and the warrants. However, because our common stock is publicly traded, the underwriters may satisfy some or all of the over-allotment of shares of our common stock, if any, by purchasing shares in the open market and will have no obligation to exercise the over-allotment option with respect to our common stock.</p>
Use of proceeds:	We expect to receive net proceeds of approximately \$15.8 million from this offering, assuming an initial public offering price of \$10.00 per unit (which is the midpoint of the estimated range of the initial public offering price shown on the cover page of this prospectus) and no exercise of the underwriters’ over-allotment option, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We plan to use the net proceeds of this offering to payoff certain debt and for working capital and general corporate purposes. See “ <i>Use of Proceeds</i> ” for more information on the use of proceeds.
Risk factors:	Investing in our securities involves a high degree of risk. As an investor, you should be able to bear a complete loss of your investment. You should carefully consider the information set forth in the “ <i>Risk Factors</i> ” section beginning on page 24.
Lock-up:	We and all of our directors and executive officers have agreed with the

underwriters, subject to certain exceptions, not to sell, transfer or dispose of, directly or indirectly, any of our common stock or securities convertible into or exercisable or exchangeable for our common stock for a period of (i) 12 months after the closing of this offering in the case of our company and (ii) 6 months after the date of this prospectus in the case of our directors and executive officers. See “*Underwriting*” for more information.

Proposed trading market and  
symbol:

We have applied to list our common stock on Nasdaq under the symbol “SMFL.” The closing of this offering is contingent upon such listing. We do not intend to list the warrants or series B convertible preferred stock on any securities exchange or nationally recognized trading system.

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- (1) The number of shares of common stock outstanding before and immediately following this offering does not include the following:

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- 1,450,000 shares of common stock issuable upon the exercise of outstanding options issued under our 2020 Stock Incentive Plan at an exercise price of \$0.01 per share;
  - up to 550,000 additional shares of common stock that are reserved for issuance under our 2020 Stock Incentive Plan;
  - up to 2,000,000 shares of common stock that are reserved for issuance under our 2022 Equity Incentive Plan;
  - 11,999,404 shares of common stock issuable upon the conversion of our outstanding series A convertible preferred stock;
  - 12,119,404 shares of common stock issuable upon the exercise of outstanding warrants at an exercise price per share that is equal to 125% of the initial public offering price for this offering;
  - 2,496,614 shares of common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of \$0.32 per share;
  - up to 2,250,000 shares of common stock issuable upon the conversion of 12% unsecured subordinated convertible debentures in the aggregate principal amount of \$2,250,000 that are convertible at the option of the holders into shares of common stock at a conversion price that is equal to 50% of the effective initial public offering price (as described in the debentures); provided that after date on which the registration statement of which this prospectus forms a part is declared effective, the conversion price shall be reduced to the lower of such price and the lowest volume weighted average price during the 10 trading days immediately following the such date; and provided further, that the conversion price shall not be less than \$1.00;
  - shares of common stock issuable upon the conversion of a convertible promissory note in the principal amount of \$73,727.01 that is convertible at the option of the holder into shares of common stock at a conversion price that is equal to forty percent (40%) of either (i) the price per share paid by investors in our next priced equity financing, including this offering, or (ii) the volume weighted average price of the common stock for the five trading days from and including the date that the conversion notice is given;
  - shares of common stock issuable upon the exercise of the warrants issued in connection with this offering; and
  - shares of common stock issuable upon the conversion of any shares of series B convertible preferred stock issued in connection with this offering.
- (2) The number of shares of common stock outstanding immediately following this offering includes the following shares to be issued concurrent with the closing of this offering (assuming an initial public offering price of \$10.00 per unit, which is the midpoint of the estimated range of the initial public offering price shown on the cover page of this prospectus):
- 200,000 shares of common stock issuable upon the conversion of a convertible promissory note in the principal amount of \$500,000 that will convert concurrent with the closing of this offering at a conversion price equal to 50% of the effective initial public offering price;
  - 600,000 shares of common stock issuable upon the conversion of a convertible promissory note in the principal amount of \$3,000,000 that will convert concurrent with the closing of this offering at a conversion price equal to the effective initial public offering price;
  - 380,000 shares of common stock issuable upon the conversion of a convertible promissory note in the principal amount of \$1,900,000 that will convert concurrent with the closing of this offering at a conversion price equal to the effective initial public offering price;
  - 3,365,151 shares of common stock to be issued concurrent with the closing of this offering under future equity agreements that we entered into with certain lenders, pursuant to which we agreed to issue to such lenders a number of shares of common stock equal to the stated value described in the future equity agreement, which may be the principal amount of the loan or the principal amount of the loan plus a premium, divided by the effective initial public offering price, which total stated value, in the aggregate, is \$16,825,751;

- 251,250 shares of common stock to be issued concurrent with the closing of this offering under a future equity agreement that we entered into with a lender, pursuant to which we agreed to issue to such lender a number of shares of common stock equal to 75% of all funds advanced by such lender (\$1,675,000) divided by the effective initial public offering price; and
- 42,500 shares of common stock that we have agreed to issue to the former shareholders of GSP Nutrition pursuant to the terms of the contribution and exchange agreement.

Please see “*Description of Securities*” for more information regarding these convertible promissory notes and future equity agreements.

## SUMMARY FINANCIAL INFORMATION

The following tables summarize certain financial data regarding our business and should be read in conjunction with our financial statements and related notes contained elsewhere in this prospectus and the information under “*Management’s Discussion and Analysis of Financial Condition and Results of Operations.*”

All financial statements included in this prospectus are prepared and presented in accordance with generally accepted accounting principles in the United States, or GAAP. The summary financial information is only a summary and should be read in conjunction with our historical combined financial statements and related notes contained elsewhere herein. The financial statements contained elsewhere fully represent our financial condition and operations; however, they are not indicative of our future performance.

In accordance with the rules of the U.S. Securities and Exchange Commission, or the SEC, we have not included historical financial statements for GSP Nutrition in this prospectus because the acquisition of GSP Nutrition was not deemed to be significant.

### Smart for Life, Inc.

Our summary financial data as of December 31, 2020 and 2019 and for the years then ended are derived from our audited consolidated financial statements included elsewhere in this prospectus. We derived our summary financial data as of September 30, 2021 and for the nine months ended September 30, 2021 and 2020 from our unaudited consolidated financial statements included elsewhere in this prospectus, which include all adjustments, consisting of normal recurring adjustments, that our management considers necessary for a fair presentation of our financial position and results of operations as of the dates and for the periods presented.

	Nine Months Ended September 30,		Year Ended December 31,	
	2021	2020	2020	2019
	(unaudited)	(unaudited)		
<b>Statements of Operations Data</b>				
Net sales	\$ 4,794,494	\$ 1,406,345	\$ 1,959,595	\$ 2,364,863
Cost of goods sold	3,328,402	1,232,763	1,831,629	2,316,674
Gross profit	1,466,092	173,582	127,966	48,189
Operating expenses	4,830,937	1,204,756	2,029,700	2,452,092
Operating loss	(3,364,845)	(1,031,174)	(1,901,734)	(2,403,903)
Total other expense	(732,744)	(394,722)	(1,267,284)	(611,203)
Net loss	<u>\$ (4,097,589)</u>	<u>\$ (1,425,896)</u>	<u>\$ (3,169,018)</u>	<u>\$ (3,015,106)</u>

	As of September 30, 2021	As of December 31,	
	(unaudited)	2020	2019
<b>Balance Sheet Data</b>			
Cash	\$ 690,101	\$ 484,949	\$ 12,212
Total current assets	4,325,460	768,217	716,361
Total assets	15,805,263	1,967,369	2,371,575

Total current liabilities	10,184,613	6,960,287	5,978,164
Total liabilities	18,383,472	9,093,195	6,451,434
Total liabilities and stockholders' deficit	\$ 15,805,263	\$ 1,967,369	\$ 2,371,575

## Nexus

The summary financial data of Nexus as of December 31, 2020 and 2019 and for the years then ended are derived from the audited financial statements of Nexus included elsewhere in this prospectus. We derived the summary financial data of Nexus as of September 30, 2021 and for the nine months ended September 30, 2021 and 2020 from the unaudited financial statements of Nexus included elsewhere in this prospectus, which include all adjustments, consisting of normal recurring adjustments, that management considers necessary for a fair presentation of the financial position and results of operations of Nexus as of the dates and for the periods presented.

	Nine Months Ended September 30,		Year Ended December 31,	
	2021	2020	2020	2019
	(unaudited)	(unaudited)		
<b>Statements of Operations Data</b>				
Net sales	\$ 4,238,330	\$ 3,876,096	\$ 5,674,946	\$ 3,634,159
Cost of services	3,221,539	2,844,462	4,353,573	3,109,566
Gross profit	1,016,791	1,031,634	1,321,373	524,593
Operating expenses	914,690	848,474	1,436,710	437,741
Operating income (loss)	102,101	183,160	(115,337)	86,852
Income (loss) before income taxes	102,101	183,160	(115,337)	86,852
Income tax expense	(3,052)	—	(5,863)	—
Net income (loss)	<u>\$ 99,049</u>	<u>\$ 183,160</u>	<u>\$ (121,200)</u>	<u>\$ 86,852</u>

	As of September 30, 2021	As of December 31,	
	(unaudited)	2020	2019
<b>Balance Sheet Data</b>			
Cash	\$ 44,330	\$ 36,188	\$ 54,917
Total current assets	169,086	183,033	171,526
Total assets	169,086	183,033	171,526
Total current liabilities	103,396	216,392	83,685
Total liabilities	103,396	216,392	83,685
Total liabilities and stockholders' equity	<u>\$ 169,086</u>	<u>\$ 183,033</u>	<u>\$ 171,526</u>

## Doctors Scientific Organica

The summary financial data of Doctors Scientific Organica as of December 31, 2020 and 2019 and for the years then ended are derived from the audited consolidated financial statements of Doctors Scientific Organica included elsewhere in this prospectus.

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	Year Ended December 31,	
	2020	2019
<b>Income Statement Data</b>		
Net sales	\$ 10,782,192	\$ 10,048,642
Cost of goods sold	4,436,389	4,777,392
Gross profit	6,345,803	5,271,250
Operating expenses	4,691,117	3,973,143
Operating income	1,654,686	1,298,107
Total other income (expense)	(85,307)	315,424
Net income	<u>\$ 1,569,379</u>	<u>\$ 1,613,531</u>
	As of December 31,	
	2020	2019
<b>Balance Sheet Data</b>		
Cash	\$ —	\$ 82,513
Total current assets	2,154,691	1,567,988
Total assets	3,139,885	2,822,810
Total current liabilities	2,160,331	2,188,673
Total liabilities	2,605,515	2,861,414
Total member's equity (deficit)	534,370	(38,604)
Total liabilities and member's equity (deficit)	<u>\$ 3,139,885</u>	<u>\$ 2,822,810</u>



### UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial information and related notes present the historical condensed combined financial information of our company after giving effect to the acquisitions of Doctors Scientific Organica that was completed July 1, 2021 and Nexus that was completed on November 8, 2021. The acquisitions were accounted for as business combinations in accordance with the guidance contained in the Financial Accounting Standards Board's Accounting Standards Codification Topic 805, *Business Combinations*, or ASC 805. The unaudited pro forma condensed combined financial information gives effect to the acquisitions of Doctors Scientific Organica and Nexus based on the assumptions and adjustments described in the accompanying notes to the unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined balance sheet as of September 30, 2021 is presented as if the acquisition of Nexus had occurred on September 30, 2021. The unaudited condensed combined statements of operations for the nine months ended September 30, 2021 and for the year ended December 31, 2020 are presented as if the acquisitions of Doctors Scientific Organica and Nexus had occurred on January 1, 2020.

The unaudited pro forma condensed combined financial information was prepared in accordance with Article 11 of Regulation S-X of the SEC. The unaudited pro forma adjustments reflecting the transaction have been prepared in accordance with the guidance for business combinations presented in ASC 805 and reflect the allocation of our purchase price to the assets acquired and liabilities assumed in the acquisitions based on their estimated fair values. The historical financial information has been adjusted in the unaudited pro forma condensed combined financial information to give effect to pro forma events that are: (i) directly attributable to the acquisitions; (ii) factually supportable; and (iii) with respect to the condensed combined statements of operations, expected to have a continuing impact on our combined results of operations.

The unaudited pro forma condensed combined financial information is presented for informational purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the acquisitions had been affected on the dates previously set forth, nor is it indicative of the future operating results or financial position in combination. Our purchase price allocation was made using our best estimates of fair value, which are dependent upon certain valuation and other analyses. Further, the unaudited pro forma condensed combined financial information does not give effect to the potential impact of anticipated synergies, operating efficiencies, cost savings or transaction and integration costs that may result from the acquisitions.

The unaudited pro forma condensed combined financial information has been derived from and should be read in conjunction with the following:

- (a) The unaudited interim condensed consolidated financial statements and related notes of Smart for Life, Inc. for the nine months ended September 30, 2021 and 2020 (which are included elsewhere in this prospectus);
- (b) The audited consolidated financial statements and related notes of Smart for Life, Inc. for the years ended December 31, 2020 and 2019 (which are included elsewhere in this prospectus);
- (c) The unaudited interim financial statements and related notes of Nexus Offers, Inc. for the nine months ended September 30, 2021 and 2020 (which are included elsewhere in this prospectus);
- (d) The audited financial statements and related notes of Nexus Offers, Inc. for the years ended December 31, 2020 and 2019 (which are included elsewhere in this prospectus);
- (e) The unaudited interim financial statements and related notes of Doctors Scientific Organica, LLC for the six months ended June 30, 2021 and 2020 (which are included elsewhere in this prospectus); and

- (f) The audited consolidated financial statements and related notes of Doctors Scientific Organica, LLC for the years ended December 31, 2020 and 2019 (which are included elsewhere in this prospectus).

**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET  
AS OF SEPTEMBER 30, 2021**

	Historical Information					
	Smart for Life	Nexus	Combined	Pro Forma Adjustments	Pro Forma Combined	Notes
Current assets:						
Cash	\$ 690,101	\$ 44,330	\$ 734,431	\$ —	\$ 734,431	
Accounts receivable, net	160,897	124,756	285,653	—	285,653	
Inventory	3,030,957	—	3,030,957	—	3,030,957	
Related party receivables	329,883	—	329,883	—	329,883	
Prepaid expenses and other current assets	113,622	—	113,622	—	113,622	
Total current assets	4,325,460	169,086	4,494,546	—	4,494,546	
Property and equipment, net	1,298,452	—	1,298,452	—	1,298,452	
Intangible assets	9,352,180	—	9,352,180	6,037,137	15,389,317	a
Operating lease right of use asset	767,294	—	767,294	—	767,294	
Deposits and other assets	61,877	—	61,877	—	61,877	
Total assets	<u>\$ 15,805,263</u>	<u>\$ 169,086</u>	<u>\$ 15,974,349</u>	<u>\$ 6,037,137</u>	<u>\$ 22,011,486</u>	
Current liabilities:						
Accounts payable	\$ 1,928,541	\$ 101,628	\$ 2,030,169	\$ —	\$ 2,030,169	
Accrued expenses	1,294,387	1,768	1,296,155	—	1,296,155	
Related party payable	83,661	—	83,661	—	83,661	
Deferred revenues	225,287	—	225,287	—	225,287	
Operating lease obligations, current	504,542	—	504,542	—	504,542	
Convertible notes and notes payable, current	6,148,195	—	6,148,195	—	6,148,195	
Total current liabilities	10,184,613	103,396	10,288,009	—	10,288,009	
Long-term liabilities:						
Operating lease obligations, noncurrent	289,936	—	289,936	—	289,936	
Convertible notes and notes payable, noncurrent	7,908,923	—	7,908,923	5,800,000	13,708,923	c
Total liabilities	18,383,472	103,396	18,486,868	5,880,000	24,286,868	
Commitments and						

contingencies						
Preferred stock	1	—	1	—	1	
Common stock	1,387	100	1,487	(100)	1,387	b
Additional paid-in capital	8,767,069	—	8,767,069	—	8,767,069	
Accumulated (deficit)	(11,346,666)	65,590	(11,281,076)	237,237	(11,043,839)	b
Total stockholders' equity (deficit)	(2,578,209)	65,690	(2,512,519)	237,137	(2,275,382)	
Total liabilities and stockholders' equity (deficit)	<u>\$ 15,805,263</u>	<u>\$ 169,086</u>	<u>\$ 15,974,349</u>	<u>\$ 6,037,137</u>	<u>\$ 22,011,486</u>	

**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021**

	Historical Information						
	Smart for Life	Doctors Scientific Organica January 1 to June 30, 2021	Nexus	Combined	Pro Forma Adjustments	Pro Forma Combined	Notes
Net sales	\$ 4,794,494	\$ 4,772,565	\$ 4,238,330	\$ 13,805,389	\$ —	\$ 13,805,389	
Cost of goods sold	3,328,402	2,042,966	3,221,539	8,592,907	—	8,592,907	
Gross profit	1,466,092	2,729,599	1,016,791	5,212,482	—	5,212,482	
Operating expenses:							
General and administrative	4,174,479	2,214,741	914,690	7,303,910	—	7,303,910	
Depreciation and amortization expense	656,458	82,786	—	739,244	2,478,252	3,217,496	a
Total operating expenses	4,830,937	2,297,527	914,690	8,043,154	2,478,252	10,521,406	
Operating (loss) income	(3,364,845)	432,072	102,101	(2,830,672)	(2,478,252)	(5,308,924)	
Other income (expense)							
Gain on debt extinguishment	—	842,477	—	842,477	—	842,477	
Other income	80,311	7,903	—	88,214	—	88,214	
Interest expense	(813,055)	(25,810)	—	(838,865)	(952,500)	(1,791,365)	c
Total other income (expense)	(732,744)	824,570	—	91,826	(952,500)	(860,674)	
Income (loss) before income taxes	(4,097,589)	1,256,642	102,101	(2,738,846)		(6,169,598)	
Income tax expense	—	—	(3,052)	(3,052)	—	(3,052)	
Net (loss) income	\$ (4,097,589)	\$ 1,256,642	\$ 99,049	\$ (2,741,898)	\$ (3,430,752)	\$ (6,172,650)	
Earnings (loss) per share, basic and diluted	\$ (0.30)					\$ (0.45)	
Weighted average shares outstanding, basic and diluted	13,835,274					13,835,274	

**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Historical Information				Pro Forma Adjustments	Pro Forma Combined	Notes
	Smart for Life	Doctors Scientific Organica	Nexus	Combined			
Net sales	\$ 1,959,595	\$ 10,782,192	\$ 5,674,946	\$ 18,416,733	\$ —	\$ 18,416,733	
Cost of goods sold	1,831,629	4,436,389	4,353,573	10,621,591	—	10,621,591	
Gross profit	127,966	6,345,803	1,321,373	7,795,142	—	7,795,142	
Operating expenses:							
General and administrative	1,863,087	4,608,331	1,436,710	7,908,128	—	7,908,128	
Depreciation and amortization expense	166,613	82,786	—	249,399	3,304,337	3,553,736	a
Total operating expenses	2,029,700	4,691,117	1,436,710	8,157,527	3,304,337	11,461,864	
Operating (loss) income	(1,901,734)	1,654,686	(115,337)	(362,385)	(3,304,337)	(3,666,722)	
Other income (expense)							
Other expense	(14,141)	—	—	(14,141)	—	(14,141)	
Interest expense	(1,253,143)	(85,307)	—	(1,338,450)	(1,270,000)	(2,608,450)	c
Total other income (expense)	(1,267,284)	(85,307)	—	(1,352,591)	(1,270,000)	(2,622,591)	
Income (loss) before income taxes	(3,169,018)	\$ 1,569,379	(115,337)	(1,714,976)	(4,574,337)	(6,289,313)	
Income tax expense	—	—	(5,863)	(5,863)	—	(5,863)	
Net income (loss)	<u>\$ (3,169,018)</u>	<u>\$ 1,569,379</u>	<u>\$ (121,200)</u>	<u>\$ (1,720,839)</u>	<u>\$ (4,574,337)</u>	<u>\$ (6,295,176)</u>	
Earnings (loss) per share, basic and diluted	<u>\$ (0.53)</u>					<u>\$ (1.04)</u>	
Weighted average shares outstanding, basic and diluted	<u>6,031,685</u>					<u>6,031,685</u>	

**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS****1. Basis of Pro Forma Presentation**

On February 11, 2020, we entered into securities purchase agreement, which was amended on July 7, 2020 and June 4, 2021, to acquire Doctors Scientific Organica. On July 1, 2021, the acquisition was completed.

On July 21, 2021, we entered into a securities purchase agreement, which was amended on November 8, 2021, to acquire Nexus. On November 8, 2021, the acquisition was completed.

The unaudited pro forma condensed combined balance sheet at September 30, 2021 combines our historical condensed consolidated balance sheet with the historical condensed balance sheet of Nexus as if the acquisition had occurred on that date. The unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2021 and for the year ended December 31, 2020 combine our historical condensed consolidated statements of operations with the condensed consolidated statements of operations of Doctors Scientific Organica and Nexus as if the acquisitions had occurred on January 1, 2020. The historical financial information is adjusted in the unaudited pro forma condensed combined financial information to give effect to pro forma events that are: (i) directly attributable to the acquisitions; (ii) factually supportable; and (iii) with respect to the condensed combined statements of operations, expected to have a continuing impact on our combined results.

**2. Consideration Transferred*****Doctors Scientific Organica***

Pursuant to the terms of the securities purchase agreement, we paid \$6,000,000 in cash and issued two promissory notes to the member of Doctors Scientific Organica. The first promissory note is a convertible promissory note in the principal amount of \$3,000,000 that bears interest at an annual rate of 6% and the second promissory note is also in the principal amount of \$3,000,000, is not convertible, and bears interest at an annual rate of 6%.

The table below summarizes the value of the total consideration given in the transaction.

	<b>Amount</b>
Cash issued	\$ 6,000,000
Debt issued	6,000,000
Total consideration	<u>\$ 12,000,000</u>

***Nexus***

Pursuant to the terms of the securities purchase agreement, we paid \$2,200,000 in cash and issued two promissory notes to the stockholders of Nexus. The first promissory note is a convertible promissory note in the principal amount of \$1,900,00 that bears interest at an annual rate of 5% and the second promissory note is also in the principal amount of \$1,900,000, is not convertible, and bears interest at an annual rate of 5%.

The table below summarizes the value of the total consideration given in the transaction.

	<b>Amount</b>
Cash issued	\$ 2,200,000
Debt issued	3,800,000
Total consideration	<u>\$ 6,000,000</u>

### **3. Purchase Price Allocation**

Under the acquisition method of accounting outlined in ASC 805, the identifiable assets acquired and liabilities assumed in the acquisitions are recorded at their acquisition-date fair values and are included in our company's consolidated financial position. Our unaudited pro forma adjustments are based on the fair value for all assets acquired and liabilities assumed to illustrate the estimated effect of the acquisitions on our condensed consolidated balance sheet at September 30, 2021.



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As part of the acquisitions, we are not assuming any of the debt associated with Doctors Scientific Organica or Nexus, except for accounts payable balances, the operating lease obligations, and the loans obtained under the CARES Act. Accordingly, the debt of Doctors Scientific Organica and Nexus as reported within the proforma balance sheet is excluded from the consolidated balance sheet on a proforma basis.

The following table summarizes the purchase price allocation for the assets acquired and liabilities assumed in connection with the acquisition of Doctors Scientific Organica.

	<b>Amount</b>
Tangible assets acquired	\$ 3,497,511
Liabilities assumed	(1,102,057)
Intangible assets	9,604,546
Net assets acquired	<u>\$ 12,000,000</u>

The following table summarizes the purchase price allocation for the assets acquired and liabilities assumed in connection with the acquisition of Nexus.

	<b>Amount</b>
Tangible assets acquired	\$ 44,330
Liabilities assumed	(81,467)
Intangible assets	6,037,137
Net assets acquired	<u>\$ 6,000,000</u>

#### 4. Pro Forma Adjustments

The pro forma adjustments included in the unaudited pro forma condensed combined financial information are as follows:

- (a) Adjustment to reflect the fair value of the intangible assets acquired in the acquisitions.

The intangible assets acquired from Doctors Scientific Organica have estimated values of:

	<b>Amount</b>
Non-compete agreements	\$ 540,000
Customer contracts	6,723,182
Intellectual property	2,341,364
Total intangible assets	<u>\$ 9,604,546</u>

The estimated useful lives of the acquired intangible assets and the estimated amortization for the periods ended December 31, 2020 and September 30, 2021 are as follows:

Asset	Useful life (months)	Amortization for the year ended December 31, 2020	Amortization for the nine months ended September 30, 2021
Non-compete agreements	36	\$ 180,000	\$ 135,000
Customer contracts	60	1,344,636	1,008,477

Intellectual property	60	468,273	-	351,205
Total		<u>\$ 1,992,909</u>	<u>\$</u>	<u>1,494,682</u>

The intangible assets acquired from Nexus have estimated values of:

	<b>Amount</b>
Non-compete agreements	\$ 780,000
Customer relationships	5,257,137
Total intangible assets	<u>\$ 6,037,137</u>

The estimated useful lives of the acquired intangible assets and the estimated amortization for the periods ended December 31, 2020 and September 30, 2021 are as follows:

Asset	Useful life (months)	Amortization for the year ended December 31, 2020	Amortization for the nine months ended September 30, 2021
Non-compete agreements	36	\$ 260,000	\$ 195,000
Customer relationships	60	1,051,427	788,571
Total		<u>\$ 1,311,427</u>	<u>\$ 983,571</u>

- (b) Adjustment to reflect the elimination of the ownership interest in Nexus acquired from the sellers.
- (c) Adjustment to reflect the interest associated with the note payables associated with the acquisitions of Doctors Scientific Organica and Nexus.

Pursuant to the terms of the Doctors Scientific Organica securities purchase agreement, the purchase price consisted of a combination of a cash payment and a note payable to the seller. The interest rate associated with the note is 6%.

Our company obtained a loan in the principal amount of \$3,000,000 from an institutional lender in order to partially finance the Doctors Scientific Organica acquisition. The interest rate associated with this loan is 15% per annum.

The computed interest expense which would have been incurred had the acquisition occurred at the beginning of the respective fiscal periods is included and netted against the eliminated debt interest of Doctors Scientific Organica.

Pursuant to the terms of the Nexus securities purchase agreement, the purchase price consisted of a combination of a cash payment and notes payable to the sellers. The interest rate associated with the note is 5%.

Our company entered into a securities purchase agreement with certain investors in order to partially finance the Nexus acquisition, pursuant to which we sold 12% unsecured subordinated convertible debentures in the aggregate principal amount of \$2,250,000 to such investors for gross proceeds of \$2,250,000.

The following table summarized the interest expense calculations presented in the respective periods.

Acquisition	Debt	Interest Rate	Interest Expense at September 30, 2021	Interest Expense at December 31, 2020
Doctors Scientific Organica	\$ 6,000,000	6%	\$ 270,000	\$ 360,000
Doctors Scientific Organica	\$ 3,000,000	15%	\$ 337,500	\$ 450,000
Nexus	\$ 2,250,000	12%	\$ 202,500	\$ 270,000
Nexus	\$ 3,800,000	5%	\$ 142,500	\$ 190,000
Total			<u>\$ 952,500</u>	<u>\$ 1,270,000</u>

## RISK FACTORS

*An investment in our securities involves a high degree of risk. You should carefully consider the following risk factors, together with the other information contained in this prospectus, before purchasing our securities. We have listed below (not necessarily in order of importance or probability of occurrence) what we believe to be the most significant risk factors applicable to us, but they do not constitute all of the risks that may be applicable to us. Any of the following factors could harm our business, financial condition, results of operations or prospects, and could result in a partial or complete loss of your investment. Some statements in this prospectus, including statements in the following risk factors, constitute forward-looking statements. Please refer to the section titled “Cautionary Statement Regarding Forward-Looking Statements”.*

### **Risks Related to Our Business and Industry**

#### ***We are an early-stage company with a limited operating history.***

We were organized as a Delaware corporation in February 2017. We have a limited history upon which you can evaluate our business and prospects. Our prospects must be considered in light of the risks encountered by companies in the early stages of development in highly competitive markets, particularly the markets for nutraceuticals and related products. You should consider the frequency with which early-stage businesses encounter unforeseen expenses, difficulties, complications, delays and other adverse factors. These risks are described in more detail below.

#### ***We have incurred losses since our inception, and we may not be able to manage our businesses on a profitable basis.***

We have generated losses since inception and have relied on cash on hand, sales of securities, external bank lines of credit, and issuance of third-party and related party debt to support our operations. For the nine months ended September 30, 2021, we incurred a pro forma operating loss of \$5,308,924 and a pro forma net loss of \$6,172,650, and for the year ended December 31, 2020, we incurred a pro forma operating loss of \$3,666,722 and a pro forma net loss of \$6,295,176. We cannot assure you that we will achieve profitability or that we will have adequate working capital to meet our obligations as they become due, especially given that we will incur additional expenses relating to becoming a public reporting company. Management believes that our success will depend on our ability to successfully complete additional acquisitions of profitable nutraceutical companies and related products as well as develop our own brands. We cannot guarantee that we will be successful in completing acquisitions or any other companies or products, that we will successfully integrate acquired companies, or that we will be able to successfully develop our own brands. We cannot assure you that even if we are successful in completing the acquisitions or in developing our own branded products, we will be successful in profitably managing such companies, acquired assets and brands. We cannot assure you that we will maintain profitability for any period of time or that investors will not lose their entire investment.

#### ***The COVID-19 pandemic may cause a material adverse effect on our business.***

The COVID-19 pandemic continues to rapidly evolve. At this time, there continues to be significant volatility and uncertainty relating to the full extent to which the COVID-19 pandemic and the various responses to it will impact our business, operations and financial results.

Most states and cities have at various times instituted quarantines, restrictions on travel, “stay at home” rules, social distancing measures and restrictions on the types of businesses that could continue to operate, as well as guidance in response to the pandemic and the need to contain it. Based on the nature of the business in our facilities in Doral and Riviera Beach, neither facility closed or operated at reduced capacity for our production and packaging operations. However, the situation surrounding COVID-19 remains fluid, and we may be required to close or limit capacity in our facilities in response to guidance from applicable government and public health officials, which could adversely affect our operations and revenues.

In addition, we are dependent upon certain contract manufacturers and suppliers and their ability to reliably and efficiently fulfill our orders is critical to our business success. The COVID-19 pandemic has impacted and may

continue to impact certain of our manufacturers and suppliers. As a result, we have faced and may continue to face delays or difficulty sourcing certain products and raw materials, which could negatively affect our business and financial results. Even if we are able to find alternate sources for such raw materials, they may cost more, which could adversely impact our profitability and financial condition.

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The global deterioration in economic conditions, which may have an adverse impact on discretionary consumer spending, could also impact our business and demand for our products. For instance, consumer spending may be negatively impacted by general macroeconomic conditions, including a rise in unemployment, and decreased consumer confidence resulting from the pandemic. Changing consumer behaviors as a result of the pandemic may also have a material impact on our revenue.

The spread of COVID-19 has also adversely impacted global economic activity and has contributed to significant volatility and negative pressure in financial markets. The pandemic has resulted, and may continue to result, in a significant disruption of global financial markets, which may reduce our ability to access capital in the future, which could negatively affect our liquidity.

If the COVID-19 pandemic does not continue to slow and the spread of COVID-19 is not contained, our business operations, including those of our contract manufacturers and suppliers, could be further delayed or interrupted. We expect that government and health authorities may announce new or extend existing restrictions, which could require us to make further adjustments to our operations in order to comply with any such restrictions. We may also experience limitations in employee resources. In addition, our operations could be disrupted if any of our employees were suspected of having COVID-19, which could require quarantine of some or all such employees or closure of our facilities for disinfection. The duration of any business disruption cannot be reasonably estimated at this time but may materially affect our ability to operate our business and result in additional costs.

The extent to which the COVID-19 pandemic may impact our results will depend on future developments, which are highly uncertain and cannot be predicted as of the date of this prospectus, including the effectiveness of vaccines and other treatments for COVID-19, and other new information that may emerge concerning the severity of the pandemic and steps taken to contain the pandemic or treat its impact, among others. Nevertheless, the pandemic and the current financial, economic and capital markets environment, and future developments in the global supply chain and other areas present material uncertainty and risk with respect to our performance, financial condition, results of operations and cash flows.

To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this “Risk Factors” section.

***If we fail to implement our business plan and complete acquisitions as planned, our mission will fail and our business will suffer accordingly.***

Our mission is the creation of a world-class nutraceutical company engaged in the development, manufacture and sales of quality nutraceutical and related health and lifestyle products for distribution to an expanding global marketplace. We expect that our holding company strategy through which we plan to acquire profitable but undervalued target companies and products will enable us to accelerate the development and expansion of our product portfolio, manufacturing capacity and distribution channels. If we are unable execute our strategy of completing acquisitions as planned, we will not be able to fulfill our mission or grow our business.

***Our acquisitions may result in significant transaction expenses, integration and consolidation risks, and we may be unable to profitably operate our consolidated company.***

We are structured as a holding company and we have executed a buy and hold strategy. We are engaged in the business of acquisition, operation and management of nutraceutical and related products. Our acquisitions may result in significant transaction expenses and present new risks associated with entering additional markets or offering new products and services and integrating the acquired companies. We may not have sufficient management, financial and other resources to integrate companies we acquire or to successfully operate new businesses and we may be unable to profitably operate our expanded company. Moreover, any new businesses that we may acquire, once integrated with our existing operations, may not produce expected or intended results.

***We may not be able to manage future growth effectively.***

We expect to continue to experience significant growth. Should we keep growing rapidly, our financial, management and operating resources may not expand sufficiently to adequately manage our growth. If we are unable to manage our growth, our costs may increase disproportionately, our future revenues may not grow or may decline, and we may face dissatisfied customers. Our failure to manage our growth may adversely impact our business and the value of your investment.

***Our ability to obtain continued financing is critical to the growth of our business. We will need additional financing to fund operations, which additional financing may not be available on reasonable terms or at all.***

Our future growth, including the potential for future market expansion will require additional capital. We will consider raising additional funds through various financing sources, including the procurement of commercial debt financing. However, there can be no assurance that such funds will be available on commercially reasonable terms, if at all. If such financing is not available on satisfactory terms, we may be unable to execute our growth strategy, and operating results may be adversely affected. Any additional debt financing will increase expenses and must be repaid regardless of operating results and may involve restrictions limiting our operating flexibility.

Our ability to obtain financing may be impaired by such factors as the capital markets, both generally and specifically in our industry, which could impact the availability or cost of future financings. If the amount of capital we are able to raise from financing activities, together with our revenues from operations, are not sufficient to satisfy our capital needs, we may be required to decrease the pace of, or eliminate, our future product offerings and market expansion opportunities and potentially curtail operations.

***Unfavorable publicity or consumer perception of our products and any similar products distributed by other companies could have a material adverse effect on our business.***

We believe the nutritional supplement market is highly dependent upon consumer perception regarding the safety, efficacy and quality of nutritional supplements generally, as well as of products distributed specifically by us. Consumer perception of our products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, national media attention and other publicity regarding the consumption of nutritional supplements. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the nutritional supplement market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for our products and our business, results of operations, financial condition and cash flows. Our dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on us, the demand for our products, and our business, results of operations, financial condition and cash flows. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of nutritional supplements in general, or our products specifically, or associating the consumption of nutritional supplements with illness, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

***Our success is linked to the size and growth rate of the vitamin, mineral and supplement market and an adverse change in the size or growth rate of that market could have a material adverse effect on us.***

An adverse change in size or growth rate of the vitamin, mineral and supplement market could have a material adverse effect on us. Underlying market conditions are subject to change based on economic conditions, consumer preferences, the impact of COVID-19 and other factors that are beyond our control, including media attention and scientific research, which may be positive or negative.

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***General economic conditions, including a prolonged macroeconomic downturn, may negatively affect consumer purchases, which could adversely affect our sales, as well as our ability to access credit on terms previously obtained.***

Our results are dependent on a number of factors impacting consumer spending, including general economic and business conditions; consumer confidence; wages and employment levels; the housing market; consumer debt levels; availability of consumer credit; credit and interest rates; fuel and energy costs; energy shortages; taxes; and general political conditions, both domestic and abroad. Consumer product purchases, including purchases of our products, may decline during recessionary periods. A prolonged downturn or an uncertain outlook in the economy may materially adversely affect our business, revenues and profits and the market price of our common stock, and we cannot be certain that funding for our capital needs will be available from our existing financial institutions and the credit markets if needed, and if available, to the extent required and on acceptable terms. If we cannot obtain funding when needed, in each case on acceptable terms, we may be unable to adequately fund our operating expenses and fund required capital expenditures, which may have an adverse effect on our revenues and results of operations.

***We operate in highly competitive and fast-evolving industries, and our failure to compete effectively could affect our market share, financial condition and growth prospects adversely.***

The markets in which we operate are characterized by rapid technological changes, frequent new product introductions, established and emerging competition, extensive intellectual property disputes and litigation, price competition, aggressive marketing practices, evolving industry standards and changing customer preferences. Accordingly, our prospects must be considered in light of the uncertainties, risks, expenses, and difficulties frequently encountered by companies operating in rapidly changing and competitive markets.

The nutritional supplement industry is a large and growing industry and is highly fragmented in terms of both geographical market coverage and product categories. The market for nutritional supplements is highly competitive in all our channels of distribution. We compete with companies that may have broader product lines or larger sales volumes, or both, than we do, and our products compete with nationally advertised brand name products. These national brand companies have resources greater than ours. Numerous companies compete with us in the development, manufacture and marketing of nutritional supplements worldwide. The market is highly sensitive to the introduction of new products, which may rapidly capture a significant share of the market. We also may face competition from low-cost entrants to the industry, including from international markets. Increased competition from companies that distribute through the wholesale channel, especially the private label market, could have a material adverse effect on our business, results of operations, financial condition and cash flows as these competitors may have greater financial and other resources available to them and possess extensive manufacturing, distribution and marketing capabilities far greater than ours. We are also subject to competition in the attraction and retention of employees. Many of our competitors have greater financial resources and can offer employees compensation packages with which it is difficult for us to compete.

As a result of our acquisition of Nexus, we have also entered the digital marketing industry as a way to promote the products and brands that we sell. We compete with other advertising service providers that may reach our target audience by means that are more effective than our services. Further, if such other providers of advertising have a long operating history, large product and service suites, more capital resources and broad international or local recognition, our operating results may be adversely affected if we cannot successfully compete.

The digital advertising market is rapidly developing. Accordingly, the development of the markets in which we operate makes it difficult to evaluate the viability and sustainability of our business and its acceptance by advertisers and clients. We cannot assure you that we will be profitable every year. We expect that our operating expenses will increase as we expand. Any significant failure to realize anticipated revenue growth could result in operating losses.

We may not be able to compete effectively in some or all our markets, and our attempt to do so may require us to reduce our prices, which may result in lower margins. Failure to compete effectively could have a material adverse effect on our market share, business, results of operations, financial condition, cash flows and growth prospects.



***Our major customers account for a significant portion of our consolidated net sales and the loss of any major customer could have a material adverse effect on our results of operations.***

During fiscal 2020 and 2019, Amazon, individually, accounted for 27% and 37% of Doctors Scientific Organica's net sales, respectively, and 16% and 15% of our pro forma combined net sales, respectively. Additionally, for fiscal 2020, our other significant customer, Costco, individually accounted for 30% of the net sales and 18% of our pro forma combined net sales.

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During fiscal 2020 and 2019, Nexus had four and two significant customers representing a total of 54% and 21% of net sales, respectively, and 17% and 5% of our pro forma combined net sales, respectively. These customers were DOFU Ventures, International Online Services, DM Marketing Masters and Dynamic Corp during 2020 and DM Marketing Masters and Oppur2nity during 2019.

We do not have a long-term contract with any major customer, and the loss of any major customer could have a material adverse effect on our results of operations. In addition, our results of operations and ability to service our debt obligations would be impacted negatively to the extent that any major customer is unable to make payments to us or does not make timely payments on outstanding accounts receivables.

### ***Failure to develop new products and production technologies or to implement productivity and cost reduction initiatives successfully may harm our competitive position.***

Our business depends significantly on the development of commercially viable new products as well as process technologies. If we are unsuccessful in developing new products and production processes in the future, our competitive position and results of operations may be negatively affected. However, as we invest in new technology, we face the risk of unanticipated operational or commercialization difficulties, including an inability to obtain necessary permits or governmental approvals, the development of competing technologies, failure of facilities or processes to operate in accordance with specifications or expectations, construction delays, cost over-runs, the unavailability of financing, required materials or equipment and various other factors. Likewise, our initiatives to improve productivity and performance and to generate cost savings may not be completed or beneficial or the estimated cost savings from such activities may not be realized.

### ***Resources devoted to product innovation may not yield new products that achieve commercial success.***

The development of new and innovative products requires significant investment in research and development and testing of new ingredients, formulas and possibly new production processes. The research and development process can be expensive and prolonged and entails considerable uncertainty. Products may appear promising in development but fail to reach market within the expected time frame, or at all. We may face significant challenges with regard to a key product launch. Further, products also may fail to achieve commercial viability due to pricing competitiveness with other retailers, failure to timely bring the product to market, failure to differentiate the product with our competitors and other reasons. Finally, there is no guarantee that our development teams will be able to successfully respond to competitive products that could render some of our offerings obsolete. Development of a new product, from discovery through testing to the store shelf, typically takes between four to seven months, but may require an even longer timeline if clinical trials are involved. Each of these time periods can vary considerably from product to product and therefore the costs and risks of producing a commercially viable product can increase significantly as time passes.

### ***Our failure to appropriately respond to changing consumer preferences and demand for new products and services could harm our customer relationships and product sales significantly.***

The nutritional supplement industry is characterized by rapid and frequent changes in demand for products and new product introductions. Our failure to accurately predict these trends could negatively impact consumer opinion of us as a source for the latest products, which, in turn, could harm our customer relationships and cause decreases in our net sales. The success of our new product offerings depends upon a number of factors, including our ability to:

- accurately anticipate customer needs;
- innovate and develop new products;
- successfully commercialize new products in a timely manner;
- price our products competitively;
- manufacture and deliver our products in sufficient volumes and in a timely manner; and
- differentiate our product offerings from those of our competitors.

If any new products fail to gain market acceptance, are restricted by regulatory requirements or have quality problems, this would harm our results of operations. If we do not introduce new products or make enhancements to meet the changing needs of our customers in a timely manner, some of our products could be rendered obsolete, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

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***If we experience product recalls, we may incur significant and unexpected costs, and our business reputation could be adversely affected.***

We may be exposed to product recalls and adverse public relations if our products are mislabeled or alleged to cause injury or illness, or if we are alleged to have violated governmental regulations. A product recall could result in substantial and unexpected expenditures, which would reduce operating profit and cash flow. In addition, a product recall may require significant management attention. Product recalls may hurt the value of our brands and lead to decreased demand for our products. Product recalls also may lead to increased scrutiny by federal, state or international regulatory agencies of our operations and increased litigation and could have a material adverse effect on our business, results of operations, financial condition and cash flows.

***We may incur material product liability claims, which could increase our costs and adversely affect our reputation, revenues and operating income.***

As a manufacturer and distributor of products designed for human consumption, we are subject to product liability claims if the use of our products is alleged to have resulted in injury. Our products consist of vitamins, minerals, dietary supplements and other ingredients that are classified as foods and dietary supplements, and, in most cases, are not necessarily subject to pre-market regulatory approval in the United States. Some of our products contain innovative ingredients that do not have long histories of human consumption. Previously unknown adverse reactions resulting from human consumption of these ingredients could occur. In addition, some of the products we sell are produced by third-party manufacturers. As a marketer of products manufactured by third parties, we also may be liable for various product liability claims for products we do not manufacture. We have been in the past, and may be in the future, subject to various product liability claims, including, among others, that our products include inadequate instructions for use or inadequate warnings concerning possible side effects and interactions with other substances. A product liability claim against us could result in increased costs and could adversely affect our reputation with our customers, which, in turn, could have a material adverse effect on our business, results of operations, financial condition and cash flows.

***Insurance coverage, even where available, may not be sufficient to cover losses we may incur.***

Our business exposes us to the risk of liabilities arising from our operations. For example, we may be liable for claims brought by users of our products or by employees, customers or other third parties for personal injury or property damage occurring in the course of our operations. We seek to minimize these risks through various insurance contracts from third-party insurance carriers. However, our insurance coverage is subject to large individual claim deductibles, individual claim and aggregate policy limits, and other terms and conditions. We retain an insurance risk for the deductible portion of each claim and for any gaps in insurance coverage. We do not view insurance, by itself, as a material mitigant to these business risks.

We cannot assure that our insurance will be sufficient to cover our losses. Any losses that insurance does not substantially cover could have a material adverse effect on our business, results of operations, financial condition and cash flows.

***We rely on our manufacturing operations to produce the vast majority of the nutritional supplements that we sell, and disruptions in our manufacturing system or losses of manufacturing certifications could affect our results of operations adversely.***

We currently operate manufacturing facilities in Doral and Riviera Beach, Florida. All our domestic and foreign operations manufacturing products for sale to the United States are subject to good manufacturing practices, or GMPs, promulgated by the FDA and other applicable regulatory standards, including in the areas of environmental protection and worker health and safety. Any significant disruption in our operations at any of these facilities, including any disruption due to any regulatory requirement, could affect our ability to respond quickly to changes in consumer demand and could have a material adverse effect on our business, results of operations, financial condition and cash flows. Additionally, we may be exposed to risks relating to the transfer of work between facilities or risks associated with opening new facilities or closing existing facilities that may cause a disruption in our operations. Although we have implemented GMPs in our facilities, there can be no assurance that products manufactured in our plants will not be contaminated or otherwise fail to meet our quality standards.

Any such contamination or other quality failures could result in costly recalls, litigation, regulatory actions or damage to our reputation, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

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### ***We are also dependent on certain third-party contract manufacturers and suppliers.***

Some of our own brand of vitamins and supplements, as well as the products we sell under the Sports Illustrated Nutrition brand, are produced by third party contract manufacturers. We also purchase certain important ingredients and raw materials from third-party suppliers. The principal raw materials required in our operations are vitamins, minerals, herbs, gelatin and packaging components. Real or perceived quality control problems with products manufactured by contract manufacturers or raw materials outsourced from certain suppliers could negatively impact consumer confidence in our products, or expose us to liability. In addition, disruption in the operations of any such manufacturer or supplier or material increases in the price of raw materials, for any reason, such as changes in economic and political conditions, tariffs, trade disputes, regulatory requirements, import restrictions, loss of certifications, power interruptions, fires, hurricanes, drought or other climate-related events, war or other events, could have a material adverse effect on our business, results of operations, financial condition and cash flows.

### ***Natural disasters (whether or not caused by climate change), unusually adverse weather conditions, pandemic outbreaks, terrorist acts and global political events could cause permanent or temporary facility closures, impair our ability to purchase, receive or replenish raw materials or cause customer traffic to decline, all of which could result in lost sales and otherwise adversely affect our financial performance.***

The occurrence of one or more natural disasters, such as hurricanes, fires, floods and earthquakes (whether or not caused by climate change), unusually adverse weather conditions, pandemic outbreaks (including the recent outbreak of COVID-19), terrorist acts or disruptive global political events, such as civil unrest in locations where our facilities, contract manufacturers or suppliers are located, or similar disruptions could adversely affect our operations and financial performance. To the extent these events result in the closure of one or more of our manufacturing facilities or our corporate headquarters, or impact one or more of our contract manufacturers or key suppliers, our operations and financial performance could be materially adversely affected through lost sales. In addition, these events could result in increases in fuel (or other energy) prices or a fuel shortage, the temporary lack of an adequate work force in a market, the temporary or long-term disruption in the supply of products from some local and overseas suppliers, the temporary disruption in the transport of goods from overseas, delay in the delivery of goods to our customers, the temporary reduction in the availability of our products, expiration of inventory, future long-lived asset impairment charges and disruption to our information systems. These events also could have indirect consequences, such as increases in the cost of insurance, if they were to result in significant loss of property or other insurable damage.

### ***An increase in the price and shortage of supply of key raw materials could adversely affect our business.***

Our products are composed of certain key raw materials. If the prices of these raw materials were to increase significantly, the costs to manufacture our products or to purchase products from our contract manufacturers could increase significantly and we may not be able to pass on such increases to our customers. Additionally, in the event any of our, or our contract manufacturer's, third-party suppliers or vendors become unable or unwilling to continue to provide raw materials in the required volumes and quality levels or in a timely manner, we, or our contract manufacturers, would be required to identify and obtain acceptable replacement supply sources. If we, or they, are unable to identify and obtain alternative supply sources in a timely manner or at all, our business could be adversely affected. A significant increase in the price of raw materials that cannot be passed on to customers could have a material adverse effect on our results of operations and financial condition. Events such as COVID-19, the threat of political or social unrest, or the perceived threat thereof, may also have a significant impact on raw material prices and transportation costs for our products. In addition, the interruption in supply of certain key raw materials essential to the manufacturing of our products may have an adverse impact on us and our suppliers' ability to provide us with the necessary products needed to maintain our customer relationships and an adequate level of sales.

General trade tensions between the U.S. and China have been escalating since 2018, with multiple rounds of U.S. tariffs on Chinese goods taking effect, with some subsequently being de-escalated. Furthermore, China or other countries may institute retaliatory trade measures in response to existing or future tariffs imposed by the U.S.

that could have a negative impact on our business. If any of these events continue as described, we may need to seek alternative suppliers or vendors, raise prices, or make changes to our operations, any of which could have a material adverse effect on our sales and profitability, results of operations and financial condition.

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### ***Our expansion into new business lines and services may result in unseen risks, challenges and uncertainties.***

As a result of our acquisition of Nexus in November 2021, we have entered the digital marketing business as a way to promote the products and brands that we sell. Such acquisition may result in unseen risks, challenges and uncertainties. We may incur additional capital expenditure to support the expansion of our business and there is no guarantee that we may increase our revenues generated from such new business. Also, our failure to manage costs and expenses and evaluate consumer demands with respect to such new business could materially and adversely affect the prospects of us achieving overall profitability of and recouping our investments in this new business line. Moreover, this new business line may require significant managerial, financial, operational and other resources, as well as the smooth cooperation with our company. We may also face higher regulatory, legal and counterparty risks from entering this business. If we fail to manage the development of this new business line successfully, our growth potential, business and results of operations may be materially and adversely affected.

### ***Declines in foot traffic, rising real estate prices and other costs and risks relating to operating a brick and mortar retail store could affect our results.***

On August 24, 2021, we established Smart for Life Canada Inc. as a wholly owned subsidiary of Doctors Scientific Organica in Canada. This subsidiary sells retail products through a retail store location in Montreal Canada and the same location also acts as distribution center for our international direct to consumer and big box customers.

The success of our retail store is affected by (1) the location of the store; (2) surrounding tenants or vacancies; (3) increased competition in the area where the store is located; (4) the amount spent on advertising and promotion to attract consumers to the store; and (5) a shift towards online shopping resulting in a decrease in retail store traffic. Declines in consumer traffic could have a negative impact on our net sales and could materially adversely affect our financial condition and results of operations. Furthermore, declines in traffic could result in store impairment charges if expected future cash flows of the related asset group do not exceed the carrying value.

We rent this store under a three-year lease agreement ending in September 2024. If we fail to negotiate appropriate terms for new leases or lease renewals, we may incur lease costs that are excessive and cause operating margins to be below acceptable levels. We may also make term commitments that are too long or too short, without the option to exit early or extend. Factors such as the condition of local property markets, availability of lease financing, taxes, zoning and environmental issues, and competitive actions may impact the availability of, and our ability to successfully negotiate, leases. Furthermore, the success of the store depends on a number of factors, including the success of the shopping center where our store is located, consumer demographics and consumer shopping patterns. These factors cannot be predicted with complete accuracy. If we fail to profitably operate this new store, our financial performance could be adversely affected.

### ***Our success is dependent on the accuracy, reliability, and proper use of sophisticated and dependable information processing systems and management information technology and any interruption in these systems could have a material adverse effect on our business, financial condition, and results of operations.***

Our success is dependent on the accuracy, reliability, and proper use of sophisticated and dependable information processing systems and management information technology. Our information technology systems are designed and selected to facilitate order entry and customer billing, maintain customer records, accurately track purchases, manage accounting, finance and manufacturing operations, generate reports, and provide customer service and technical support. Any interruption in these systems or any interruption associated with the transition of these systems to a new information technology platform could have a material adverse effect on our business, financial condition, and results of operations.

### ***System interruptions or security breaches may affect sales.***

Customer access to, and ability to use, our websites affects our sales. If we are unable to maintain and continually enhance the efficiency of our systems, we could experience system interruptions or delays that could affect our operating results negatively. In addition, we could be liable for breaches of security on our websites, loss or misuse of our customers' personal information or payment data. Although we have developed systems and



processes that are designed to protect consumer information and prevent fraudulent credit card transactions and other security breaches, failure to prevent or mitigate such fraud or breaches may negatively affect our operating results.

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***We must successfully maintain and/or upgrade our information technology systems, and our failure to do so could have a material adverse effect on our business, financial condition or results of operations.***

We rely on various information technology systems to manage our operations. Recently, we have implemented, and we continue to implement, modifications and upgrades to such systems and acquired new systems with new functionality. These types of activities subject us to inherent costs and risks associated with replacing and changing these systems, including impairment of our ability to fulfill customer orders, potential disruption of our internal control structure, substantial capital expenditures, additional administration and operating expenses, retention of sufficiently skilled personnel to implement and operate the new systems, demands on management time and other risks and costs of delays or difficulties in transitioning to or integrating new systems into our current systems. These implementations, modifications and upgrades may not result in productivity improvements at a level that outweighs the costs of implementation, or at all. In addition, the difficulties with implementing new technology systems may cause disruptions in our business operations and have a material adverse effect on our business, financial condition or results of operations.

***Privacy protection is increasingly demanding, and we may be exposed to risks and costs associated with security breaches, data loss, credit card fraud and identity theft that could cause us to incur unexpected expenses and loss of revenue, suffer reputational harm with our customers, as well as other risks.***

The protection of customer, employee, vendor and other business data is critical to us. We receive confidential customer data, including payment card and personally identifiable information, in the normal course of customer transactions. In order for our sales channels to function, we and other parties involved in processing customer transactions must be able to transmit confidential information, including credit card information, securely over public networks. While we have taken significant steps to protect customer and confidential information, the intentional or negligent actions of employees, business associates or third parties may undermine our security measures and result in unauthorized parties obtaining access to our data systems and misappropriating confidential data. There can be no assurance that advances in computer capabilities, new discoveries in the field of cryptography or other developments will prevent a compromise of our customer transaction processing capabilities and personal data. Because the techniques used to obtain unauthorized access to, disable, degrade, or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any compromise of our data security could result in a violation of applicable privacy and other laws or standards, significant legal and financial exposure beyond the scope or limits of our insurance coverage, interruption of our operations, increased operating costs associated with remediation, equipment acquisitions or disposal, added personnel, and a loss of confidence in our security measures, which could harm our business or investor confidence. Any security breach involving the misappropriation, loss or other unauthorized disclosure of sensitive or confidential information could attract a substantial amount of media attention, damage our reputation, expose us to risk of litigation and material liability, disrupt our operations and harm our business.

Federal, state, provincial and international laws and regulations govern the collection, retention, sharing and security of data that we receive from and about our employees, customers and vendors. The regulatory environment surrounding information security and privacy has been increasingly demanding in recent years, including the recent implementation of the California Consumer Privacy Act. In Canada, we are subject to Canada's Personal Information and Protection of Electronic Documents Act, which provides Canadian residents with privacy protections and sets out rules for how companies may collect, use and disclose personal information in the course of commercial activities. The costs of compliance with, and other burdens imposed by, these and other international data privacy and security laws may limit our business and services and could have a materially adverse impact on our business.

We believe that we are in material compliance with all laws, regulations and self-regulatory regimes that are applicable to us. However, the laws, regulations, and self-regulatory regimes may be modified, and new laws may be enacted in the future that may apply to us and affect our business. Further, data protection authorities may interpret existing laws in new ways. We may deploy new services from time to time, which may also require us to change our compliance practices. Any such developments (or developments stemming from enactment or modification of other laws) or the failure to anticipate accurately the application or interpretation of these laws could create liability for us, result in adverse publicity, increase our future compliance costs, make our products

and services less attractive to our customers, or cause us to change or limit our business practices, and materially affect our business and operating results. Further, any failure or perceived failure by us or third-party service providers to comply with international data privacy and security laws may lead to regulatory enforcement actions, fines, private lawsuits or reputational damage.

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### ***We may not be able to protect our intellectual property rights.***

We regard our trademarks, service marks, copyrights, patents, trade secrets, proprietary technologies, domain names and similar intellectual property as important to our success. We rely on trademark, copyright and patent law, trade secret protection and confidentiality agreements with our future employees, consultants, vendors, customers and others to protect our proprietary rights. Many of the trademarks that we use contain words or terms having a somewhat common usage and, as a result, we may have difficulty registering them in certain jurisdictions. We have not yet obtained registrations for our most important marks. If other companies have registered or have been using in commerce similar trademarks for products similar to ours, we may have difficulty in registering, or enforcing an exclusive right to use, our marks.

There can be no assurance that our efforts to protect our proprietary rights will be sufficient or effective, that any pending or future patent and trademark applications will lead to issued patents and registered trademarks in all instances, that others will not develop or patent similar or superior technologies, products, or that our patents, trademarks, and other intellectual property will not be challenged, invalidated, misappropriated or infringed by others. Additionally, the intellectual property laws and enforcement practices of other countries in which our product is or may in the future be offered may not protect our products and intellectual property rights to the same extent as the laws of the United States. If we are unable to protect our intellectual property from unauthorized use, our brand image may be harmed, and our business and results of operations may suffer.

### ***Assertions by third parties of infringement, misappropriation or other violation by us of their intellectual property rights could result in significant costs and substantially harm our business and operating results.***

In recent years, there has been significant litigation involving intellectual property rights in many technology-based industries. Any infringement, misappropriation or related claims, whether or not meritorious, is time-consuming, diverts technical and management personnel and is costly to resolve. As a result of any such dispute, we may have to develop non-infringing technology, pay damages, enter into royalty or licensing agreements, cease providing our product or take other actions to resolve the claims. These actions, if required, may be costly or unavailable on terms acceptable to us. Any of these events could result in increases in operating expenses, limit our product offerings or result in a loss of business.

### ***We may be required to indemnify our vendors and/or customers, the payment of which could have a material adverse effect on our business, financial condition, and operating results.***

We provide certain rights of indemnification to our vendors and/or customers in certain circumstances. If any plaintiff is successful in certifying a class and thereafter prevailing on the merits of their complaint, such an adverse result could have a material adverse effect on us. In addition, due to the nature and scope of the indemnity and defense we will likely need to provide, the legal fees associated with such indemnification could be significant enough to have a material adverse effect on our cash flows until such matters are fully and finally resolved.

### ***Compliance with new and existing laws and governmental regulations could increase our costs significantly and adversely affect our results of operations.***

The processing, formulation, safety, manufacturing, packaging, labeling, advertising and distribution of our products are subject to federal laws and regulation by one or more federal agencies, including the FDA, the Federal Trade Commission, or the FTC, the Consumer Product Safety Commission, or the CPSC, the U.S. Department of Agriculture, or the USDA, and U.S. Environmental Protection Agency, or the EPA. These activities are also regulated by various state, local and international laws and agencies of the states and localities in which our products are sold. Government regulations may prevent or delay the introduction, or require the reformulation, of our products, which could result in lost revenues and increased costs to us. For instance, the FDA regulates, among other things, the composition, safety, manufacture, labeling and marketing of dietary ingredients and dietary supplements (including vitamins, minerals, herbs, and other dietary ingredients for human use). Dietary supplements and dietary ingredients that do not comply with FDA's regulations and/or the Dietary Supplement Health and Education Act of 1994 will be deemed adulterated or misbranded. Manufacturers and distributors of dietary supplements and dietary ingredients are prohibited from marketing products that are

adulterated or misbranded, and the FDA may take enforcement action against any adulterated or misbranded dietary supplement on the market. The FDA has broad enforcement powers. If we violate applicable regulatory requirements, the FDA may bring enforcement actions against us, which could have a material adverse effect on our business, prospects, financial condition, and results of operations. The FDA may not accept the

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evidence of safety for any new ingredient that we may wish to market, may determine that a particular supplement or ingredient presents an unacceptable health risk based on the required submission of serious adverse events or other information, and may determine that a particular claim or statement of nutritional value that we use to support the marketing of a supplement is an impermissible drug claim, is not substantiated, or is an unauthorized version of a “health claim.” See “*Business — Regulation — Food and Drug Administration*” for additional information. Any of these actions could prevent us from marketing particular nutritional supplement products or making certain claims or statements with respect to those products. The FDA could also require us to remove a particular product from the market. Any future recall or removal would result in additional costs to us, including lost revenues from any products that we are required to remove from the market, any of which could be material. Any product recalls or removals could also lead to an increased risk of litigation and liability, substantial costs, and reduced growth prospects.

Additional or more stringent laws and regulations of dietary supplements and other products have been considered from time to time. These developments could require reformulation of some products to meet new standards, recalls or discontinuance of some products not able to be reformulated, additional record-keeping requirements, increased documentation of the properties of some products, additional or different labeling, additional scientific substantiation, or other new requirements. Any of these developments could increase our costs significantly. In addition, regulators’ evolving interpretation of existing laws could have similar effects.

***Our failure to comply with FTC regulations could result in substantial monetary penalties and could adversely affect our operating results.***

The FTC exercises jurisdiction over the advertising of dietary supplements and requires that all advertising to consumers be truthful and non-misleading. The FTC actively monitors the dietary supplement space and has instituted numerous enforcement actions against dietary supplement companies for failure to have adequate substantiation for claims made in advertising or for the use of false or misleading advertising claims. Failure to comply with applicable regulations could result in substantial monetary penalties, which could have a material adverse effect on our financial condition or results of operations.

***Our operations are subject to environmental and health and safety laws and regulations that may increase our cost of operations or expose us to environmental liabilities.***

We are subject, directly or indirectly, to numerous federal, state, local and foreign environmental and health and safety laws and regulations governing our operations, including the handling, transportation and disposal of our non-hazardous and hazardous substances and wastes, as well as emissions and discharges from our operations into the environment, including discharges to air, surface water and groundwater. Failure to comply with such laws and regulations could result in costs for remedial actions, penalties or the imposition of other liabilities. New laws, changes in existing laws or the interpretation thereof, or the development of new facts or changes in their processes could also cause us to incur additional capital and operating expenditures to maintain compliance with environmental laws and regulations and environmental permits. Any failure by us to comply with environmental, health and safety requirements could result in the limitation or suspension of our operations, including operations at our manufacturing facility. We also could incur monetary fines, civil or criminal sanctions, third-party claims or cleanup or other costs as a result of violations of or liabilities under such requirements.

We also are subject to laws and regulations that impose liability and cleanup responsibility for releases of hazardous substances into the environment without regard to fault or knowledge about the condition or action causing the liability. Under certain of these laws and regulations, such liabilities can be imposed for cleanup of previously owned or operated properties, or for properties to which substances or wastes that were sent in connection with current or former operations at our facilities. The presence of contamination from such substances or wastes could also adversely affect our ability to sell or lease our properties, or to use them as collateral for financing.

*Failure to comply with federal, state and international privacy, data protection, marketing and consumer protection laws, regulations and industry standards, or the expansion of current or the enactment or adoption of new privacy, data protection, marketing and consumer protection laws, regulations or industry standards, could adversely affect our business.*

We are subject to a variety of federal, state and foreign laws, regulations and industry standards regarding privacy, data protection, data security, marketing and consumer protection, which address the collection, storing, sharing, using, processing, disclosure and protection of data relating to individuals, as well as the tracking of consumer behavior

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and other consumer data. We are also subject to laws, regulations and industry standards relating to endorsements and influencer marketing. Many of these laws, regulations and industry standards are changing and may be subject to differing interpretations, are costly to comply with or inconsistent among jurisdictions. For example, the FTC expects companies like ours to comply with guidelines issued under the Federal Trade Commission Act that govern the collection, use, disclosure, and storage of consumer information, and establish principles relating to notice, consent, access and data integrity and security. The laws and regulations in many foreign countries relating to privacy, data protection, data security, marketing and consumer protection often are more restrictive than in the United States, and may in some cases be interpreted to have a greater scope. Additionally, the laws, regulations and industry standards, both foreign and domestic, relating to privacy, data protection, data security, marketing and consumer protection are dynamic and may be expanded or replaced by new laws, regulations or industry standards.

We strive to comply with applicable laws, policies, contractual and other legal obligations and certain applicable industry standards of conduct relating to privacy, data security, data protection, marketing and consumer protection. However, these obligations and standards of conduct often are complex, vague, and difficult to comply with fully, and it is possible that these obligations and standards of conduct may be interpreted and applied in new ways and/or in a manner that is inconsistent with each other or that new laws, regulations or other obligations may be enacted. It is possible that our practices may be argued or held to conflict with applicable laws, policies, contractual or other legal obligations, or applicable industry standards of conduct relating to privacy, data security, data protection, marketing or consumer protection. Any failure, or perceived failure, by us to comply with our posted privacy policies or with any data-related consent orders, FTC, other regulatory requirements or orders or other federal, state or, as we continue to expand internationally, international privacy, data security, data protection, marketing or consumer protection-related laws, regulations, contractual obligations or self-regulatory principles or other industry standards could result in claims, proceedings or actions against us by governmental entities or others or other liabilities or could result in a loss of consumers. Any of these circumstances could adversely affect our business.

We expect that there will continue to be new proposed laws, regulations and industry standards concerning privacy, data protection and information security in the United States and other jurisdictions, and we cannot yet determine the impact such future laws, regulations and standards may have on our business. For instance, with the increased focus on the use of data for advertising, the anticipation and expectation of future laws, regulations, standards and other obligations could impact us. In addition, as we expand our data analytics and other data related product offerings there may be increased scrutiny on our use of data and we may be subject to new and unexpected regulations. Future laws, regulations, standards and other obligations could, for example, impair our ability to collect or use information that we utilize to provide targeted digital promotions and media to consumers, thereby impairing our ability to maintain and grow our total customers and increase revenues. Future restrictions on the collection, use, sharing or disclosure of our users' data or additional requirements for express or implied consent of users for the use and disclosure of such information could require us to modify our solutions, possibly in a material manner, and could limit our ability to develop or outright prohibit new solutions and features. Any such new laws, regulations, other legal obligations or industry standards, or any changed interpretation of existing laws, regulations or other standards may require us to incur additional costs and restrict our business operations. If our measures fail to comply with current or future laws, regulations, policies, legal obligations or industry standards relating to privacy, data protection, data security, marketing or consumer protection, we may be subject to litigation, regulatory investigations, fines or other liabilities, as well as negative publicity and a potential loss of business. Moreover, if future laws, regulations, other legal obligations or industry standards, or any changed interpretations of the foregoing limit our ability to store, process and share personally identifiable information or other data, demand for our products could decrease, our costs could increase, our revenue growth could slow, and our business, financial condition and operating results could be harmed.

***We are exposed to potential liability for information on our customers' websites and for products and services sold through their websites and we may incur significant costs and damage to our reputation as a result of defending against such potential liability.***

We are exposed to potential liability for information on our customers' websites. We could be exposed to liability with respect to such third-party information such as their products, links to third-party websites, advertisements and content provided by customers. Among other things, we may face assertions that, by directly or indirectly



providing such third-party content or links to other websites, we should be liable for defamation, negligence, copyright or trademark infringement, or other actions by parties providing such content or operating those websites. We may also face assertions that content on our publishers and advertisers' websites, including statistics or other data we compile

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internally, or information contained in websites linked to our websites contains false information, errors or omissions, and users and our customers could seek damages for losses incurred as a result of their reliance upon or otherwise relating to incorrect information. We may also be subject to fines and other sanctions by the government for such incorrect information. In addition, our services could be used as a platform for fraudulent transactions and third party products and services sold through us may be defective. The measures we take to guard against liability for third-party content, information, products and services may not be adequate to exonerate us from relevant civil and other liabilities.

Any such claims, with or without merit, could be time-consuming to defend and result in litigation and significant diversion of management's attention and resources. Even if these claims do not result in liability to us, we could incur significant costs in investigating and defending against these claims and suffer damage to our reputation.

***If the use of third-party cookies or other tracking technology is rejected by Internet users, restricted by third parties outside of our control, or otherwise subject to unfavorable regulation, our performance could decline and we could lose customers and revenue.***

We use a number of technologies to collect information about our customers. For instance, we use small text files (referred to as "cookies"), placed through an Internet browser on an Internet user's machine which corresponds to a data set that we keep on our servers, to gather important data. Our cookies collect anonymous information, such as when an Internet user views an advertisement, clicks on an advertisement, or visits one of our advertisers' websites. In some countries, including countries in the European Economic Area, this information may be considered personal information under applicable data protection laws. On mobile devices, we may also obtain location-based information about the user's device through our cookies or other tracking technologies. We use these technologies to achieve our campaign goals, to ensure that the same Internet user does not unintentionally see the same media too frequently, to report aggregate information regarding the performance of our digital promotions and marketing campaigns, and to detect and prevent fraudulent activity throughout our network.

Cookies may easily be deleted or blocked by Internet users. All of the most commonly used Internet browsers (including Chrome, Firefox, Internet Explorer, and Safari) allow Internet users to prevent cookies from being accepted by their browsers. Internet users can also delete cookies from their computers at any time. Some Internet users also download "ad blocking" software that prevents cookies from being stored on a user's computer. If more Internet users adopt these settings or delete their cookies more frequently than they currently do, our business could be harmed. In addition, the Safari and Firefox browsers blocks third-party cookies by default, and other browsers may do so in the future. Unless such default settings in browsers were altered by Internet users to permit the placement of third-party cookies, we would be able to set fewer of our cookies in users' browsers, which could adversely affect our business. In addition, companies such as Google have publicly disclosed their intention to move away from cookies to another form of persistent unique identifier, or ID, to identify individual Internet users or Internet-connected devices in the bidding process on advertising exchanges. If companies do not use shared IDs across the entire ecosystem, this could have a negative impact on our ability to find the same anonymous user across different web properties, and reduce the effectiveness of our marketing efforts.

In addition, in the European Union, or EU, Directive 2009/136/EC, commonly referred to as the "Cookie Directive," directs EU member states to ensure that collecting information on an Internet user's computer, such as through a cookie, is allowed only if the Internet user has appropriately given his or her prior freely given, specific, informed and unambiguous consent. Similarly, this Directive which also contains specific rules for the sending of marketing communications, limits the use of marketing texts messages and e-mails. Additionally, an e-Privacy Regulation, which will replace the Cookie Directive with requirements that could be stricter in certain respects, apply directly to activities within the EU without the need to be transposed in each member state's law, and could impose stricter requirements regarding the use of cookies and marketing e-mails and text messages and additional penalties for noncompliance, has been proposed, although at this time it is unclear whether it will be approved as it is currently drafted or when its requirements will be effective. We may experience challenges in obtaining appropriate consent to our use of cookies from consumers or to send marketing communications to consumers within the EU, which may affect our ability to run promotions and our operating results and business in European markets, and we may not be able to develop or implement additional tools that compensate for the

lack of data associated with cookies. Moreover, even if we are able to do so, such additional tools may be subject to further regulation, time consuming to develop or costly to obtain, and less effective than our current use of cookies.

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### ***Economic, political and other risks associated with our international operations could adversely affect our revenues and international growth prospects.***

On August 24, 2021, we established Smart for Life Canada Inc. as a wholly owned subsidiary of Doctors Scientific Organica in Canada. This subsidiary sells retail products through a retail store location in Montreal Canada and the same location also acts as distribution center for our international direct to consumer and big box customers. We maintain inventory and employees at this location. We have sales outside of the United States. For fiscal 2020, international sales represented approximately 18% of our net sales (on a pro forma combined basis). We intend to expand our international presence as part of our business strategy. Our international operations are subject to a number of risks inherent to operating in foreign countries, and any expansion of our international operations will amplify the effects of these risks, which include, among others:

- differences in culture, economic and labor conditions and practices;
- the policies of the U.S. and foreign governments;
- disruptions in trade relations and economic instability;
- differences in enforcement of contract and intellectual property rights;
- social and political unrest;
- natural disasters, terrorist attacks, pandemics or other catastrophic events;
- complex, varying and changing government regulations and legal standards and requirements, particularly with respect to tax regulations, price protection, competition practices, export control regulations and restrictions, customs and tax requirements, immigration, anti-boycott regulations, data privacy, intellectual property, anti-corruption and environmental compliance, including the Foreign Corrupt Practices Act;
- greater difficulty enforcing intellectual property rights and weaker laws protecting such rights; and
- greater difficulty in accounts receivable collections and longer collection periods;

We are also affected by domestic and international laws and regulations applicable to companies doing business abroad or importing and exporting goods and materials. These include tax laws, laws regulating competition, anti-bribery/anti-corruption and other business practices, and trade regulations, including duties and tariffs. Compliance with these laws is costly, and future changes to these laws may require significant management attention and disrupt our operations. Additionally, while it is difficult to assess what changes may occur and the relative effect on our international tax structure, significant changes in how U.S. and foreign jurisdictions tax cross-border transactions could materially and adversely affect our results of operations and financial position.

Our results of operations and financial position are also impacted by changes in currency exchange rates. Unfavorable currency exchange rates between the US Dollar and foreign currencies, particularly the Canadian dollar, could adversely affect us in the future. Fluctuations in currency exchange rates may present challenges in comparing operating performance from period to period.

There are other risks that are inherent in our Canadian and other international operations, including the potential for changes in socio-economic conditions, laws and regulations, including, among others, competition, import, export, labor and environmental, health and safety laws and regulations, and monetary and fiscal policies, protectionist measures that may prohibit acquisitions or joint ventures, or impact trade volumes, unsettled political conditions; government-imposed plant or other operational shutdowns, backlash from foreign labor organizations related to our restructuring actions, corruption; natural and man-made disasters, hazards and losses, violence, civil and labor unrest, and possible terrorist attacks.

Additionally, if the opportunity arises, we may expand our operations into new and high-growth international markets. However, there is no assurance that we will expand our operations in such markets in our desired time frame. To expand our operations into new international markets, we may enter into business combination

transactions, make acquisitions or enter into strategic partnerships, joint ventures or alliances, any of which may be material. We may enter into these transactions to acquire other businesses or products to expand our products or take advantage of new

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developments and potential changes in the industry. Our lack of experience operating in new international markets and our lack of familiarity with local economic, political and regulatory systems could prevent us from achieving the results that we expect on our anticipated time frame or at all. If we are unsuccessful in expanding into new or high-growth international markets, it could adversely affect our operating results and financial condition.

### ***Our international operations require us to comply with anti-corruption laws and regulations of the U.S. government and various international jurisdictions in which we do business.***

Doing business on a worldwide basis requires us to comply with the laws and regulations of the U.S. government and various international jurisdictions, and our failure to successfully comply with these rules and regulations may expose us to liabilities. These laws and regulations apply to companies, individual directors, officers, employees, and agents, and may restrict our operations, trade practices, investment decisions and partnering activities. In particular, our international operations are subject to U.S. and foreign anti-corruption laws and regulations, such as the Foreign Corrupt Practices Act, or the FCPA. The FCPA prohibits us from providing anything of value to foreign officials for the purposes of influencing official decisions or obtaining or retaining business or otherwise obtaining favorable treatment, and requires us to maintain adequate record-keeping and internal accounting practices to accurately reflect our transactions. As part of our business, we may deal with state-owned business enterprises, the employees and representatives of which may be considered foreign officials for purposes of the FCPA. In addition, some of the international locations in which we operate lack a developed legal system and have elevated levels of corruption. As a result of the above activities, we are exposed to the risk of violating anti-corruption laws. Violations of these legal requirements are punishable by criminal fines and imprisonment, civil penalties, disgorgement of profits, injunctions, debarment from government contracts as well as other remedial measures. We have established policies and procedures designed to assist us and our personnel in complying with applicable U.S. and international laws and regulations. However, there can be no assurance that our policies and procedures will effectively prevent us from violating these regulations in every transaction in which we may engage, and such a violation could adversely affect our reputation, business, financial condition and results of operations.

### ***Our success depends on the experience and skill of our board of directors, executive officers and key personnel, whom we may not be able to retain and we may not be able to hire enough additional personnel to meet our needs.***

We are dependent on Alfonso J. Cervantes, Jr. (Executive Chairman), Ryan F. Zackon (CEO), Darren C. Minton (President), and Alan B. Bergman (Chief Financial Officer). There can be no assurance that they will continue to be employed by us for a particular period of time. The loss of any member of the board of directors or executive officer or advisors could harm our business, financial condition, cash flow and results of operations.

The success of our strategy will depend on a well-defined management structure and the availability of a management team with proven competencies in the identification, acquisition and integration of complementary companies and assets. To implement our business plan, we will need to keep the personnel that we currently have and, if our business is to grow as planned, we will need additional personnel. We cannot assure you that we will be successful in retaining our present team or in attracting and retaining additional personnel. If we are unable to attract and retain key personnel or are unable to do so in a cost-effective manner, our business may be materially and adversely affected.

### ***Although dependent on certain key personnel, we do not have any key man life insurance policies on any such people.***

We are dependent on our management team to conduct our operations and execute our business plan, however, we have not purchased any insurance policies with respect to the management in the event of the death or disability of any of our key managers. Therefore, if any of the members of our management team dies or becomes disabled, we will not receive any compensation to assist with his absence.

***We may be a party to lawsuits that arise in the ordinary course of business.***

We may be a party to lawsuits in the future (including product liability, false advertising, and intellectual property claims) that arise in the ordinary course of business. The possibility of such litigation, and its timing, is in large part outside our control. It is possible that future litigation could arise that could have material adverse effects on us.

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### ***The obligations associated with being a public company will require significant resources and management attention, and we will incur increased costs as a result of becoming a public company.***

As a public company, we will face increased legal, accounting, administrative and other costs and expenses that we have not incurred as a private company, and we expect to incur additional costs related to operating as a public company. After the completion of this offering, we will be subject to the reporting requirements of the Exchange Act, which requires that we file annual, quarterly and current reports with respect to our business and financial condition, and proxy and other information statements, as well as the rules and regulations implemented by the SEC, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the Public Company Accounting Oversight Board, and the listing requirements of Nasdaq (if our common stock is approved for listing), each of which imposes additional reporting and other obligations on public companies. As a public company, we will be required to, among other things:

- prepare and distribute periodic reports, proxy statements and other stockholder communications in compliance with the federal securities laws and rules and Nasdaq rules;
- expand the roles and duties of our board of directors and committees thereof and management;
- hire additional financial and accounting personnel and other experienced accounting and finance staff with the expertise to address complex accounting matters applicable to public companies;
- institute more comprehensive financial reporting and disclosure compliance procedures;
- involve and retain, to a greater degree, outside counsel and accountants to assist us with the activities listed above;
- build and maintain an investor relations function;
- establish new internal policies, including those relating to trading in our securities and disclosure controls and procedures;
- comply with the initial listing and maintenance requirements of Nasdaq; and
- comply with the Sarbanes-Oxley Act.

We expect these rules and regulations, and any future changes in laws, regulations and standards relating to corporate governance and public disclosure, which have created uncertainty for public companies, to increase legal and financial compliance costs and make some activities more time consuming and costly. These laws, regulations and standards are subject to varying interpretations, in many cases, due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. Our investment in compliance with existing and evolving regulatory requirements will result in increased administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities, which could have a material adverse effect on our business, financial condition and results of operations.

We also expect that being a public company will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These increased costs may require us to divert a significant amount of money that we could otherwise use to expand our business and achieve our strategic objectives.

### ***We may not complete our analysis of our internal control over financial reporting in a timely manner, or these internal controls may not be determined to be effective.***

We will be required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting in the second annual report we file with the SEC. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. However, our auditors will not be required to



formally attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 until we are no longer a non-accelerated filer or no longer an emerging growth company if we take advantage of the exemptions available to us through the JOBS Act.

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We are in the very early stages of the costly and challenging process of compiling the system and process documentation necessary to perform the evaluation needed to comply with Section 404. In this regard, we will need to continue to dedicate internal resources, engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. As we transition to the requirements of reporting as a public company, we may need to add additional finance staff. We may not be able to remediate any future material weaknesses, or to complete our evaluation, testing and any required remediation in a timely fashion. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal controls are effective. If we are unable to assert that our internal control over financial reporting is effective, or if our auditors are unable to express an opinion on the effectiveness of our internal controls when they are required to issue such opinion, investors could lose confidence in the accuracy and completeness of our financial reports, which could harm our stock price.

### **Risks Related to This Offering and Ownership of Our Common Stock**

***Once our common stock is listed on Nasdaq, there can be no assurance that an active market in which investors can resell their shares of our common stock will develop.***

Prior to this offering, there has been no public market for shares of our common stock. As a condition to consummating this offering, our common stock offered in this prospectus must be listed on Nasdaq or another national securities exchange. Accordingly, we have applied to list our common stock on Nasdaq under the symbol “SMFL.” Assuming that our common stock is listed and after the consummation of this offering, there can be no assurance any broker will be interested in trading our stock. Therefore, it may be difficult to sell your shares of common stock if you desire or need to sell them. Our underwriters are not obligated to make a market in our common stock, and even if they make a market, they can discontinue market making at any time without notice. Neither we nor the underwriters can provide any assurance that an active and liquid trading market in our common stock will develop or, if developed, that such market will continue.

***The market price of our common stock may fluctuate, and you could lose all or part of your investment.***

After this offering, the market price for our common stock is likely to be volatile, in part because our shares have not been traded publicly. In addition, the market price of our common stock may fluctuate significantly in response to several factors, most of which we cannot control, including:

- actual or anticipated variations in our periodic operating results;
- increases in market interest rates that lead investors of our common stock to demand a higher investment return;
- changes in earnings estimates;
- changes in market valuations of similar companies;
- actions or announcements by our competitors;
- adverse market reaction to any increased indebtedness we may incur in the future;
- additions or departures of key personnel;
- actions by stockholders;
- speculation in the media, online forums, or investment community; and
- our intentions and ability to list our common stock on Nasdaq and our subsequent ability to maintain such listing.



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The public offering price of our units has been determined by negotiations between us and the underwriters based upon many factors and may not be indicative of prices that will prevail following the closing of this offering. Volatility in the market price of our common stock may prevent investors from being able to sell their common stock at or above the initial public offering price. As a result, you may suffer a loss on your investment.

### ***We may not be able to maintain a listing of our common stock on Nasdaq.***

If our common stock is listed on Nasdaq, we must meet certain financial and liquidity criteria to maintain such listing. If we fail to meet any of Nasdaq's continued listing standards or we violate Nasdaq listing requirements, our common stock may be delisted. In addition, our board of directors may determine that the cost of maintaining our listing on a national securities exchange outweighs the benefits of such listing. A delisting of our common stock from Nasdaq may materially impair our stockholders' ability to buy and sell our common stock and could have an adverse effect on the market price of, and the efficiency of the trading market for, our common stock. The delisting of our common stock could significantly impair our ability to raise capital and the value of your investment.

### ***There is no public market for the series B convertible preferred stock or warrants being offered.***

There is no established public trading market for the series B convertible preferred stock or warrants being offered pursuant to this offering, nor do we expect such a market to develop. We do not intend to apply to list any series B convertible preferred stock or warrants on any securities exchange or other nationally recognized trading system, including Nasdaq. Without an active market, the liquidity of such series B convertible preferred stock and warrants will be limited.

### ***Holders of the warrants purchased pursuant to this offering will have no rights as stockholders until such holders exercise the warrants and acquire our common stock.***

Holders of the warrants purchased in this offering only acquire our common stock upon exercise thereof, meaning holders will have no rights with respect to the shares of our common stock underlying such warrants. Upon the exercise of any of the warrants purchased, such holders will be entitled to exercise the rights of a stockholders only as to matters for which the record date occurs after the exercise date. The warrants are speculative in nature. The series A warrants being sold in this offering have an exercise price of \$ per share (or 70% of the unit offering price) and will expire on the fifth anniversary from the issuance date and the series B warrants being sold in this offering have an exercise price of \$ per share (or 100% of the unit offering price) and will expire on the fifth anniversary from the issuance. In the event our common stock price does not exceed the per share exercise price of the warrants during the period when such warrants are exercisable, such warrants will not have any value.

### ***If you purchase series B convertible preferred stock in lieu of common stock in this offering, as a holder of series B convertible preferred stock, you will have no rights as a common stockholder with respect to the shares of common stock underlying the series B convertible preferred stock until you acquire our common stock.***

If you purchase series B convertible preferred stock in lieu of common stock in this offering, until you acquire our common stock upon conversion of your series B convertible preferred stock, you will have no rights with respect to the common stock underlying the series B convertible preferred stock. Upon conversion of your series B convertible preferred stock, you will be entitled to exercise the rights of a common stockholder only as to matters for which the record date for actions to be taken by our common stockholders occurs after the date you convert your series B convertible preferred stock.

### ***Our series B convertible preferred stock will rank junior to all our liabilities to third party creditors, and to any class or series of our capital stock created after this offering specifically ranking by its terms senior to the series B convertible preferred stock, in the event of a bankruptcy, liquidation or winding up of our assets.***

In the event of bankruptcy, liquidation or winding up, our assets will be available to pay obligations on our series B convertible preferred stock only after all our liabilities have been paid. Our series B convertible preferred stock will effectively rank junior to all existing and future liabilities held by third party creditors. The terms of our

series B convertible preferred stock do not restrict our ability to raise additional capital in the future through the issuance of debt or senior series of preferred stock. Our series B convertible preferred stock will also rank junior to any class or

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series of our capital stock created after this offering specifically ranking by its terms senior to the series B convertible preferred stock. In the event of bankruptcy, liquidation or winding up, there may not be sufficient assets remaining, after paying our liabilities, to pay amounts due on any or all of our series B convertible preferred stock then outstanding.

### ***Our management has broad discretion as to the use of the net proceeds from this offering allocated to working capital and general corporate purposes.***

Our management will have broad discretion in the application of the net proceeds that are allocated to working capital and general corporate purposes. Accordingly, you will have to rely upon the judgment of our management with respect to the use of these proceeds. Our management may spend a portion or all of the net proceeds from this offering that are allocated to working capital and general corporate purposes in ways that holders of our common stock may not desire or that may not yield a significant return or any return at all. Our management not applying these funds effectively could harm our business. Pending their use, we may also invest the net proceeds from this offering that are allocated to working capital and general corporate purposes in a manner that does not produce income or that loses value. Please see “*Use of Proceeds*” below for more information.

### ***You will experience immediate and substantial dilution as a result of this offering.***

As of September 30, 2021, our pro forma deficiency in net tangible book value was \$(11,664,699), or \$(0.62) per share. Since the effective price per share of our common stock underlying the units being offered in this offering is substantially higher than the pro forma net deficiency in tangible book value per share of our common stock, you will suffer substantial dilution with respect to the net tangible book value of the common stock underlying the units you purchase in this offering. If the holders of outstanding options or warrants exercise those options or warrants at prices below the offering price, you will incur even further dilution.

In addition, if upon the earlier of (i) 10 trading days from the issuance date of the series B warrants or (ii) the time when \$10.0 million of volume is traded in our common stock, if the volume weighted average price of our common stock on any trading day on or after the date of issuance fails to exceed the exercise price of the series B warrants, the series B warrants can be exercised on a “cashless” basis for shares of common stock on a one-for-one basis, regardless of whether the market price of our common stock is above the exercise price, which may result in additional dilution and no additional proceeds to us in connection with such exercises. See “Dilution” for a more complete description of how the value of your investment in our common stock will be diluted upon the completion of this offering.

### ***An investment in this offering may result in uncertain U.S. federal income tax consequences.***

An investment in this offering may result in uncertain U.S. federal income tax consequences. For instance, because there are no authorities that directly address instruments similar to the units part of this offering, the allocation an investor makes with respect to the purchase price of a unit between the common stock, the series A warrant and the series B warrant included in each unit could be challenged by the Internal Revenue Service, or IRS, or courts. See “*Material U.S. Federal Income Tax Considerations for Non-U.S. Holders*” for a summary of the U.S. federal income tax considerations of an investment in our securities. Prospective investors are urged to consult their tax advisors with respect to these and other tax consequences when acquiring, owning or disposing of our securities.

### ***We do not expect to declare or pay dividends in the foreseeable future.***

We do not expect to declare or pay dividends in the foreseeable future, as we anticipate that we will invest future earnings in the development and growth of our business. Therefore, holders of our common stock will not receive any return on their investment unless they sell their securities, and holders may be unable to sell their securities on favorable terms or at all.

***If securities industry analysts do not publish research reports on us, or publish unfavorable reports on us, then the market price and market trading volume of our common stock could be negatively affected.***

Any trading market for our common stock may be influenced in part by any research reports that securities industry analysts publish about us. We do not currently have and may never obtain research coverage by securities industry analysts. If no securities industry analysts commence coverage of us, the market price and market trading volume

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of our common stock could be negatively affected. In the event we are covered by analysts, and one or more of such analysts downgrade our securities, or otherwise reports on us unfavorably, or discontinues coverage of us, the market price and market trading volume of our common stock could be negatively affected.

***Future issuances of our common stock or securities convertible into, or exercisable or exchangeable for, our common stock, or the expiration of lock-up agreements that restrict the issuance of new common stock or the trading of outstanding common stock, could cause the market price of our common stock to decline and would result in the dilution of your holdings.***

Future issuances of our common stock or securities convertible into, or exercisable or exchangeable for, our common stock, or the expiration of lock-up agreements that restrict the issuance of new common stock or the trading of outstanding common stock, could cause the market price of our common stock to decline. We cannot predict the effect, if any, of future issuances of our securities, or the future expirations of lock-up agreements, on the price of our common stock. In all events, future issuances of our common stock would result in the dilution of your holdings. In addition, the perception that new issuances of our securities could occur, or the perception that locked-up parties will sell their securities when the lock-ups expire, could adversely affect the market price of our common stock. In connection with this offering, we will enter into a lock-up agreement that prevents us, subject to certain exceptions, from offering additional shares of capital stock for up to 12 months after the closing of this offering, as further described in the section titled “*Underwriting*.” In addition to any adverse effects that may arise upon the expiration of these lock-up agreements, the lock-up provisions in these agreements may be waived, at any time and without notice. If the restrictions under the lock-up agreements are waived, our common stock may become available for resale, subject to applicable law, including without notice, which could reduce the market price for our common stock.

***Future issuances of debt securities, which would rank senior to our common stock upon our bankruptcy or liquidation, and future issuances of preferred stock, which could rank senior to our common stock for the purposes of dividends and liquidating distributions, may adversely affect the level of return you may be able to achieve from an investment in our common stock.***

In the future, we may attempt to increase our capital resources by offering debt securities. Upon bankruptcy or liquidation, holders of our debt securities, and lenders with respect to other borrowings we may make, would receive distributions of our available assets prior to any distributions being made to holders of our common stock. Moreover, if we issue preferred stock, the holders of such preferred stock could be entitled to preferences over holders of common stock in respect of the payment of dividends and the payment of liquidating distributions. Because our decision to issue debt or preferred stock in any future offering, or borrow money from lenders, will depend in part on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of any such future offerings or borrowings. Holders of our common stock must bear the risk that any future offerings we conduct or borrowings we make may adversely affect the level of return, if any, they may be able to achieve from an investment in our common stock.

***If our shares of common stock become subject to the penny stock rules, it would become more difficult to trade our shares.***

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a price of less than \$5.00, other than securities registered on certain national securities exchanges or authorized for quotation on certain automated quotation systems, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. If we do not retain a listing on Nasdaq or another national securities exchange and if the price of our common stock is less than \$5.00, our common stock could be deemed a penny stock. The penny stock rules require a broker-dealer, before a transaction in a penny stock not otherwise exempt from those rules, to deliver a standardized risk disclosure document containing specified information. In addition, the penny stock rules require that before effecting any transaction in a penny stock not otherwise exempt from those rules, a broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive (i) the purchaser’s written acknowledgment of the receipt of a risk disclosure statement;



(ii) a written agreement to transactions involving penny stocks; and (iii) a signed and dated copy of a written suitability statement. These disclosure requirements may have the effect of reducing the trading activity in the secondary market for our common stock, and therefore stockholders may have difficulty selling their shares.

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***We will be subject to ongoing public reporting requirements that are less rigorous than Exchange Act rules for companies that are not emerging growth companies and our stockholders could receive less information than they might expect to receive from more mature public companies.***

Upon the completion of this offering, we will be required to publicly report on an ongoing basis as an “emerging growth company” (as defined in the JOBS Act) under the reporting rules set forth under the Exchange Act. For so long as we remain an emerging growth company, we may take advantage of certain exemptions from various reporting requirements that are applicable to other Exchange Act reporting companies that are not emerging growth companies, including but not limited to:

- not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act;
- being permitted to comply with reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements; and
- being exempt from the requirement to hold a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the benefits of this extended transition period. Our financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards.

We expect to take advantage of these reporting exemptions until we are no longer an emerging growth company. We would remain an emerging growth company for up to five years, although if the market value of our common stock that is held by non-affiliates exceeds \$700 million as of any June 30 before that time, we would cease to be an emerging growth company as of the following December 31.

Because we will be subject to ongoing public reporting requirements that are less rigorous than Exchange Act rules for companies that are not emerging growth companies, our stockholders could receive less information than they might expect to receive from more mature public companies. We cannot predict if investors will find our common stock less attractive if we elect to rely on these exemptions, or if taking advantage of these exemptions would result in less active trading or more volatility in the price of our common stock.

***Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of our company more difficult, and limit attempts by our stockholders to replace or remove our current management.***

Provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our certificate of incorporation and bylaws include provisions that:

- permit the board of directors to establish the number of directors and fill any vacancies and newly created directorships;
- provide that directors may only be removed by the majority of the shares of voting stock then outstanding; and
- establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are based on our management's beliefs and assumptions and on information currently available to us. All statements other than statements of historical facts are forward-looking statements. The forward-looking statements are contained principally in, but not limited to, the sections entitled "*Prospectus Summary*," "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Business*." These statements relate to future events or to our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- our goals and strategies;
- our future business development, financial condition and results of operations;
- expected changes in our revenue, costs or expenditures;
- growth of and competition trends in our industry;
- our expectations regarding demand for, and market acceptance of, our products;
- our expectations regarding our relationships with investors, institutional funding partners and other parties we collaborate with;
- our expectation regarding the use of proceeds from this offering;
- fluctuations in general economic and business conditions in the markets in which we operate; and
- relevant government policies and regulations relating to our industry.

In some cases, you can identify forward-looking statements by terms such as "may," "could," "will," "should," "would," "expect," "plan," "intend," "anticipate," "believe," "estimate," "predict," "potential," "project" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which are, in some cases, beyond our control and which could materially affect results. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under the heading "*Risk Factors*" and elsewhere in this prospectus. If one or more of these risks or uncertainties occur, or if our underlying assumptions prove to be incorrect, actual events or results may vary significantly from those implied or projected by the forward-looking statements. No forward-looking statement is a guarantee of future performance.

The forward-looking statements made in this prospectus relate only to events or information as of the date on which the statements are made in this prospectus. Although we will become a public company after this offering and have ongoing disclosure obligations under United States federal securities laws, we do not intend to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise.

## USE OF PROCEEDS

After deducting the estimated underwriters' commissions and offering expenses payable by us, we expect to receive net proceeds of approximately \$15,819,000 from this offering (or approximately \$18,276,000 if the underwriters exercise the over-allotment option in full), based on an assumed initial public offering price of \$10.00 per unit, which is the midpoint of the estimated offering range set forth on the cover page of this prospectus.

We will not receive any proceeds from the exercise of the warrants unless such warrants are exercised for cash.

Each \$1.00 increase or decrease in the assumed initial public offering price of \$10.00 per unit, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase or decrease the net proceeds that we receive from this offering by approximately \$1,638,000, assuming that the number of units offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions payable by us.

We intend to use the net proceeds from this offering (i) to pay off all debt that we owe to various note holders and term loan holders, including all principal, interest and any prepayment or other fees, and (ii) for working capital and general corporate purposes. The following table sets forth a breakdown of our estimated use of our net proceeds as we currently expect to use them. For purposes of calculation of the loan payoff amounts, we have used a payoff date of February 7, 2022. Additional interest will accrue at the given rates from February 7, 2022 to the closing date of this offering.

	Amount without Over-Allotment Option	Amount with Over-Allotment Option
Repayment of promissory notes <sup>(1)</sup>	\$ 5,693,688	\$ 5,693,688
Repayment of promissory notes <sup>(2)</sup>	705,882	705,882
Repayment of term loan <sup>(3)</sup>	1,614,906	1,614,906
Repayment of term loan <sup>(4)</sup>	3,000,000	3,000,000
Working capital and general corporate	4,804,524	7,261,524
Total use of proceeds	<u>\$ 15,819,000</u>	<u>\$ 18,276,000</u>

- (1) Since inception, we have issued unsecured promissory notes to various lenders. The proceeds of these loans were used to acquire Bonne Santé Natural Manufacturing in 2018, for machinery purchases and for working capital from 2018 to 2020. These notes accrue interest at rates between 12-15% and have various original maturity dates ranging from March 2019 to March 2023, some of which have been extended to the closing of this offering. We are in the process of extending all maturity dates to the earlier of the closing of this offering or March 2023. Although some of these notes have matured, we have not received any demands for payment, and are therefore not in default under the notes. As of September 30, 2021, the outstanding balance of these notes was \$3,916,325.
- (2) In December 2021 and January 2022, we issued original issue discount secured subordinated promissory notes in the aggregate principal amount of \$705,882 to certain investors. These notes bear interest at 15% per annum and are due on the earlier of completion of this offering or February 15, 2022.
- (3) On December 18, 2020, we entered into a loan and security agreement with Peah Capital, LLC for a term loan in the principal amount of up to \$1,500,000, which was amended on April 27, 2021 to increase the loan amount to \$1,625,000. In connection with such amendment, on April 27, 2021, we issued a second amended and restated promissory note to Peah Capital, LLC in the principal amount of \$1,625,000. The proceeds of this loan were used for material purchases and for working capital from 2020 to 2021. The loan bears interest at a rate of 17.5% per annum, provided that upon an event of default, such rate shall increase to 25% per annum. The loan is due and payable on the earlier of: (i) eighteen (18) months from the date of the note or (ii) upon completion of this offering. As of September 30, 2021, the outstanding balance of this loan was \$1,614,906.
- (4) On July 1, 2021, we entered into a loan agreement with Diamond Creek Capital, LLC for a term loan in the principal amount of up to \$3,000,000 and issued a term loan promissory note to Diamond Creek Capital, LLC in the principal amount of \$3,000,000. The proceeds of this loan were used to acquire Doctors Scientific Organica. The loan bears

interest at a rate of 15.0% per annum, provided that upon an event of default, such rate shall increase by 5%. The loan is due and payable on the earlier of July 1, 2022 or upon completion of this offering. As of September 30, 2021, the outstanding balance of this loan was \$3,000,000.

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For additional details regarding these loans, please see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources.*”

We have no specific plans for the use of the proceeds allocated to working capital and general corporate purposes and do not plan to use the proceeds to fund any of our planned acquisitions. Our management will retain broad discretion over the allocation of the net proceeds from this offering with respect to working capital and general corporate uses. See “*Risk Factors — Risks Related to This Offering and the Ownership of Our Common Stock — Our management has broad discretion as to the use of the net proceeds from this offering allocated to working capital and general corporate purposes.*”

## **DIVIDEND POLICY**

Holders of our series A convertible preferred stock are entitled to receive cumulative dividends at a rate of 7.5% of the stated value per share (\$1,000) per annum, which shall increase to 15% per annum after November 23, 2021 and 24% per annum after December 31, 2021; provided, however, that no dividends shall accrue following the date that the registration statement of which this prospectus is a part is declared effective by the SEC.

We have never declared or paid cash dividends on our common stock. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any cash dividends on our common stock in the near future. We may also enter into credit agreements or other borrowing arrangements in the future that will restrict our ability to declare or pay cash dividends on our common stock. Any future determination to declare dividends will be made at the discretion of our board of directors and will depend on our financial condition, operating results, capital requirements, contractual restrictions, general business conditions and other factors that our board of directors may deem relevant. See also “*Risk Factors — Risks Related to This Offering and Ownership of Our Common Stock — We do not expect to declare or pay dividends in the foreseeable future.*”

## CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2021:

- on an actual basis;
- on a pro forma basis to reflect the acquisition of Nexus and the related private placement of debentures described herein;
- on a pro forma basis to reflect (i) the issuance of 57,223 shares of common stock in connection with the acquisition of GSP Nutrition, (ii) the recent private placement of notes and warrants described herein and (iii) the conversion of certain debt and issuance of the following shares concurrent with the closing of this offering (assuming an initial public offering price of \$10.00 per unit, which is the midpoint of the estimated range of the initial public offering price shown on the cover page of this prospectus):
  - 200,000 shares of common stock issuable upon the conversion of a convertible promissory note in the principal amount of \$500,000 that will convert concurrent with the closing of this offering at a conversion price equal to 50% of the effective initial public offering price;
  - 600,000 shares of common stock issuable upon the conversion of a convertible promissory note in the principal amount of \$3,000,000 that will convert concurrent with the closing of this offering at a conversion price equal to the effective initial public offering price;
  - 380,000 shares of common stock issuable upon the conversion of a convertible promissory note in the principal amount of \$1,900,000 that will convert concurrent with the closing of this offering at a conversion price equal to the effective initial public offering price;
  - 3,365,151 shares of common stock to be issued concurrent with the closing of this offering under future equity agreements that we entered into with certain lenders, pursuant to which we agreed to issue to such lenders a number of shares of common stock equal to the stated value described in the future equity agreement, which may be the principal amount of the loan or the principal amount of the loan plus a premium, divided by the effective initial public offering price, which total stated value, in the aggregate, is \$16,825,751;
  - 251,250 shares of common stock to be issued concurrent with the closing of this offering under a future equity agreement that we entered into with a lender, pursuant to which we agreed to issue to such lender a number of shares of common stock equal to 75% of all funds advanced by such lender (\$1,675,000) divided by the effective initial public offering price; and
  - 42,500 shares of common stock that we have agreed to issue to the former shareholders of GSP Nutrition pursuant to the terms of the contribution and exchange agreement; and
- on a pro forma as adjusted basis to reflect the sale of 1,800,000 units by us in this offering at an assumed price to the public of \$10.00 per unit, which is the midpoint of the estimated offering range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us (assuming no exercise by the underwriters of their option to purchase additional shares and/or warrants from us), and after giving effect to the use of proceeds to repay certain debt as described herein.



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The pro forma as adjusted information below is illustrative only and our capitalization following the completion of this offering is subject to adjustment based on the public offering price of the units and other terms of this offering determined at pricing. You should read this table together with our financial statements and the related notes included elsewhere in this prospectus and the information under “*Management’s Discussion and Analysis of Financial Condition and Results of Operations.*”

	September 30, 2021			
	Actual	Pro Forma – Acquisition	Pro Forma – Equity Issuances/Debt Conversion	As Adjusted
Cash	\$ 690,101	\$ 734,431	\$ 1,334,431	\$ 6,138,955
Long-term debt				
Convertible notes and notes payable	\$ 14,057,118	\$ 19,857,118	\$ 14,457,118	\$ 3,442,642
Total long-term debt				
Stockholders’ equity (deficit):				
Series A convertible preferred Stock, \$0.0001 par value, 8,000 shares authorized; 8,000 shares issued and outstanding, actual, pro forma and as adjusted	1	1	1	1
Common stock, \$0.0001 par value, 100,000,000 shares authorized, 13,870,000 shares issued and outstanding, actual and pro forma (acquisition); 18,766,124 shares issued and outstanding, pro forma (equity issuances/debt conversion); and 20,566,124 shares issued and outstanding, as adjusted	1,387	1,387	1,877	2,057
Additional paid-in capital	8,767,069	8,767,069	33,165,945	48,984,945
Accumulated deficit	(11,346,666)	(11,043,839)	(11,043,839)	(11,043,839)
Total stockholders’ equity (deficit)	(2,578,209)	(2,275,382)	22,123,984	37,943,164
<b>Total capitalization</b>	<b>\$ 11,478,909</b>	<b>\$ 17,581,736</b>	<b>\$ 36,581,102</b>	<b>\$ 41,385,806</b>

Each \$1.00 increase or decrease in the assumed initial public offering price of \$10.00 per unit (which is the midpoint of the estimated offering range set forth on the cover page of this prospectus), assuming no change in the number of units to be sold, would increase or decrease the pro forma as adjusted cash and cash equivalents, additional paid-in capital and total stockholders’ equity by approximately \$1,638,000, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The table above excludes the following shares:

- 1,450,000 shares of common stock issuable upon the exercise of outstanding options issued under our 2020 Stock Incentive Plan at an exercise price of \$0.01 per share;
- up to 550,000 additional shares of common stock that are reserved for issuance under our 2020 Stock Incentive Plan;
- up to 2,000,000 shares of common stock that are reserved for issuance under our 2022 Equity Incentive Plan;
- 11,999,404 shares of common stock issuable upon the conversion of our outstanding series A convertible preferred stock;
- 12,119,404 shares of common stock issuable upon the exercise of outstanding warrants at an exercise price per share that is equal to 125% of the initial public offering price for this offering;

- 2,496,614 shares of common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of \$0.32 per share;

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- up to 2,250,000 shares of common stock issuable upon the conversion of 12% unsecured subordinated convertible debentures in the aggregate principal amount of \$2,250,000 that are convertible at the option of the holders into shares of common stock at a conversion price that is equal to 50% of the effective initial public offering price (as described in the debentures); provided that after date on which the registration statement of which this prospectus forms a part is declared effective, the conversion price shall be reduced to the lower of such price and the lowest volume weighted average price during the 10 trading days immediately following the such date; and provided further, that the conversion price shall not be less than \$1.00;
- shares of common stock issuable upon the conversion of a convertible promissory note in the principal amount of \$73,727.01 that is convertible at the option of the holder into shares of common stock at a conversion price that is equal to forty percent (40%) of either (i) the price per share paid by investors in our next priced equity financing, including this offering, or (ii) the volume weighted average price of the common stock for the five trading days from and including the date that the conversion notice is given;
- shares of common stock issuable upon the exercise of the warrants issued in connection with this offering; and
- shares of common stock issuable upon the conversion of any shares of series B convertible preferred stock issued in connection with this offering.

## DILUTION

If you invest in our common stock and warrants, your interest will be diluted immediately to the extent of the difference between the public offering price per unit and the as adjusted net tangible book value per share after this offering.

Net tangible book value per share represents the amount of our total tangible assets less total liabilities divided by the total number of our shares of common stock outstanding. The deficiency in net tangible book value of our common stock as of September 30, 2021 was approximately \$(11,930,389), or approximately \$(0.86) per share. After giving effect to (i) the acquisition of Nexus and related private placement of debentures described herein, (ii) the issuance of 57,223 shares of common stock in connection with the acquisition of GSP Nutrition, (iii) the recent private placement of notes and warrants described herein and (iv) the conversion of certain debt and issuance of shares concurrent with the closing of this offering as described in more detail under “*Capitalization*” above, the pro forma deficiency in net tangible book value of our common stock as of September 30, 2021 is approximately \$(11,664,699), or approximately \$(0.62) per share.

After giving effect to the sale of 1,800,000 units in this offering at the assumed initial public offering price of \$10.00 per unit, which is the midpoint of the estimated offering range set forth on the cover page of this prospectus, and the use of proceeds to repay certain debt as described herein, and after deducting the underwriting discount and estimated offering expenses payable by us, and excluding the proceeds, if any, from the exercise of the warrants issued pursuant to this offering, our pro forma as adjusted net tangible book value as of September 30, 2021 would have been approximately \$1,973,301, or approximately \$0.10 per share. This represents an immediate increase in net tangible book value of approximately \$0.72 per share to our existing stockholders and an immediate dilution in pro forma as adjusted net tangible book value of approximately \$9.90 per share to purchasers of units in this offering, as illustrated by the following table:

Assumed initial public offering price per unit	\$	10.00
Historical deficiency in net tangible book value per share as of September 30, 2021	\$	(0.86)
Increase per share attributable to the pro forma adjustments described above		0.24
Pro forma deficiency in net tangible book value per share as of September 30, 2021		(0.62)
Increase in pro forma as adjusted net tangible book value per share attributable to new investors purchasing units in this offering		0.72
Pro forma as adjusted net tangible book value per share after this offering		0.10
Dilution per share to new investors purchasing units in this offering	\$	9.90

If the underwriters exercise their option to purchase additional shares and/or warrants in full, the pro forma as adjusted net tangible book value of our common stock after this offering would be \$0.20 per share, representing an immediate increase in net tangible book value of approximately \$0.82 per share to existing stockholders and an immediate dilution of \$9.80 per share to the investors in this offering, after deducting the underwriting discount and estimated offering expenses payable by us.

To the extent that outstanding options or warrants have been or may be exercised or other shares issued, investors participating in this offering may experience further dilution. In addition, we may choose to raise additional capital due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. To the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our stockholders.

The following table sets forth the total number of shares of common stock previously issued and sold to existing investors, the total consideration paid for the foregoing and the average price per share of common stock paid, or to be paid, by existing owners and by the new investors. The calculation below is based on the assumed initial public offering price of \$10.00 per unit, which is the midpoint of the estimated offering range set forth on the cover page of this prospectus, before deducting estimated underwriter commissions and offering expenses, in each case payable by us, and assumes no exercise of the warrants included in the units.

	Share Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders	18,766,124	91.25%	\$ 1,877	0.01%	\$ 0.0001
New investors	1,800,000	8.75%	\$ 18,000,000	99.99%	\$ 10.00
Total	20,566,124	100.00%	\$ 18,001,877	100.00%	

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The number of shares included in “Existing Stockholders” above includes the following shares to be issued concurrent with the closing of this offering (assuming an initial public offering price of \$10.00 per unit, which is the midpoint of the estimated range of the initial public offering price shown on the cover page of this prospectus):

- 200,000 shares of common stock issuable upon the conversion of a convertible promissory note in the principal amount of \$500,000 that will convert concurrent with the closing of this offering at a conversion price equal to 50% of the effective initial public offering price;
- 600,000 shares of common stock issuable upon the conversion of a convertible promissory note in the principal amount of \$3,000,000 that will convert concurrent with the closing of this offering at a conversion price equal to the effective initial public offering price;
- 380,000 shares of common stock issuable upon the conversion of a convertible promissory note in the principal amount of \$1,900,000 that will convert concurrent with the closing of this offering at a conversion price equal to the effective initial public offering price;
- 3,365,151 shares of common stock to be issued concurrent with the closing of this offering under future equity agreements that we entered into with certain lenders, pursuant to which we agreed to issue to such lenders a number of shares of common stock equal to the stated value described in the future equity agreement, which may be the principal amount of the loan or the principal amount of the loan plus a premium, divided by the effective initial public offering price, which total stated value, in the aggregate, is \$16,825,751;
- 251,250 shares of common stock to be issued concurrent with the closing of this offering under a future equity agreement that we entered into with a lender, pursuant to which we agreed to issue to such lender a number of shares of common stock equal to 75% of all funds advanced by such lender (\$1,675,000) divided by the effective initial public offering price; and
- 42,500 shares of common stock that we have agreed to issue to the former shareholders of GSP Nutrition pursuant to the terms of the contribution and exchange agreement.

However, the table above does not including the following:

- 1,450,000 shares of common stock issuable upon the exercise of outstanding options issued under our 2020 Stock Incentive Plan at an exercise price of \$0.01 per share;
- up to 550,000 additional shares of common stock that are reserved for issuance under our 2020 Stock Incentive Plan;
- up to 2,000,000 shares of common stock that are reserved for issuance under our 2022 Equity Incentive Plan;
- 11,999,404 shares of common stock issuable upon the conversion of our outstanding series A convertible preferred stock;
- 12,119,404 shares of common stock issuable upon the exercise of outstanding warrants at an exercise price per share that is equal to 125% of the initial public offering price for this offering;
- 2,496,614 shares of common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of \$0.32 per share;
- up to 2,250,000 shares of common stock issuable upon the conversion of 12% unsecured subordinated convertible debentures in the aggregate principal amount of \$2,250,000 that are convertible at the option of the holders into shares of common stock at a conversion price that is equal to 50% of the effective initial public offering price (as described in the debentures); provided that after date on which the registration statement of which this prospectus forms a part is declared effective, the conversion price shall be reduced to the lower of such price and the lowest volume weighted average price during the 10 trading days immediately following the such date; and provided further, that the conversion price shall not be less than \$1.00;



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- shares of common stock issuable upon the conversion of a convertible promissory note in the principal amount of \$73,727.01 that is convertible at the option of the holder into shares of common stock at a conversion price that is equal to forty percent (40%) of either (i) the price per share paid by investors in our next priced equity financing, including this offering, or (ii) the volume weighted average price of the common stock for the five trading days from and including the date that the conversion notice is given;
- shares of common stock issuable upon the exercise of the warrants issued in connection with this offering; and
- shares of common stock issuable upon the conversion of any shares of series B convertible preferred stock issued in connection with this offering.



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis summarizes the significant factors affecting our operating results, financial condition, liquidity and cash flows of our company as of and for the periods presented below. The following discussion and analysis should be read in conjunction with the financial statements and the related notes thereto included elsewhere in this prospectus. The discussion contains forward-looking statements that are based on the beliefs of management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those discussed in or implied by forward-looking statements as a result of various factors, including those discussed below and elsewhere in this prospectus, particularly in the sections titled "Risk Factors" and "Cautionary Statement Regarding Forward-Looking Statements."*

### Overview

We are engaged in the development, marketing, manufacturing, acquisition, operation and sale of a broad spectrum of nutritional and related products with an emphasis on health and wellness. Structured as a global holding company, we are executing a buy-and-build strategy with serial accretive acquisitions creating a vertically integrated company with an objective of aggregating companies generating a minimum of \$300 million in revenues within the next thirty-six months. To drive growth and earnings, we are developing proprietary products as well as acquiring other profitable companies, encompassing brands, manufacturing and distribution channels.

On March 8, 2018, we acquired 51% of Millenium Natural Manufacturing Corp. and Millenium Natural Health Products Inc. On October 9, 2019, we acquired the remaining 49% of these companies. On September 30, 2020, we changed the name of Millenium Natural Manufacturing Corp. to Bonne Santé Natural Manufacturing and on November 24, 2020, we merged Millenium Natural Health Products Inc. into Bonne Santé Natural Manufacturing to better reflect our vertical integration. Based in Doral, Florida, Bonne Santé Natural Manufacturing operates a 22,000 square foot manufacturing facility. From inception through September 30, 2021, it has manufactured nutritional products for approximately 240 companies, and from January 1, 2021 to September 30, 2021, it manufactured nutritional products for approximately 26 companies.

On July 1, 2021, we completed the acquisition of Doctors Scientific Organica. Doctors Scientific Organica manufactures, sells and owns the Smart for Life brand of natural health and wellness meal replacement products.

### Recent Developments

#### *Acquisition of Nexus*

On November 8, 2021, we completed the acquisition of Nexus for a total purchase price of \$6,000,000 (subject to adjustment), comprised of (i) \$2,200,000 in cash (subject to adjustment), (ii) a 5% secured subordinated convertible promissory note in the principal amount of \$1,900,000 and (iii) a 5% secured subordinated promissory note in the principal amount of \$1,900,000.

The 5% secured subordinated convertible promissory note accrues interest at 5% per annum and the outstanding principal and interest are payable in a lump sum on the maturity date, November 8, 2024. This note will automatically convert into shares of common stock concurrent with the closing of this offering at a conversion price equal to the initial public offering price.

The 5% secured subordinated promissory note accrues interest at 5% per annum and the outstanding principal and interest will be amortized on a straight-line basis and are payable quarterly in accordance with the amortization schedule attached to the note, with all amounts due and payable on November 8, 2024.

We may prepay all or any portion of these notes any time prior to maturity without premium or penalty. These notes contain customary covenants and events of default for loans of this type, including if a default occurs under

any senior secured indebtedness to banks and other financial institutions or private equity funds, and are secured by a security interest in all of our assets; provided that such security interest is subordinate to the rights of the lenders under any such senior secured indebtedness.

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Please see “*Corporate History and Structure — Acquisition of Nexus*” for additional details regarding this acquisition. Nexus is a network platform in the affiliate marketing space.

### ***Private Placement of Debentures***

On November 5, 2021, we entered into a securities purchase agreement with certain investors, pursuant to which we sold 12% unsecured subordinated convertible debentures in the aggregate principal amount of \$2,250,000 to such investors for gross proceeds of \$2,250,000, the proceeds of which were used to fund the acquisition of Nexus described below.

Interest at a rate of 12% per annum shall accrue on the principal balance of the debentures from the date of issuance until the date that the registration statement of which this prospectus is a part is declared effective by the SEC (which we refer to as the IPO date); provided that upon an event of default, such interest rate shall increase to 18% per annum or the maximum rate permitted under applicable law, and we may be required to pay a default amount in certain circumstances. The debentures are due and payable on the earliest of the maturity date, November 30, 2022, or upon their earlier conversion or redemption.

At any time after the sixth month anniversary of the IPO date, the holders may convert the principal amount of the debentures into shares of common stock at a conversion price that is equal to 50% of the effective initial public offering price (as described in the debentures); provided that after the IPO date, the conversion price shall be reduced to the lower of such price and the lowest volume weighted average price during the 10 trading days immediately following the IPO date; provided further, that the conversion price shall not be less than \$1.00. The conversion price is subject to standard equitable adjustments for stock splits, stock combinations, recapitalizations and similar transactions, as well as, prior to the IPO date, for future issuances below the conversion price. The debentures also contain beneficial ownership limitations which limit the holders’ beneficial ownership to 9.99% of our outstanding common stock.

At any time after the IPO date, we may redeem some or all of the outstanding principal amount of the debentures for cash in an amount equal to 115% of the outstanding principal amount of the debentures, plus accrued but unpaid interest and any other amounts due under the debentures.

The securities purchase agreement and the debentures contain customary representations, warranties, affirmative and negative covenants and events of default for loans of this type. The debentures are guaranteed by each of our subsidiaries.

In connection with this private placement, we paid Dawson James Securities, Inc., the representative of the underwriters for this offering, a placement agent fee of \$202,500 (equal to 9% of the gross proceeds) and issued it a warrant for the purchase of 72,000 shares of common stock, 36,000 of which were subsequently forfeited by Dawson James Securities, Inc. This warrant is exercisable for a period of five years at an exercise price of \$2.50 per share, subject to standard adjustments for stock splits, stock combinations, stock dividends, reclassifications, mergers, consolidations, reorganizations and similar transactions, and may be exercised on a cashless basis.

### ***Acquisition of GSP Nutrition***

On November 29, 2021, we entered into a contribution and exchange agreement to acquire all of the issued and outstanding capital stock of GSP Nutrition. On December 6, 2021, the acquisition was completed.

The total purchase price was \$425,000, payable in 42,500 shares of our common stock; provided that if the effective price per share of common stock in this offering (as determined in accordance with the contribution and exchange agreement) is less than \$10 per share, then we must issue an additional number of shares of common stock equal to an amount determined by dividing the \$425,000 purchase price by the effective offering price per share, minus 42,500. In connection with this acquisition, we also issued 14,723 shares of common stock to certain vendors of GSP who agreed to settle accounts payable owed to them into our common stock.

GSP Nutrition is a sports nutrition company that offers nutritional supplements for athletes and active lifestyle consumers under the Sports Illustrated Nutrition brand.

### ***Private Placement of Notes and Warrants***

In December 2021 and January 2022, we entered into note and warrant purchase agreements with certain investors, pursuant to which we sold to such investors (i) original issue discount secured subordinated promissory notes in the aggregate principal amount of \$705,882 and (ii) warrants for the purchase of a number of shares of our common stock that is equal to the investors' investment amount divided by a price per share that is equal to 100% of the effective initial public offering price, for total gross proceeds of \$600,000.

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These notes have an original issue discount of 15% and additionally bear interest at 15% per annum and are due on the earlier of completion of this offering or February 15, 2022. We may prepay all or any portion of these notes any time prior to maturity without premium or penalty. These notes contain customary covenants and events of default for loans of this type and are secured by a security interest in our Sports Illustrated license; provided that such security interest is subordinate to the rights of the lenders under any senior secured indebtedness.

These warrants are excisable at any time during the three (3) year period commencing on the sixth (6<sup>th</sup>) month anniversary of the closing of this offering. The exercise price per share will be equal to 125% of the effective initial public offering price, subject to standard adjustments for stock splits, stock combinations, stock dividends, reclassifications, mergers, consolidations, reorganizations and similar transactions, and may be exercised on a cashless basis if the market value of our common stock is greater than such exercise price.

### **Impact of Coronavirus Pandemic**

The COVID-19 pandemic continues to rapidly evolve. At this time, there continues to be significant volatility and uncertainty relating to the full extent to which the COVID-19 pandemic and the various responses to it will impact our business, operations and financial results.

Most states and cities have at various times instituted quarantines, restrictions on travel, “stay at home” rules, social distancing measures and restrictions on the types of businesses that could continue to operate, as well as guidance in response to the pandemic and the need to contain it. Based on the nature of the business in our facilities in Doral and Riviera Beach, neither facility closed or operated at reduced capacity for our production and packaging operations. However, the situation surrounding COVID-19 remains fluid, and we may be required to close or limit capacity in our facilities in response to guidance from applicable government and public health officials, which could adversely affect our operations and revenues.

In addition, we are dependent upon certain contract manufacturers and suppliers and their ability to reliably and efficiently fulfill our orders is critical to our business success. The COVID-19 pandemic has impacted and may continue to impact certain of our manufacturers and suppliers. As a result, we have faced and may continue to face delays or difficulty sourcing certain products and raw materials, which could negatively affect our business and financial results. Even if we are able to find alternate sources for such raw materials, they may cost more, which could adversely impact our profitability and financial condition.

The global deterioration in economic conditions, which may have an adverse impact on discretionary consumer spending, could also impact our business and demand for our products. For instance, consumer spending may be negatively impacted by general macroeconomic conditions, including a rise in unemployment, and decreased consumer confidence resulting from the pandemic. Changing consumer behaviors as a result of the pandemic may also have a material impact on our revenue.

The spread of COVID-19 has also adversely impacted global economic activity and has contributed to significant volatility and negative pressure in financial markets. The pandemic has resulted, and may continue to result, in a significant disruption of global financial markets, which may reduce our ability to access capital in the future, which could negatively affect our liquidity.

If the COVID-19 pandemic does not continue to slow and the spread of COVID-19 is not contained, our business operations, including those of our contract manufacturers and suppliers, could be further delayed or interrupted. We expect that government and health authorities may announce new or extend existing restrictions, which could require us to make further adjustments to our operations in order to comply with any such restrictions. We may also experience limitations in employee resources. In addition, our operations could be disrupted if any of our employees were suspected of having COVID-19, which could require quarantine of some or all such employees or closure of our facilities for disinfection. The duration of any business disruption cannot be reasonably estimated at this time but may materially affect our ability to operate our business and result in additional costs.

The extent to which the COVID-19 pandemic may impact our results will depend on future developments, which are highly uncertain and cannot be predicted as of the date of this prospectus, including the effectiveness

of vaccines and other treatments for COVID-19, and other new information that may emerge concerning the severity of the pandemic and steps taken to contain the pandemic or treat its impact, among others. Nevertheless, the pandemic and the current

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financial, economic and capital markets environment, and future developments in the global supply chain and other areas present material uncertainty and risk with respect to our performance, financial condition, results of operations and cash flows. See also “*Risk Factors*” for more information.

### **Principal Factors Affecting Our Financial Performance**

Our operating results are primarily affected by the following factors:

- our ability to acquire new customers or retain existing customers;
- our ability to offer competitive product pricing;
- our ability to broaden product offerings;
- industry demand and competition; and
- market conditions and our market position.

### **Emerging Growth Company**

Upon the completion of this offering, we will qualify as an “emerging growth company” under the JOBS Act. As a result, we will be permitted to, and intend to, rely on exemptions from certain disclosure requirements. For so long as we are an emerging growth company, we will not be required to:

- have an auditor report on our internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act;
- comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements (i.e., an auditor discussion and analysis);
- submit certain executive compensation matters to stockholder advisory votes, such as “say-on-pay” and “say-on-frequency;” and
- disclose certain executive compensation related items such as the correlation between executive compensation and performance and comparisons of the chief executive officer’s compensation to median employee compensation.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the benefits of this extended transition period. Our financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards.

We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year following the fifth anniversary of this offering, (ii) the last day of the first fiscal year in which our total annual gross revenues are \$1.07 billion or more, (iii) the date that we become a “large accelerated filer” as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter or (iv) the date on which we have issued more than \$1 billion in non-convertible debt during the preceding three year period.

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## Results of Operations

### *Smart for Life, Inc.*

#### Comparison of Nine Months Ended September 30, 2021 and 2020

The following table sets forth key components of our results of operations during the nine months ended September 30, 2021 and 2020, both in dollars and as a percentage of our net sales.

	September 30, 2021		September 30, 2020	
	Amount	% of Net Sales	Amount	% of Net Sales
Net sales	\$ 4,794,494	100.00%	\$ 1,406,345	100.00%
Cost of goods sold	3,328,402	69.42%	1,232,763	87.66%
Gross profit	1,466,092	30.58%	173,582	12.34%
Operating expenses				
General and administrative	4,174,479	87.07%	1,122,118	79.79%
Depreciation and amortization expense	656,458	13.69%	82,638	5.88%
Total operating expenses	4,830,937	100.76%	1,204,756	85.67%
Operating loss	(3,364,845)	(70.18)%	(1,031,174)	(73.32)%
Other income (expense)				
Other income	80,311	1.68%	13,865	0.99%
Interest expense	(813,055)	(16.96)%	(408,587)	(29.05)%
Total other income (expense)	(732,744)	(15.28)%	(394,722)	(28.07)%
Net loss	\$ (4,097,589)	(85.46)%	\$ (1,425,896)	(101.39)%

*Net sales.* We generate revenue from the sales of our nutritional and related products. Our net sales increased by \$3,388,149, or 240.92%, to \$4,794,494 for the nine months ended September 30, 2021, which included \$2,651,471 from Doctors Scientific Organica from the period from July 1, 2021 (date of acquisition) to September 30, 2021, from \$1,406,345 for the nine months ended September 30, 2020. Excluding Doctors Scientific Organica, our net sales increased by \$736,678, or 52.38%. This increase was primarily due to increased sales of our contract manufacturing services following the easing of pandemic related restrictions. The increase was the result of an increase in the volume of products sold and not due to pricing changes.

*Cost of goods sold.* Our cost of goods sold consists of ingredients and packaging materials and labor associated with the production of the products. Our cost of goods sold increased by \$2,095,639, or 170.00%, to \$3,328,402 for the nine months ended September 30, 2021, which included \$1,291,071 from Doctors Scientific Organica from the period from July 1, 2021 (date of acquisition) to September 30, 2021, from \$1,232,763 for the nine months ended September 30, 2020. Excluding Doctors Scientific Organica, our cost of goods sold increased by \$804,568, or 65.27%. Such increase was due to an increase in the amount of sales during the current period along with increased pricing for the ingredients and packaging materials as a result of supply shortages associated with COVID-19. As a percentage of net sales, our cost of goods decreased from 87.66% in the 2020 period to 69.42% in the 2021 period (or 95.07% excluding Doctors Scientific Organica).

*Gross profit.* As a result of the foregoing, our gross profit increased by \$1,292,510, or 744.61%, to \$1,466,092 for the nine months ended September 30, 2021, which included \$1,360,400 from Doctors Scientific Organica from the period from July 1, 2021 (date of acquisition) to September 30, 2021, from \$173,582 for the nine months



ended September 30, 2020. Excluding Doctors Scientific Organica, our gross profit decreased by \$67,890, or 39.11%. As a percentage of net sales, our gross profit increased from 12.34% in the 2020 period to 30.58% in the 2021 period (or 4.93% excluding Doctors Scientific Organica).

*General and administrative expenses.* Our general and administrative expenses consist primarily of personnel expenses, including employee salaries and bonuses plus related payroll taxes, advertising expenses, professional advisor fees, bad debts, rent expense, insurance and other expenses incurred in connection with general operations. Our general and administrative expenses increased by \$3,052,361, or 272.02%, to \$4,174,479 for the nine months

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ended September 30, 2021, which included \$1,533,935 from Doctors Scientific Organica from the period from July 1, 2021 (date of acquisition) to September 30, 2021, from \$1,122,118 for the nine months ended September 30, 2020. Excluding Doctors Scientific Organica, our general and administrative expenses increased by \$1,518,426, or 135.32%. Such increase in the expense was primarily due to the addition of corporate office personnel. During the current period, we hired a new Chief Executive Officer and Controller, and replaced our then Chief Financial Officer. Additionally, we engaged additional professionals associated with our audits and acquisition targets. As a percentage of net sales, general and administrative expenses increased from 79.79% in the 2020 period to 119.49% in the 2021 period (or 195.48% excluding Doctors Scientific Organica).

*Depreciation and amortization.* Depreciation and amortization was \$656,458, or 13.69% of net sales, for the nine months ended September 30, 2021, which included \$5,392 from Doctors Scientific Organica from the period from July 1, 2021 (date of acquisition) to September 30, 2021, as compared to \$82,638, or 5.88% of net sales, for the nine months ended September 30, 2020. The increase in amortization is associated with intangible assets resulting from the acquisition of Doctors Scientific Organica.

*Total other income (expense).* We had \$732,744 in total other expense, net, for the nine months ended September 30, 2021, as compared to total other expense, net, of \$394,722 for the nine months ended September 30, 2020. Total other expense, net, for the nine months ended September 30, 2021 consisted of interest expense of \$813,055, offset by interest income \$80,311, while other expense, net, for the nine months ended September 30, 2020 consisted of interest expense of \$408,587, offset by other income of \$13,865. Other income includes the recognition of collections for previously written-off uncollectible balances.

*Net loss.* As a result of the cumulative effect of the factors described above, we had a net loss of \$4,097,589 for the nine months ended September 30, 2021, which included \$88,348 from Doctors Scientific Organica from the period from July 1, 2021 (date of acquisition) to September 30, 2021, as compared to \$1,425,896 for the nine months ended September 30, 2020, an increase of \$2,671,693, or 187.37%. Excluding Doctors Scientific Organica, our loss increased by \$2,760,041, or 193.57%.

### Comparison of Years Ended December 31, 2020 and 2019

The following table sets forth key components of our results of operations during the years ended December 31, 2020 and 2019, both in dollars and as a percentage of our net sales.

	December 31, 2020		December 31, 2019	
	Amount	% of Net Sales	Amount	% of Net Sales
Net sales	\$ 1,959,595	100.00%	\$ 2,364,863	100.00%
Cost of goods sold	1,831,629	93.47%	2,316,674	97.96%
Gross profit	127,966	6.53%	48,189	2.04%
Operating expenses				
General and administrative	1,863,087	95.08%	2,282,712	96.53%
Depreciation and amortization expense	166,613	8.50%	169,380	7.16%
Total operating expenses	2,029,700	103.58%	2,452,092	103.69%
Operating loss	(1,901,734)	(97.05)%	(2,403,903)	(101.65)%
Other income (expense)				
Other (expense) income	(14,141)	(0.72)%	13,290	0.56%

Interest (expense)	(1,253,143)	(63.95)%	(624,493)	(26.41)%
Total other income (expense)	(1,267,284)	(64.67)%	(611,203)	(25.85)%
Net loss	<u>\$ (3,169,018)</u>	<u>(161.72)%</u>	<u>\$ (3,015,106)</u>	<u>(127.50)%</u>

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*Net sales.* Our net sales decreased by \$405,268, or 17.14%, to \$1,959,595 for the year ended December 31, 2020 from \$2,364,863 for the year ended December 31, 2019. This decrease was due to decreased sales volumes, primarily due to the inability to obtain ingredients and packaging materials due to supply chain disruptions as a result of COVID-19. There is a worldwide shortage of plastic bottles which are used in the packaging of our products.

*Cost of goods sold.* Our cost of goods sold decreased by \$485,045, or 21%, to \$1,831,629 for the year ended December 31, 2020 from \$2,316,674 for the year ended December 31, 2019. As a percentage of net sales, cost of goods sold decreased from 98% in 2019 to 93% in 2020. Such decrease was due to the costs associated with various produced compounds during 2020. We manufacture a variety of products for our clients, with varying margins based on the relative cost of the ingredients. The costs of the products manufactured in 2020 were more concentrated and permitted for us to purchase in greater quantities and take advantage of volume discounts on purchased ingredients. Although we produced less items in 2020 as compared to 2019, we were able to obtain the materials at lower costs based on volume purchasing. Our sales contracts do not vary based on the pricing of materials. Therefore, the decreased cost of materials in 2020 were not passed along to the customer.

*Gross profit.* As a result of the foregoing, our gross profit decreased by \$79,777, or 165.55%, to \$127,966 for the year ended December 31, 2020 from \$48,189 for the year ended December 31, 2019. As a percentage of net sales, our gross profit increased from 2.04% in 2019 to 6.53% in 2020.

*General and administrative expenses.* Our general and administrative expenses decreased by \$419,625, or 18.38%, to \$1,863,087 for the year ended December 31, 2020 from \$2,282,712 for the year ended December 31, 2019. The decrease was primarily due to decreased legal and consulting fees of approximately \$200,000 as the legal dispute that we had with the former owner of Bonne Santé Natural Manufacturing was resolved in late 2019. In 2019, there was also bad debt expense of approximately \$82,000 and only approximately \$10,000 in 2020. In 2020, we moved our corporate office and reduced the related expenses by approximately \$75,000. As a percentage of net sales, general and administrative expenses decreased from 96.53% in 2019 to 95.08% in 2020.

*Depreciation and amortization.* Depreciation and amortization was \$166,613, or 8.50% of net sales, for the year ended December 31, 2020, as compared to \$169,380, or 7.16% of net sales, for the year ended December 31, 2019.

*Total other income (expense).* We had \$1,267,284 in total other expense, net, for the year ended December 31, 2020, as compared to total other expense, net, of \$611,203 for the year ended December 31, 2019. Total other expense, net, for the year ended December 31, 2020 consisted of interest expense of \$1,253,143, offset by interest income \$12,801, while other expense, net, for the year ended December 31, 2019 consisted of interest expense of \$624,493, offset by other income of \$13,290. Other income includes the recognition of collections for previously written-off uncollectible balances. The increased interest expense is the result of debt issuances during 2020 used to fund operations and the losses incurred.

*Net income (loss).* As a result of the cumulative effect of the factors described above, we had a net loss of \$3,169,018 for the year ended December 31, 2020, as compared to \$3,015,107 for the year ended December 31, 2019, an increase of \$153,912 or 5.10%.

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**Nexus**

Comparison of Nine Months Ended September 30, 2021 and 2020

The following table sets forth key components of the results of operations of Nexus during the nine months ended September 30, 2021 and 2020, both in dollars and as a percentage of net sales.

	September 30, 2021		September 30, 2020	
	Amount	% of Net Sales	Amount	% of Net Sales
Net sales	\$ 4,238,330	100.00%	\$ 3,876,096	100.00%
Cost of services	3,221,539	76.01%	2,844,462	73.38%
Gross profit	1,016,791	23.99%	1,031,634	26.62%
Operating expenses				
General and administrative	914,690	21.58%	848,474	21.89%
Total operating expenses	914,690	21.58%	848,474	21.89%
Operating income	102,101	2.41%	183,160	4.73%
Income before income taxes	102,101	2.41%	183,160	4.73%
Income tax expense	(3,052)	(0.07)%	—	—
Net income	\$ 99,049	2.34%	\$ 183,160	4.73%

*Net sales.* Nexus generates revenues when sales of listed products are sold by product vendors through its network as a result of the marketing efforts of digital marketers. Net sales increased by \$362,234, or 9.35%, to \$4,238,330 for the nine months ended September 30, 2021 from \$3,876,096 for the nine months ended September 30, 2020. Although there was a decrease in the number of customers (product vendors), the number of products listed and the average revenue earned per transaction increased. The number of customers decreased from 78 in the 2020 period, of which three customers, DOFU Ventures, DM Marketing Masters and Ameena LLC, accounted for 43% of the net sales, to 52 in 2021, of which three customers, DOFU Ventures, International Online Services and DM Marketing Masters, accounted for 61% of the net sales. The number of products listed increased from 6,056 in the 2020 period to 10,757 in the 2021 period. The primary products listed were online training guides for weight-loss and online coaching guides for business start-ups. The volume of revenue earning transactions decreased from 125,661 in the 2020 period to 84,064 in the 2021 period; however, the average revenue earned per transaction increased from \$29.28 in the 2020 period to \$52.68 in the 2021 period due an increase in the listing of higher cost products compared to the previous period. We believe that these increases were largely driven by the expansion of home business opportunities with the closing and reductions in on-site workplaces caused by the COVID-19 pandemic. We also believe that Nexus' cost per action/cost per acquisition business model, which benefits digital marketers because they receive a commission without the possibility of a claw back or refund, and benefits customers through increased sales of their products as a result of the marketing efforts of the digital marketers, has led to the expansion of Nexus' business.

*Cost of services.* Cost of services consist of commissions and bonuses paid to digital marketers. Cost of services increased by \$377,077, or 13.26%, to \$3,221,539 for the nine months ended September 30, 2021 from \$2,844,462 for the nine months ended September 30, 2020. Such increase was primarily due to an increased number of products as noted above. As a percentage of net sales, cost of services increased from 73.38% in the 2020 period to 76.01% in the 2021 period. The reason for the percentage increase is a higher cost on the digital marketers' platforms in relation to the revenue source for Nexus. Due to increased web traffic, demand for placements on the digital marketers' platforms has increased.

*Gross profit.* As a result of the foregoing, gross profit decreased by \$14,843, or 1.44%, to \$1,016,791 for the nine months ended September 30, 2021 from \$1,031,634 for the nine months ended September 30, 2020. As a percentage of net sales, gross profit decreased from 26.62% in the 2020 period to 23.99% in the 2021 period.

*General and administrative expenses.* General and administrative expenses consist primarily of personnel expenses, including employee salaries and bonuses plus related payroll taxes, advertising expenses, merchant processing fees, professional advisor fees, and other expenses incurred in connection with general operations. General and administrative expenses increased by \$66,216, or 7.80%, to \$914,690 for the nine months ended September 30, 2021 from \$848,474 for the nine months ended September 30, 2020. Such increase in the expense was primarily due to increased employee bonuses. As a percentage of net sales, general and administrative expenses decreased from 21.89% in the 2020 period to 21.58% in the 2021 period.

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*Net income.* As a result of the cumulative effect of the factors described above, Nexus had a net income of \$99,049 for the nine months ended September 30, 2021, as compared to \$183,160 for the nine months ended September 30, 2020.

*Comparison of Years Ended December 31, 2020 and 2019*

The following table sets forth key components of the results of operations of Nexus during the years ended December 31, 2020 and 2019, both in dollars and as a percentage of net sales.

	December 31, 2020		December 31, 2019	
	Amount	% of Net Sales	Amount	% of Net Sales
Net sales	\$ 5,674,946	100.00%	\$ 3,634,159	100.00%
Cost of services	4,353,573	76.72%	3,109,566	85.56%
Gross profit	1,321,373	23.28%	524,593	14.44%
Operating expenses				
General and administrative	1,436,710	25.32%	437,741	12.05%
Total operating expenses	1,436,710	25.32%	437,741	12.05%
Operating income (loss)	(115,337)	(2.03)%	86,852	2.39%
Income (loss) before income taxes	(115,337)	(2.03)%	86,852	2.39%
Income tax expense	5,863	0.10%	—	—
Net income (loss)	<u>\$ (121,200)</u>	<u>(2.14)%</u>	<u>\$ 86,852</u>	<u>2.39%</u>

*Net sales.* Net sales increased by \$2,040,787, or 56.16%, to \$5,674,946 for the year ended December 31, 2020 from \$3,634,159 for the year ended December 31, 2019. This increase was due to increases in the number of customers (product vendors), the number of products listed and the average revenue earned per transaction. The number of customers increased from 79 in 2019, of which two customers, DM Marketing Masters and Oppur2nity, accounted for 21% of the net sales, to 81 in 2020, of which four customers, DOFU Ventures, International Online Services, DM Marketing Masters and Dynamic Corp, accounted for 54% of the net sales. The number of products listed increased from 4,571 in the 2019 period to 11,209 in the 2020 period. The primary products listed were online training guides for weight-loss and online coaching guides for business start-ups. The volume of revenue earning transactions decreased from 174,794 in 2019 to 167,509 in 2020; however, the average revenue earned per transaction increased from \$18.59 in 2019 to \$32.03 in 2020 due an increase in the listing of higher cost products compared to the previous period. We believe that these increases were largely driven by the expansion of home business opportunities with the closing and reductions in on-site workplaces caused by the COVID-19 pandemic. We also believe that Nexus' cost per action/cost per acquisition business model, which benefits digital marketers because they receive a commission without the possibility of a claw back or refund, and benefits customers through increased sales of their products as a result of the marketing efforts of the digital marketers, has led to the expansion of Nexus' business.

*Cost of services.* Cost of services increased by \$1,244,007, or 40.01%, to \$4,353,573 for the year ended December 31, 2020 from \$3,109,566 for the year ended December 31, 2019. As a percentage of net sales, cost of services decreased from 85.56% in 2019 to 76.72% in 2020. Such decrease was primarily due to Nexus' ability to negotiate more favorable rates for advertising rates on various customers' websites.

*Gross profit.* As a result of the foregoing, gross profit increased by \$796,780, or 151.89%, to \$1,321,373 for the year ended December 31, 2020 from \$524,593 for the year ended December 31, 2019. As a percentage of net sales, gross profit increased from 14.44% in 2019 to 23.38% in 2020.

*General and administrative expenses.* General and administrative expenses increased by \$998,969, or 228.21%, to \$1,436,710 for the year ended December 31, 2020 from \$437,741 for the year ended December 31, 2019. Such increase in the expense was primarily due to additional compensation related expenses. As a percentage of net sales, general and administrative expenses increased from 12.05% in 2019 to 23.28% in 2020.

*Income tax expense.* Nexis incurred an income tax expense of \$5,863 for the year ended December 31, 2020, as compared to \$0 for the year ended December 31, 2019. Such increase was due to taxes recorded as calculated in the year paid.



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*Net income (loss).* As a result of the cumulative effect of the factors described above, Nexus had a net loss of \$121,200 for the year ended December 31, 2020, as compared to a net income of \$86,852 for the year ended December 31, 2019.

***Doctors Scientific Organica***

*Comparison of Years Ended December 31, 2020 and 2019*

The following table sets forth key components of the results of operations of Doctors Scientific Organica during the years ended December 31, 2020 and 2019, both in dollars and as a percentage of net sales.

	December 31, 2020		December 31, 2019	
	Amount	% of Net Sales	Amount	% of Net Sales
Net sales	\$ 10,782,192	100.00%	\$ 10,048,642	100.00%
Cost of goods sold	4,436,389	41.15%	4,777,392	47.54%
Gross profit	6,345,803	58.85%	5,271,250	52.46%
Operating expenses				
General and administrative	4,608,331	42.74%	3,875,983	38.57%
Depreciation	82,786	0.77%	97,160	0.97%
Total operating expenses	4,691,117	43.51%	3,973,143	39.54%
Operating income	1,654,686	15.35%	1,298,107	12.92%
Other income (expense)				
Other income	—	—	410,500	4.09%
Interest expense	(85,307)	(0.79)%	(95,076)	(0.95)%
Total other (expense) income	(85,307)	(0.79)%	315,424	3.14%
Net income	\$ 1,569,379	14.56%	\$ 1,613,531	16.06%

*Net sales.* Doctors Scientific Organica generates revenue from the sales of our nutritional and related products. Net sales increased by \$733,550, or 7.30%, to \$10,782,192 for the year ended December 31, 2020 from \$10,048,642 for the year ended December 31, 2019. This increase was primarily due to increased sales volumes resulting from additional customer acquisitions due to increased marketing efforts.

*Cost of goods sold.* Cost of goods sold consists of ingredients, packaging materials, freight, and labor associated with the production of various products. Cost of goods sold decreased by \$341,003, or 7.14%, to \$4,436,389 for the year ended December 31, 2020 from \$4,777,392 for the year ended December 31, 2019. As a percentage of net sales, cost of goods sold decreased from 47.54% in 2019 to 41.15% in 2020. Such decrease was due to the hiring of a more experienced purchasing manager able to better plan purchases and negotiate with vendors.

*Gross profit.* As a result of the foregoing, gross profit increased by \$1,074,553, or 20.39%, to \$6,345,803 for the year ended December 31, 2020 from \$5,271,250 for the year ended December 31, 2019. As a percentage of net sales, gross profit increased from 52.46% in 2019 to 58.85% in 2020.

*General and administrative expenses.* General and administrative expenses consist primarily of personnel expenses, including employee salaries and bonuses plus related payroll taxes, advertising expenses, professional advisor fees, bad debts, rent expense, insurance and other expenses incurred in connection with general operations. General and administrative expenses increased by \$732,348, or 18.89%, to \$4,608,331 for the year ended December 31, 2020 from \$3,875,983 for the year ended December 31, 2019. Such increase was primarily due to increased spending on advertising and professional services. Doctors Scientific Organica also increased its

online advertising and signed agreements with various social media influencers. In an effort to sell the business, Doctors Scientific Organica increased its professional service expense with the new consultants and accounting professionals. As a percentage of net sales, general and administrative expenses increased from 38.57% in 2019 to 42.74% in 2020.

Depreciation and amortization. Depreciation and amortization was \$82,786, or 0.77% of net sales, for the year ended December 31, 2020, as compared to \$97,160, or 0.97% of net sales, for the year ended December 31, 2019.

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*Total other income (expense).* Doctors Scientific Organica had \$85,307 in total other expense, net, for the year ended December 31, 2020, as compared to total other income, net, of \$315,424 for the year ended December 31, 2019. Total other expense, net, for the year ended December 31, 2020 consisted of interest expense, while other income, net, for the year ended December 31, 2019 consisted of interest expense of \$95,076, offset by income of \$410,500 resulting from insurance proceeds of received related to hurricane damages incurred in prior years.

*Net income.* As a result of the cumulative effect of the factors described above, Doctors Scientific Organica had net income of \$1,569,379 for the year ended December 31, 2020, as compared to \$1,613,531 for the year ended December 31, 2019, a decrease of \$44,152, or 2.74%.

## **Liquidity and Capital Resources**

### ***Smart for Life, Inc.***

As of September 30, 2021, we had cash of \$690,101. To date, we have financed our operations primarily through revenue generated from operations, bank borrowings and private placements of our securities.

Since our inception in 2017 and with the purchase of Bonne Santé Natural Manufacturing, we have experienced losses and as a result have continued to use cash in our operations. We have been dependent upon financing activities as we implement our acquisition strategy.

Although we believe that our current levels of cash will be sufficient to meet our anticipated cash needs for our operations for at least the next 12 months, including our anticipated costs associated with becoming a public reporting company, we do believe additional funds are required to execute our business plan and our strategy of acquiring additional companies. As noted elsewhere in this prospectus, over the next 24 months, we plan to acquire multiple companies aggregating a minimum of \$100 million in annualized revenues with the number of prospective acquisitions in the pipeline representing over \$50 million in additional revenue. As of the date of this prospectus, we have determined that none of these prospective acquisitions are probable, within the meaning of Regulation S-X, due to numerous factors, including that we have not yet entered into definitive or other binding agreements, completed our due diligence, obtained board approval or publicly announced the prospective acquisitions, nor are we subject to financial penalties if these prospective acquisitions are not completed.

The funds required to execute this business plan will depend on the size, capital structure and purchase price consideration that the seller of a target business deems acceptable in a given transaction. The amount of funds needed to execute our business plan also depends on what portion of the purchase price of a target business the seller of that business is willing to take in the form of seller notes or our equity or equity in one of our subsidiaries. As noted elsewhere in this prospectus, we intend on paying no more than 60% cash on any acquisition that we execute with a target of 50%. Given these factors, we believe that the amount of outside additional capital necessary to execute our business plan for the next 24 months ranges from \$20 million to \$60 million. With respect to the prospective acquisitions in the pipeline representing over \$50 million in additional revenue, the amount of capital needed ranges from \$10 million to \$30 million.

We intend to raise capital for additional acquisitions primarily through debt financing at our operating company level, additional equity offerings by our company, or by undertaking a combination of any of the above. The sale of additional equity securities could result in dilution to our stockholders. The incurrence of indebtedness would result in increased debt service obligations and could require us to agree to operating and financial covenants that would restrict our operations. Financing may not be available in amounts or on terms acceptable to us, if at all.

There is no guarantee that we will be able to acquire additional businesses under the terms outlined above or that we will be able to find additional acquisition candidates should we terminate our plans for any of our current acquisition targets.

[Table of Contents](#)*Summary of Cash Flow*

The following table provides detailed information about our net cash flow for all financial statement periods presented in this prospectus.

	Nine Months Ended September 30,		Year Ended December 31,	
	2021	2020	2020	2019
Net cash used in operating activities	\$ (5,488,904)	\$ (875,461)	\$ (1,941,839)	\$ (1,745,514)
Net cash used in investing activities	(6,001,550)	(31,039)	(32,966)	—
Net cash provided by financing activities	11,695,606	922,686	2,447,542	1,759,235
Net change in cash	205,152	16,186	472,737	13,721
Cash and cash equivalents at beginning of period	484,949	12,212	12,212	(1,509)
Cash and cash equivalents at end of period	<u>\$ 690,101</u>	<u>\$ 28,398</u>	<u>\$ 484,949</u>	<u>\$ 12,212</u>

Our net cash used in operating activities was \$5,488,904 for the nine months ended September 30, 2021, as compared to \$875,461 for the nine months ended September 30, 2020. For the nine months ended September 30, 2021, our net loss of \$4,097,589, includes an increase in inventory of \$2,972,531, a decrease in accrued expenses of \$139,919 and an increase in related party receivable of \$251,417, offset by an increase in accounts payable of \$941,909, depreciation of \$118,466, amortization of \$537,992, and debt issuance cost of \$536,628, were the primary drivers for cash used in operations. The increased inventory and accounts payable balances as of September 30, 2021 is due to the balances associated with our Doctors Scientific Organica subsidiary, which was acquired on July 1, 2021. The inventory and accounts payable balances of \$2,424,730 and \$407,276, respectively, were not included in the prior period as the subsidiary had not been acquired prior to July 1, 2021. We increased our inventory levels to meet the demands of our clients for both our branded products and those which we contract manufacture for third parties. For the nine months ended September 30, 2020, our net loss of \$1,425,896, a decrease in inventory of \$271,733 and a decrease in accounts receivable of \$249,559, offset an increase in deferred revenues of \$943,232, were the primary drivers for cash used in operations.

Our net cash used in operating activities was \$1,941,839 for the year ended December 31, 2020, as compared to \$1,745,514 for the year ended December 31, 2019. For the year ended December 31, 2020, our net loss of \$3,169,018, offset by a decrease in inventory of \$507,970, an increase in accrued expenses of \$476,372, stock issued for services of \$122,388 and depreciation of \$108,760, were the primary drivers for cash used in operations. Due to increasing customer demand for our products and services, we continue to build up our inventory levels to meet the production needs of our clientele. Of the accrued expense increase of \$476,372, \$447,639 represents accrued interest associated with our debt. For the year ended December 31, 2019, our net loss of \$2,522,343 and deferred revenue of \$393,987, offset by an increase in accrued expenses of \$317,675, a decrease in inventory of \$212,441, an increase in prepaid expenses and other current assets of \$161,740 and depreciation of \$111,213, were the primary drivers for cash used in operations.

Our net cash used in investing activities was \$6,001,550 for the nine months ended September 30, 2021, as compared to \$31,039 for the nine months ended September 30, 2020. Net cash used in investing activities for the nine months ended September 30, 2021 consisted of cash paid for the acquisition of Doctors Scientific Organica of \$6,000,000 and purchases of property and equipment of \$1,550, while the net cash used in investing activities for the nine months ended September 30, 2020 periods consisted entirely of purchases of property and equipment.

Our net cash used in investing activities was \$32,966 for the year ended December 31, 2020, which consisted of purchases of property and equipment. We had no investing activities for the year ended December 31, 2019.

Our net cash provided by financing activities was \$11,695,606 for the nine months ended September 30, 2021, as compared to \$922,686 for the nine months ended September 30, 2020. Net cash provided by financing activities for the nine months ended September 30, 2021 consisted of net proceeds of \$7,080,000 from the private placement described below, proceeds from the issuance of convertible notes and notes payable of \$5,301,130, paycheck protection program loan proceeds of \$261,164 and a gain on right of use asset and lease liability of \$49,069, offset by repayments on convertible notes and notes payable of \$995,757, while the net cash provided by financing activities for the nine months ended September 30, 2020 consisted of proceeds from the issuance of note payables of \$500,000, and paycheck protection program loan proceeds of \$539,286, offset by repayments on notes payable of \$116,600.

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Our net cash provided by financing activities was \$2,447,542 for the year ended December 31, 2020, as compared to \$1,759,235 for the year ended December 31, 2019. Net cash provided by financing activities for the year ended December 31, 2020 consisted of proceeds from the issuance of note payables of \$2,555,749, paycheck protection program loan proceeds of \$318,013 and a gain on right of use asset and lease liability of \$63,880, offset by repayments on notes payable of \$490,100, while the net cash provided by financing activities for the year ended December 31, 2019 consisted of proceeds from the issuance of note payables of \$2,230,000, offset by repayments on notes payable of \$385,000 and a loss on right of use asset and lease liability of \$85,765.

### *Debt*

On December 18, 2020, we entered into a loan and security agreement with Peah Capital, LLC for a term loan in the principal amount of up to \$1,500,000, which was amended on April 27, 2021 to increase the loan amount to \$1,625,000. In connection with such amendment, on April 27, 2021, we issued a second amended and restated promissory note to Peah Capital, LLC in the principal amount of \$1,625,000. The loan bears interest at a rate of 17.5% per annum, provided that upon an event of default, such rate shall increase to 25% per annum. The loan is due and payable on the earlier of: (i) eighteen (18) months from the date of the note or (ii) upon completion of this offering. The loan is secured by all of our assets and contains customary events of default. As of September 30, 2021, the outstanding balance of this loan was \$1,614,906.

On July 1, 2021, we entered into a loan agreement with Diamond Creek Capital, LLC for a term loan in the principal amount of up to \$3,000,000 and issued a term loan promissory note to Diamond Creek Capital, LLC in the principal amount of \$3,000,000. The loan bears interest at a rate of 15.0% per annum, provided that upon an event of default, such rate shall increase by 5%. The loan is due and payable on the earlier of July 1, 2022 or upon completion of this offering. The loan is secured by all of our assets and contains customary events of default. As of September 30, 2021, the outstanding balance of this loan was \$3,000,000. In connection with this loan, we paid Dawson James Securities, Inc., the representative of the underwriters for this offering, a placement agent fee of \$270,000 (equal to 9% of the gross proceeds) and issued it a warrant for the purchase of 358,209 shares of common stock. This warrant is exercisable for a period of five years at an exercise price of \$0.6667 per share, subject to standard adjustments for stock splits, stock combinations, stock dividends, reclassifications, mergers, consolidations, reorganizations and similar transactions, and may be exercised on a cashless basis.

Since inception, we have issued promissory notes to various lenders. These notes accrue interest at rates between 12-15%. These notes are unsecured and contain customary events of default. As of September 30, 2021, the outstanding balance of these notes was \$3,916,325. We have agreed to repay these notes from the proceeds of this offering.

On July 1, 2021, we issued a 6% secured subordinated convertible promissory note in the principal amount of \$3,000,000 to Sasson E. Moulavi in connection with the acquisition of Doctors Scientific Organica. This note accrues interest at 6% per annum and matures on July 1, 2024. This note will automatically convert into shares of common stock concurrent with the closing of this offering at a conversion price equal to the initial public offering price. This note contains customary covenants and events of default for a loan of this type, including if a default occurs under any senior secured indebtedness to banks and other financial institutions or private equity funds, and is secured by a security interest in all of the assets of Doctors Scientific Organica; provided that such security interest is subordinate to the rights of the lenders under any such senior secured indebtedness. As of September 30, 2021, the outstanding balance of this note was \$3,000,000.

On July 1, 2021, we issued a 6% secured subordinated promissory note in the principal amount of \$3,000,000 to Sasson E. Moulavi in connection with the acquisition of Doctors Scientific Organica. This note accrues interest at 6% per annum and the outstanding principal and interest will be amortized on a straight-line basis and are payable quarterly in accordance with the amortization schedule attached to the note, with all amounts due and payable on July 1, 2024. We may prepay all or any portion of this note any time prior to maturity without premium or penalty. This note contains customary covenants and events of default for a loan of this type, including if a default occurs under any senior secured indebtedness to banks and other financial institutions or private equity funds, and is secured by a security interest in all of the assets of Doctors Scientific Organica; provided that such security interest is subordinate to the rights of the lenders under any such senior secured indebtedness. As of September 30, 2021, the outstanding balance of this note was \$3,000,000.



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In June 2020, pursuant to the economic injury disaster loan, or EIDL, program under the provisions of the Coronavirus Aid, Relief and Economic Security Act, or the CARES Act, we entered into a promissory note with the U.S. Small Business Administration with a principal amount of \$300,000. This loan matures in 30 years and bears interest at a rate of 3.75%. The loan is secured by all of our assets. As of September 30, 2021, the outstanding balance of this loan was \$300,000.

In May 2020, we received \$239,262 in paycheck protection program, or PPP, loans under the CARES Act. This loan bears interest at a rate of 1% per annum and matures in April 2022. As of September 30, 2021, the outstanding balance of this loan was \$239,262. The PPP provides that the PPP loans may be partially or wholly forgiven if the funds are used for certain qualifying expenses as described in the CARES Act.

In February 2021, we received an additional \$261,164 in PPP loans under the CARES Act. This loan bears interest at a rate of 1% per annum and matures in January 2023. As of September 30, 2021, the outstanding balance of this loan was \$261,164. The PPP provides that the PPP loans may be partially or wholly forgiven if the funds are used for certain qualifying expenses as described in the CARES Act.

### Private Placement of Series A Convertible Preferred Stock

On July 1, 2021, we completed a private placement in which we sold an aggregate of 6,000 shares of series A convertible preferred stock and warrants for the purchase of an aggregate of 8,999,552 shares of common stock to certain investors for gross proceeds of \$6,000,000. On August 18, 2021, we completed an additional closing of this private placement in which we sold 2,000 shares of series A convertible preferred stock and warrants for the purchase of 2,999,852 shares of common stock for gross proceeds of \$2,000,000. Please see “*Description of Securities*” for a description of the series A convertible preferred stock and warrants issued in this private placement.

In connection with this private placement, we paid Dawson James Securities, Inc., the representative of the underwriters for this offering, a placement agent fee of \$720,000 (equal to 9% of the gross proceeds) and issued it a warrant for the purchase of 719,964 shares of common stock and a warrant for the purchase of 239,988 shares of common stock. The warrant to purchase 239,988 shares of common stock was forfeited by Dawson James Securities, Inc. The remaining warrant for the purchase of 719,964 shares of common stock is exercisable for a period of five years at an exercise price of \$0.6667 per share, subject to standard adjustments for stock splits, stock combinations, stock dividends, reclassifications, mergers, consolidations, reorganizations and similar transactions, and may be exercised on a cashless basis.

### **Nexus**

As of September 30, 2021, Nexus had cash of \$44,330. To date, it has financed its operations primarily through revenue generated from operations and investments from its shareholders.

### Summary of Cash Flow

The following table provides detailed information about the net cash flow for all financial statement periods presented in this prospectus.

	Nine Months Ended September 30,		Year Ended December 31,	
	2021	2020	2020	2019
Net cash provided by (used in) operating activities	\$ 68,042	\$ 113,043	\$ (78,629)	\$ 36,200
Net cash used in investing activities	—	—	—	—
Net cash provided by financing activities	(59,900)	59,900	59,900	—
Net change in cash	8,142	172,943	(18,729)	36,200
Cash and cash equivalents at beginning	36,188	54,917	54,917	18,717



of period				
Cash and cash equivalents at end of period	<u>\$ 44,330</u>	<u>\$ 227,860</u>	<u>\$ 36,188</u>	<u>\$ 54,917</u>
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Net cash provided by operating activities was \$68,042 for the nine months ended September 30, 2021, as compared to \$113,043 for the nine months ended September 30, 2020. For the nine months ended September 30, 2021, the net income of \$99,049 and an increase in accounts receivable of \$22,089, offset by decreases in commissions payable of \$28,295 and accrued expenses of \$24,801, were the primary drivers for cash provided by operations. The increase in accounts receivable is associated with the increased revenues for the period over the previous period. The decrease in the liabilities is due to the timing of payments made by Nexus. For the nine months ended September 30, 2020, the net income of \$183,160 and an increase in commissions receivable of \$156,761, offset by decreases in accounts receivable of \$207,342 and accrued expenses of \$165,507, were the primary drivers for cash provided by operations. With the impact of COVID-19 on the labor force, with more people either working from home or no longer employed, Nexus noted increased numbers of individuals seeking other business income and increased affiliate marketing, resulting in increased revenues. The changes in the accounts receivable and accrued expense are attributable to the timing of payments from customers and the payment dates to vendors. Invoices to customers are issued on Fridays with payment terms within 7 days, as the end of the period was a Wednesday, most customers paid their balances before the end of the period.

Net cash used in operating activities was \$78,629 for the year ended December 31, 2020, as compared to \$36,200 net cash provided by operating activities for the year ended December 31, 2019. For the year ended December 31, 2020, the net loss of \$121,200 and a decrease in accounts receivable of \$30,236, offset by an increase in commissions payable of \$65,774 and an increase in accrued expenses of \$7,033, were the primary drivers for cash used in operations. As customer billing occurs on Fridays and the 2020 year ended on a Thursday as opposed to a Tuesday for 2019, Nexus received payment from more customers through the end of the year based on the payment terms with customers. Conversely, based on the period ends, payments for vendors were not processed until later in the week at the end of 2020, resulting in the increased liabilities. For the year ended December 31, 2019, the net income of \$86,852, an increase in commissions payable of \$64,149 and an increase in accrued expenses of \$1,808, offset by a decrease in accounts receivable of \$116,609, were the primary drivers for cash provided by operations. The decrease in accounts receivable is directly related to the day of the week for the end of the year. As December 31, 2018 was a Monday, and fewer customers made payments for their balance as compared to in 2020 when the year ended on a Tuesday, giving customers an extra business day to make their payments. Historically, the payments from customers decline in percentage as the week progresses.

Nexus had no investing activities for the nine months ended September 30, 2021 and 2020 or the years ended December 31, 2020 and 2019.

Net cash used in financing activities for the nine months ended September 30, 2021 was \$59,900, which consisted of repayment of the EIDL described below. Net cash provided by financing activities for the nine months ended September 30, 2020 and year ended December 31, 2020 was \$59,900, which consisted of proceeds from the EIDL described below. Nexus had no financing activities for the year ended December 31, 2019.

### Debt

In June 2020, Nexus was granted an EIDL from the U.S. Small Business Administration in the amount of \$59,900. The EIDL, which was in the form of a note dated June 19, 2020, bears interest of 3.75% per annum, payable monthly for \$2,437 commencing in June of 2021. The EIDL may be prepaid at any time prior to maturity with no prepayment penalties. Funds from the EIDL may only be used as working capital to alleviate economic injury caused by disaster occurring in the month of January 2020, and continuing thereafter, and to pay Uniform Commercial Code lien filing fees. We intend to use the funds from the EIDL for qualifying expenses. These amounts were fully repaid in September 2021 and were therefore listed as short-term.

### ***Doctors Scientific Organica***

As of December 31, 2020, Doctors Scientific Organica had cash of \$0. To date, it has financed its operations primarily through revenue generated from operations and bank borrowings.

Doctors Scientific Organica is a single member limited liability company with a single member. As such, the member has elected to not keep excess cash generated in the business remaining in the business as various times of the year. The business has continued to generate positive cash flows from operations which have been used for the re-investment in equipment as necessary, with any excess cash distributed to the member.



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### Summary of Cash Flow

The following table provides detailed information about the net cash flow for all financial statement periods presented in this prospectus.

	Year Ended December 31,	
	2020	2019
Net cash provided by operating activities	\$ 762,671	\$ 1,230,920
Net cash used in investing activities	(15,103)	(110,923)
Net cash used in financing activities	(830,081)	(1,037,484)
Net change in cash and cash equivalents	(82,513)	82,513
Cash and cash equivalents at beginning of period	82,513	—
Cash and cash equivalents at end of period	\$ —	\$ 82,513

The net cash provided by operating activities was \$762,671 for the year ended December 31, 2020, as compared to \$1,230,920 for the year ended December 31, 2019. For the year ended December 31, 2020, the net income of \$1,569,379, offset by an increased in inventory of \$646,942, a decrease in accrued expenses of \$219,863 and an increase in accounts receivable of \$138,108, were the primary drivers for cash provided by operations. The decrease in the inventory from the prior year is the result of shipments made in December to “big box” resellers in advance of year-end for the anticipated sale on weight management products in January. Doctors Scientific Organica received increased orders from “big box” retailers shortly before year-end in excess of the previous year. Doctors Scientific Organica was able to pay down many liabilities prior to year-end, thereby reducing the accrued expense balance. The decrease in accounts receivable pertained to the timing of payments from contract manufacturing clients that were able to pay their invoices more timely than in the past. For the year ended December 31, 2019, the net income of \$1,613,531 and an increase in accrued expenses of \$173,381, offset by a decrease in accounts payable and cash overdraft of \$394,503 and a decrease in inventory of \$154,183, were the primary drivers for cash provided by operations. Due to the timing of cash payments from customers, Doctors Scientific Organica was able to pay certain liabilities and overcome a cash deficit. The decrease in inventory is the result of unusually high inventory values as the end of 2018. Doctors Scientific Organica increased the inventory levels at the end of 2018 due to supply incentives and anticipated production for the beginning of 2019.

Net cash used in investing activities was \$15,103 for the year ended December 31, 2020, as compared to \$110,923 for the year ended December 31, 2019. The net cash used in financing activities for all periods consisted entirely of purchases of property and equipment.

Net cash used in financing activities was \$830,081 for the year ended December 31, 2020, as compared to \$1,037,484 for the year ended December 31, 2019. The net cash used in financing activities for the year ended December 31, 2020 consisted of member distributions of \$3,991,495, payments on line of credit of \$1,197,740 and repayments on notes payable of \$379,069, offset by contributions from members of \$2,407,076, proceeds from line of credit of \$1,937,397, paycheck protection program loan proceeds of \$352,750 and proceeds from notes payable of \$41,000, while the net cash used in financing activities for the year ended December 31, 2019 consisted of member distributions of \$5,423,545 and repayments on notes payable of \$659,452, offset by member contributions of \$4,374,513 and proceeds from notes payable of \$671,000.

### Debt

On June 26, 2020, Doctors Scientific Organica entered into a revolving line of credit with a bank, which permitted borrowings up to \$750,000, and bears interest at 3.5%. As of December 31, 2021, the balance of the line of credit was \$739,657.

**Contractual Obligations**

Our principal commitments consist mostly of obligations under the loans described above, the operating leases described under “Business — Facilities” and pricing/margin structures for products established with our clients. We do not have any purchase obligations with any suppliers.

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### Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

### Critical Accounting Policies

The following discussion relates to critical accounting policies for our company. The preparation of financial statements in conformity with GAAP requires our management to make assumptions, estimates and judgments that affect the amounts reported, including the notes thereto, and related disclosures of commitments and contingencies, if any. We have identified certain accounting policies that are significant to the preparation of our financial statements. These accounting policies are important for an understanding of our financial condition and results of operation. Critical accounting policies are those that are most important to the portrayal of our financial condition and results of operations and require management's difficult, subjective, or complex judgment, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Certain accounting estimates are particularly sensitive because of their significance to financial statements and because of the possibility that future events affecting the estimate may differ significantly from management's current judgments. We believe the following critical accounting policies involve the most significant estimates and judgments used in the preparation of our financial statements:

**Revenue Recognition.** Effective January 1, 2019, we evaluate revenue recognition based on the criteria set forth in ASC 606, *Revenue from Contracts with Customers*. We evaluate and recognize revenue by: identifying the contract(s) with the customer; identifying the performance obligations in the contract; determining the transaction price; allocating the transaction price to performance obligations in the contract; and recognizing revenue as each performance obligation is satisfied through the transfer of a promised good or service to a customer (i.e., "transfer of control"). We primarily generate revenues by manufacturing and packaging of nutraceutical products as a contract manufacturer for customers. The majority of our revenue is recognized when we satisfy a single performance obligation by transferring control of our products to a customer. Control is generally transferred when our products are either shipped or delivered based on the terms contained within the underlying contracts or agreements. Our general payment terms are short-term in duration. We do not have significant financing components or payment terms. We did not have any material unsatisfied performance obligations at September 30, 2021 or December 31, 2020. Distribution expenses to transport our products, where applicable, and warehousing expense after manufacture are accounted for within operating expenses.

**Inventory, net.** Inventory consists of raw materials, work in progress, and finished goods and is valued at the lower of cost (first-in, first-out) (replacement cost or net realizable value). An allowance for inventory obsolescence is provided for slow moving or obsolete inventory to write down historical cost to net realizable value. We primarily perform manufacturing for nutraceuticals in the form of powders, tablets and capsules. The allowance for obsolescence is an estimate established through charges to cost of goods sold. Management's judgment in determining the adequacy of the allowance is based upon several factors which include, but are not limited to, analysis of slow moving inventory, analysis of the selling price of inventory, the predetermined shelf life of the product, and management's judgment with respect to current economic conditions. Given the nature of the inventory, it is reasonably possible that our estimate of the allowance for obsolescence will change in the near term.

**Long-Lived Assets.** We assess potential impairments to its long-lived assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. An impairment loss is recognized when the undiscounted cash flows expected to be generated by an asset (or group of assets) is less than its carrying amount. Any required impairment loss is measured as the amount by which the asset's carrying value exceeds its fair value and is recorded as a reduction in the carrying value of the related asset and a charge to operating results. We had no impairment of long-lived assets at September 30, 2021 and December 31, 2020.

**Stock-based Compensation.** We recognize expense for stock options and warrants granted over the vesting period based on the fair value of the award at the grant date, are valued using a Black-Scholes option pricing

model to determine the fair market value of the stock options. We calculate the amount of tax benefit available by tracking each stock option award on an employee-by-employee basis and on a grant-by-grant basis. We then compare the recorded expense to the tax deduction received for each stock option grant.

## CORPORATE HISTORY AND STRUCTURE

Our company was incorporated in the State of Delaware on February 2, 2017 under the name Bonne Santé Group, Inc. On August 4, 2021, we changed our name to Smart for Life, Inc. in connection with the acquisition of Doctors Scientific Organica described below.

### Acquisition of Bonne Santé Natural Manufacturing

On March 8, 2018, we acquired 51% of Millenium Natural Manufacturing Corp. and Millenium Natural Health Products Inc. for a purchase price of \$2,140,272. On October 8, 2019, we entered into an agreement to acquire the remaining 49% of these companies for a purchase price of \$100,000, which was completed on October 8, 2019.

Millenium Natural Manufacturing Corp. was originally incorporated in the State of Florida on March 12, 1998 under the name Millenium Natural Health Products Inc. On March 24, 2003, its name was changed to Millenium Natural Manufacturing Corp. Millenium Natural Health Products Inc. was originally incorporated in the State of Florida on February 5, 2002 under the name Millenium Natural Manufacturing Corp. On March 24, 2003, its name was changed to Millenium Natural Health Products Inc. On September 30, 2020, we changed the name of Millenium Natural Manufacturing Corp. to Bonne Sante Natural Manufacturing, Inc., or Bonne Santé Natural Manufacturing, and on November 24, 2020, we merged Millenium Natural Health Products Inc. into Bonne Santé Natural Manufacturing to better reflect our vertical integration.

Based in Doral, Florida, Bonne Santé Natural Manufacturing operates a 22,000 square foot manufacturing facility. From inception through September 30, 2021, it has manufactured nutritional products for approximately 240 companies, and from January 1, 2021 to September 30, 2021, it manufactured nutritional products for approximately 26 companies.

### Acquisition of Doctors Scientific Organica

On February 11, 2020, we entered into securities purchase agreement, which was amended on July 7, 2020 and June 4, 2021, to acquire Doctors Scientific Organica, LLC d/b/a Smart for Life, Oyster Management Services, Ltd., Lawee Enterprises, L.L.C. and U.S. Medical Care Holdings, L.L.C. On July 1, 2021, the acquisition was completed.

The total purchase price was \$12,000,000 (subject to adjustment), comprised of (i) \$6,000,000 in cash (subject to adjustment), (ii) a 6% secured subordinated convertible promissory note in the principal amount of \$3,000,000 and (iii) a 6% secured subordinated promissory note in the principal amount of \$3,000,000.

The purchase price is subject to a post-closing working capital adjustment provision. We are required to deliver to the seller a balance sheet as of the closing date and our calculation of the closing working capital (as defined in the securities purchase agreement). If such closing working capital exceeds a minimum working capital equal to the average monthly working capital for the twelve-month period ended April 30, 2021 (subject to certain exceptions set forth in the securities purchase agreement), then then we must promptly (and, in any event, within fifteen (15) days) pay to the seller an amount in cash that is equal to such excess. If such minimum working capital exceeds the closing working capital, then the seller must promptly (and, in any event, within fifteen (15) days) pay to us an amount in cash that is equal to the deficiency.

Doctors Scientific Organica, LLC was originally incorporated in the State of Nevada on February 16, 2006. On September 28, 2015, it converted to a Florida company. Oyster Management Services, Ltd. was originally organized in the State of Florida on April 1, 2003. Lawee Enterprises, L.L.C. was originally organized in the State of Florida on January 3, 2005. U.S. Medical Care Holdings, L.L.C. was originally organized in the State of Florida on April 1, 2003.

On August 27, 2021, we transferred all of the equity interests of Oyster Management Services, Ltd., Lawee Enterprises, L.L.C. and U.S. Medical Care Holdings, L.L.C. to Doctors Scientific Organica, LLC. As a result, these entities are now wholly owned subsidiaries of Doctors Scientific Organica, LLC. In this prospectus, we collectively refer to Doctors Scientific Organica, LLC and its consolidated subsidiaries as Doctors Scientific Organica.



Doctors Scientific Organica manufactures, sells and owns the Smart for Life brand of natural health and wellness meal replacement products.

### **Establishment of Canadian Subsidiary**

On August 24, 2021, we established Smart for Life Canada Inc. as a wholly owned subsidiary of Doctors Scientific Organica in Canada. This subsidiary sells retail products through a retail store location in Montreal Canada and the same location also acts as distribution center for our international direct to consumer and big box customers. We maintain inventory and employees at this location.

### **Acquisition of Nexus**

On July 21, 2021, we entered into a securities purchase agreement, which was amended on November 8, 2021, to acquire all of the issued and outstanding capital stock of Nexus. On November 8, 2021, the acquisition was completed.

The total purchase price was \$6,000,000 (subject to adjustment), comprised of (i) \$2,200,000 in cash (subject to adjustment), (ii) a 5% secured subordinated convertible promissory note in the principal amount of \$1,900,000 and (iii) a 5% secured subordinated promissory note in the principal amount of \$1,900,000.

The purchase price is subject to a post-closing working capital adjustment provision. On or before the 90<sup>th</sup> day following the closing, we must deliver to the seller a balance sheet as of the closing date and our calculation of the closing working capital (as defined in the securities purchase agreement). If such closing working capital exceeds a minimum working capital equal to the average monthly working capital for the twelve-month period ended July 31, 2021 (subject to certain exceptions set forth in the securities purchase agreement), then then we must promptly (and, in any event, within fifteen (15) days) pay to the seller an amount in cash that is equal to such excess. If such minimum working capital exceeds the closing working capital, then the seller must promptly (and, in any event, within fifteen (15) days) pay to us an amount in cash that is equal to the deficiency.

Nexus was incorporated in the State of Florida on October 10, 2016.

Nexus is a network platform in the affiliate marketing space.

### **Acquisition of GSP Nutrition**

On November 29, 2021, we entered into a contribution and exchange agreement to acquire all of the issued and outstanding capital stock of GSP Nutrition. On December 6, 2021, the acquisition was completed.

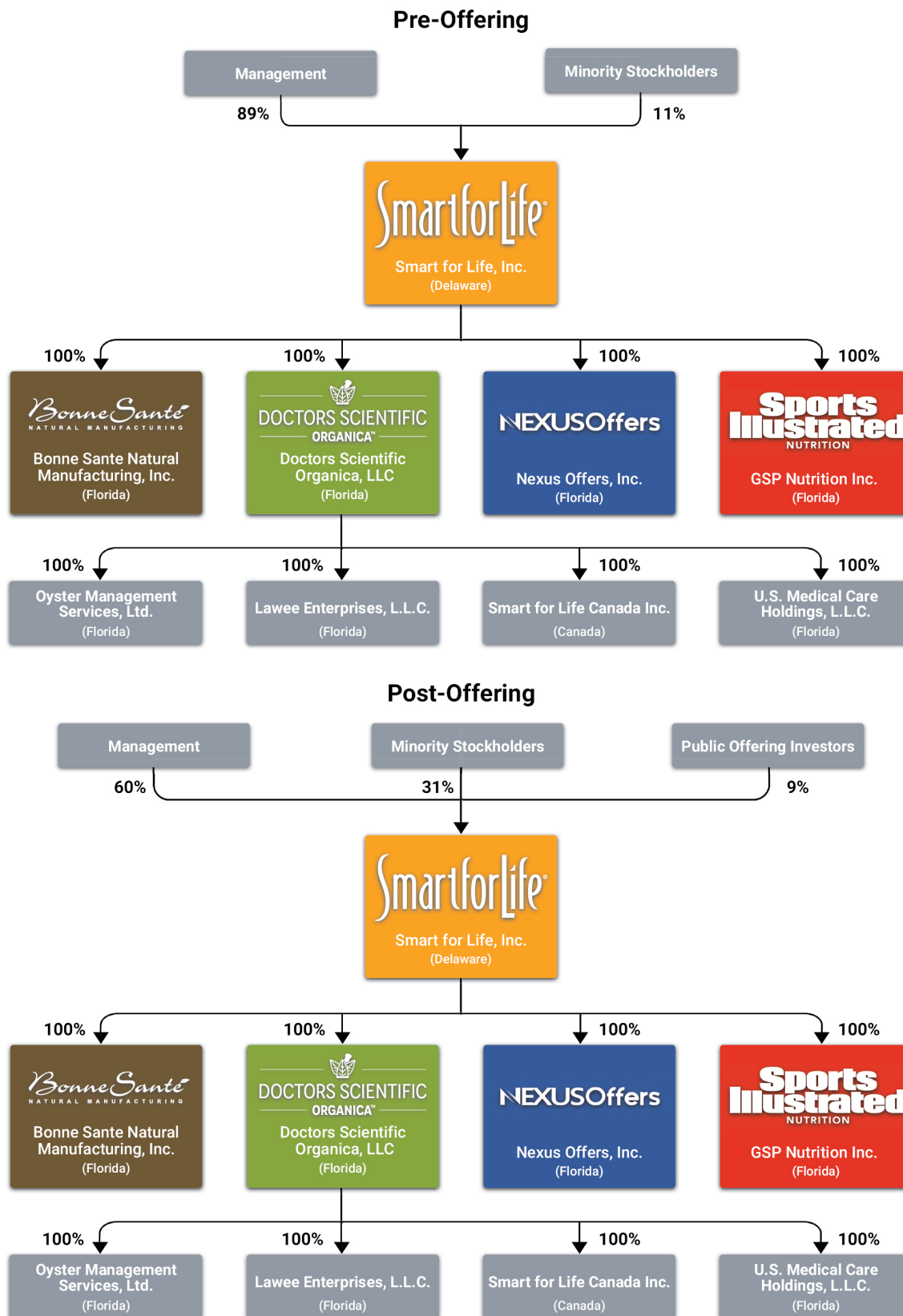
The total purchase price was \$425,000, payable in 42,500 shares of our common stock; provided that if the effective price per share of common stock in this offering (as determined in accordance with the contribution and exchange agreement) is less than \$10 per share, then we must issue an additional number of shares of common stock equal to an amount determined by dividing the \$425,000 purchase price by the effective offering price per share, minus 42,500. In connection with this acquisition, we also issued 14,723 shares of common stock to certain vendors of GSP who agreed to settle accounts payable owed to them into our common stock.

GSP Nutrition was incorporated in the State of Delaware on January 3, 2020.

GSP Nutrition is a sports nutrition company that offers nutritional supplements for athletes and active lifestyle consumers under the Sports Illustrated Nutrition brand.

## Corporate Structure

The following charts depict our organization structure before and after this offering.





## **BUSINESS**

### **Overview**

We are engaged in the development, marketing, manufacturing, acquisition, operation and sale of a broad spectrum of nutritional and related products with an emphasis on health and wellness. Structured as a global holding company, we are executing a buy-and-build strategy with serial accretive acquisitions creating a vertically integrated company with an objective of aggregating companies generating a minimum of \$300 million in revenues within the next thirty-six months. To drive growth and earnings, we are developing proprietary products as well as acquiring other profitable companies, encompassing brands, manufacturing and distribution channels.

### **Our Business Model**

We are engaged in a comprehensive program to develop a robust pipeline of prospective acquisitions in addition to the companies currently operated by us. Our management has significant experience in locating and evaluating prospective target operating companies. We have also entered into buy-side agreements with certain advisers and consultants to assist management in identifying and evaluating prospective target operating companies. The nutritional products industry is highly fragmented with a large pool of companies generating less than \$20 million in revenues representing significant opportunity for industry consolidation.

We plan to acquire target companies utilizing a combination of cash, promissory notes, earnouts and public company stock, generally at 4x to 6x trailing adjusted EBITDA. Aside from our first acquisition described below, we intend on paying no more than 60% cash on any acquisition that we execute with a target of 50%. The remainder is allocated between stock and a note and/or earnout with a heavier weighting toward the former. Although the acquisition consideration is structured, we believe that our acquisitions will provide three distinct benefits to the principals of an acquisition. First, a significant liquidity event. Second, the creation of a significant equity position in an emerging growth public company. Third, ongoing employment at customary industry compensation.

Over the next 24 months, we plan to acquire multiple companies aggregating a minimum of \$100 million in annualized revenues with the number of prospective acquisitions in the pipeline representing over \$50 million in additional revenue. As of the date of this prospectus, we have determined that none of these prospective acquisitions are probable, within the meaning of Regulation S-X, due to numerous factors, including that we have not yet entered into definitive or other binding agreements, completed our due diligence, obtained board approval or publicly announced the prospective acquisitions, nor are we subject to financial penalties if these prospective acquisitions are not completed.

We do not currently have sufficient capital to complete these acquisitions. We intend to raise capital for additional acquisitions primarily through debt financing at our operating company level, additional equity offerings by our company, or by undertaking a combination of any of the above. The sale of additional equity securities could result in dilution to our stockholders. The incurrence of indebtedness would result in increased debt service obligations and could require us to agree to operating and financial covenants that would restrict our operations. Financing may not be available in amounts or on terms acceptable to us, if at all.

There is no guarantee that we will be able to acquire additional businesses under the terms outlined above or that we will be able to find additional acquisition candidates should we terminate our plans for any of our current acquisition targets.

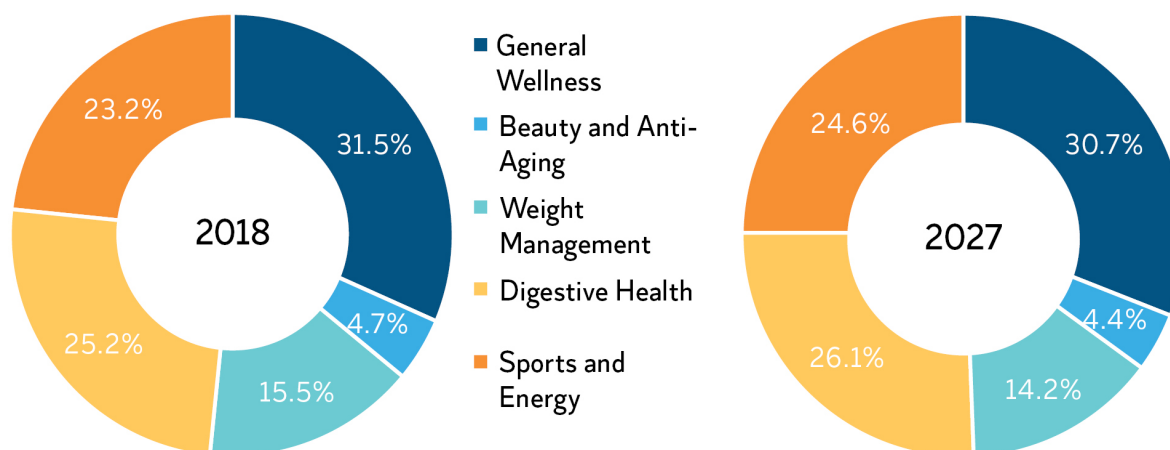
### **Our Industry**

The markets in which we operate are characterized by rapid technological changes, frequent new product introductions, established and emerging competition, extensive intellectual property disputes and litigation, price competition, aggressive marketing practices, evolving industry standards and changing customer preferences. Accordingly, our prospects must be considered in light of the uncertainties, risks, expenses, and difficulties frequently encountered by companies operating in rapidly changing and competitive markets.



### ***Nutraceutical Industry***

The nutraceutical industry focuses on nutritional supplements intended to improve longevity, sports fitness and provide health benefits in addition to the basic nutritional value present in food. Most people are familiar with various nutraceutical products — and have likely used them — even if they are unfamiliar with the industry name. Nutraceuticals comprise such commonly used items as herbal products, specific diet products, vitamins, processed foods and beverages, functional foods, isolated nutrients and other dietary products. The following table prepared by the Council for Responsible Nutrition ([www.crnusa.org](http://www.crnusa.org)), or CRN, depicts the types of supplements taken by the population in the different indicated categories beginning in 2018 and estimated through 2027. We sell products across all of these product categories, and we believe that our market share in each of these categories is currently less than 1%.



SOURCE: Council for Responsible Nutrition

The nutraceutical industry has experienced significant growth across the globe, propelled by the increasing age expectancies and associated increases in diseases of aging and lifestyle. A shift in demographics has also allowed manufacturers to benefit in recent years. The number of Americans ages 65 and older is projected to nearly double from 52 million in 2018 to 95 million by 2060, and the 65-and-older age group's share of the total population will rise from 16% to 23%. Moreover, the CRN reported 77% of U.S. adults take dietary supplements. With respect to the types of supplements being taken, CRN's 2019 survey found that vitamins and minerals continue to be the most commonly consumed supplement category, with 76% of Americans having taken these products in the past twelve months.

According to a study by Grand View Research, Inc., amid the COVID-19 crisis, the global market for nutraceuticals is projected to grow from \$412.7 billion in the year 2020 and reach \$722.5 billion by 2027, growing at a CAGR of 8.3% over the analysis period. As a specific segment in the overall global nutraceutical market, functional foods accounted for the largest share in 2019 and generated revenue of \$187.51 billion on a standalone basis.

The nutraceuticals market in the United States is estimated at \$104.5 billion in the year 2021 according to Global Industry Analysts Inc. The U.S. currently accounts for a 34.57% share in the global market. Among the other noteworthy geographic markets are China, Japan and Canada, each forecast to grow at 9.6%, 6.3% and 6.7%, respectively, over the analysis period. Within Europe, Germany is forecast to grow at approximately 7.1% CAGR.

Nutraceuticals are garnering immense attention in recent years due to various trends including changing lifestyles, burgeoning middle-class segment across emerging economies, transforming dietary habits, aging population, and increased life expectancy. In addition, the focus of R&D based pharmaceutical sector on expensive specialty drugs is increasing the burden on the healthcare system as well as resulting in higher out-of-pocket costs for drugs driving the focus on prevention than intervention. The self-care trend across the world is driving strong demand for nutraceuticals including superfoods, food and dietary supplements, sports nutrition, and functional foods and beverages. Given



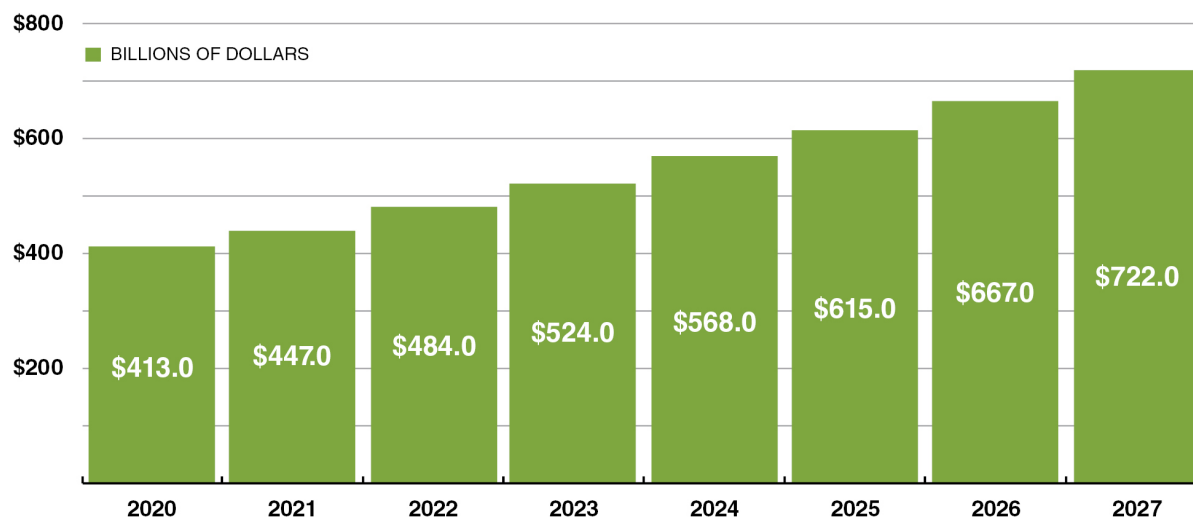


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the hectic lifestyles and the lack of time for consumption of the required nutrients through regular diet, the need for replenishing such essential nutrients is increasing. In this context, nutraceuticals are emerging to be the solution for meeting this requirement. Nutraceuticals are considered to be the vital link between health and food.

The market is also experiencing strong demand for personalized approaches to wellness that is driving product innovation in the areas of weight management, sports nutrition, and healthy snacking. Other noteworthy trends benefiting market prospects in the near term include emergence of clean labeling as a new norm owing to increasing focus of consumers on ingredient list on the product; innovative delivery technologies such as microencapsulation, which protects the product from adverse conditions such as light and air.

## NUTRACEUTICAL INDUSTRY



SOURCE: Grand View Research, Inc.

To our knowledge, the projections above for future periods do not take into account the effects of the worldwide coronavirus pandemic. Accordingly, those projections may be overstated and should not be given undue weight. At this time, we cannot predict the exact effects of the pandemic.

As the overall population continues to turn to healthier living in hopes of offsetting rising healthcare expenditures and preventing general subpar health conditions, we believe that the demand for nutraceutical industry products will resemble a similar trend.

### ***Digital Marketing***

As a result of our acquisition of Nexus, we have entered the digital marketing industry as a way to promote the products and brands that we sell. Digital marketing is a component of marketing that uses internet and online based digital technologies such as desktop computers, mobile phones and other digital media and platforms to promote products and services.

The COVID-19 pandemic resulted in people staying at home and/or working remotely from home, resulting in huge increase in online traffic.

Clicks and display ads are among the most prominent forms of digital marketing initiatives. Clicks are expensive compared to display ads, as clicks ensure the customer is directed to the advertiser's website. However, clicks provide a better return on investment.

According to Global Industry Analysis, Inc., the global market for digital advertising and marketing is estimated at \$350 billion in the year 2020, and is projected to reach \$786.2 billion by 2026, growing at a CAGR of 13.9% over the analysis period. The digital advertising and marketing market in the U.S. is estimated at \$155.3 billion in the year 2021. We believe that our market share is currently less than 1%.



## **Our Operating Subsidiaries**

### ***Bonne Santé Natural Manufacturing***

Bonne Santé Natural Manufacturing is a nutraceutical contract manufacturer. Since 1998, our strong manufacturing capabilities and dedication to our clients has enabled us to build relationships with hundreds of customers throughout the United States and around the world, including South America, Central America and Europe. We specialize in a wide variety of products to fill our client's needs, from the private labeling of vitamins, dietary supplements, nutraceuticals, sport nutrition and broad-spectrum nutritional supplements. Our experienced team of scientists, formulators, and manufacturing experts have the years of knowledge necessary to take our client's concepts all the way from initial idea to finished product. In addition, we can provide the support for a simple and cost-effective "turn key" solution to manufacturing existing formulations.

To meet the specific demands of any order, we have state-of-the-art manufacturing and packaging lines to decrease cost and maximize efficiencies. We certify that all products and labels meet stringent FDA requirements and our quality control associates will continually monitor the entire process until products are delivered. Our goal is to exceed our customer's expectations with respect to product quality, service and price.

### ***Doctors Scientific Organica***

Doctors Scientific Organica manufactures, sells and owns the Smart for Life brand of natural health and wellness meal replacement products. The brand includes proprietary hunger suppressing functional foods that are designed to work with the body's natural ability to lose weight. The program uses an exact protein-to-sugar ratio, a low glycemic index and glycemic load as well as multiple small meals throughout the day to deliver specific amounts of protein, super fibers and complex carbs to suppress hunger, keep sugar and insulin low and trigger the body's release of the fat releasing hormone glucagon.

Our Smart for Life products deliver:

- Hunger controlling protein mix
- No toxins or preservatives
- The right amount of protein per calorie ratio
- NO insulin spike, lets glucagon do its job
- A small amount of essential good fats
- Right amount of complex carbs

Doctors Scientific Organica also develops premium supplements and commodities that will promote optimal health and wellness. This natural product line uses simple quality ingredients to help create a more sustainable lifestyle. Doctors Scientific Organica has over 15 years of experience providing high-quality products to premium retail locations and companies. Doctors Scientific Organica branded vitamins and supplements are also being sold through Amazon, and this sales channel is becoming a major contributor to the growth of the brand online. All products are packaged in eco-friendly and bio-degradable packaging.

### ***GSP Nutrition***

GSP Nutrition is a sports nutrition company that was incorporated on January 3, 2020. It offers nutritional supplements for athletes and active lifestyle consumers through a variety of wellness solutions and delivery methods, including powders, tablets and soft gels that are formulated to support energy and performance; nutrition and wellness; and focus and clarity.

GSP Nutrition's initial line of nutritional products are marketed under the Sports Illustrated Nutrition brand. The product line currently consists of whey protein isolate powder, tablet supplements for joint health, nitric oxide, post workout blends, Omega-3 supplements, and pre-workout supplements, among others.



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We believe that the Sports Illustrated brand is one of the most recognized brands in sports and athletics. GSP Nutrition has a license for the exclusive use of the Sports Illustrated brand (excluding the Sports Illustrated Swimsuit brand for which it has a right of first offer under the license) for certain dietary and nutritional supplements, in each case to be sold to/through certain approved accounts in the United States and Canada.

### *Nexus*

Nexus operates a cost per action/cost per acquisition network. This network consists of hundreds of digital marketers who stand ready to market products introduced to the Nexus network. The cost per action/cost per acquisition model is where digital marketers are paid for an action (e.g., a product sale or lead generation) that is taken as a direct result of their marketing efforts. Through the digital marketer's method of marketing, the digital marketer sends traffic to one of the product vendor's offers listed on the network.

Nexus' has relationships with both product vendors and digital marketers. A product vendor is a Nexus customer that has products, whether digital or physical, for sale and is looking for increased sales through digital marketing avenues from digital marketers. Digital marketers are Nexus contractors that engage in digital marketing. An example of a digital marketer is someone who has a strong Facebook following, or a strong knowledge of Facebook ad marketing. Other examples include google ad marketing or email marketers who send marketing messages to an opted in list of subscribers. Historically, Nexus' customers consisted exclusively of owners of digital products that were also delivered digitally. Following our acquisition of Nexus, Bonne Santé Natural Manufacturing, Doctors Scientific Organica, GSP Nutrition, as well as any additional nutraceutical companies that we acquire in the future, will also become customers of Nexus. Nexus will use its online marketplace to market our nutraceutical products through its network of digital marketers. Our nutraceutical product companies will then sell and physically deliver the nutraceutical products to the end users identified through the efforts of the digital marketers. Nexus has the ability to "plug and play" with any of the products sold by companies that we may acquire in the future as we can take the consumer facing products being sold by those companies and seamlessly add them to the Nexus network to generate sales.

Product vendors come to Nexus to increase sales of their products and digital marketers come to Nexus to receive a commission in exchange for their marketing efforts, which are designed to generate sales for the product vendors. When a digital marketer's marketing efforts results in a sale of a product by a product vendor, the digital marketer is then credited with a commission. The product vendor is billed weekly for the sales that the product vendor makes during the week as the result of such digital marketers' marketing efforts. The product vendor pays Nexus and Nexus pays the digital marketer. This is an anonymous transaction as digital marketers and product vendors are only defined inside the marketplace by an offer name (product vendor) and an affiliate number (digital marketer).

### **Manufacturing, Distribution and Quality Control**

Bonne Santé Natural Manufacturing operates a 22,000 square foot manufacturing facility in Doral, Florida. This facility primarily focuses on the contract manufacturing of vitamins and supplements, with a particular emphasis on the production of tablets, capsules and powders, along with turn-key solutions for packaging these health and wellness products in a wide variety of bottles, jars, sachets and stick packs. From inception through September 30, 2021, it has manufactured nutritional products for approximately 240 companies, and from January 1, 2021 to September 30, 2021, it manufactured nutritional products for approximately 26 companies.

Doctors Scientific Organica operates a 30,000 square foot manufacturing facility in Riviera Beach, Florida. This facility is primarily focused on the production of natural health and wellness meal replacement products, including nutrition bars, cookies, soups and shakes, as well as some vitamin and supplement capabilities such as powders.

GSP Nutrition relies on third-party contract manufacturers to manufacture its products.

All our manufacturing operations are subject to GMPs promulgated by the FDA and other applicable regulatory standards. We believe our manufacturing processes comply with the GMPs for dietary supplements or foods, and our manufacturing and distribution facilities generally have sufficient capacity to meet our current business requirements and our currently anticipated sales. We place special emphasis on quality control. We assign lot

numbers to all raw materials and initially hold them in quarantine while our quality department evaluates them for compliance with established specifications. Once released, we retain samples and process the material according to approved formulas by blending, mixing and technically processing as necessary. We manufacture products in final delivery form as a capsule, tablet, powder, or nutrition bar. After a product is manufactured, our laboratory analysts test its weight, purity,

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potency, disintegration and dissolution, if applicable, utilizing both internal equipment and third-party labs. We hold the product in quarantine until we complete the quality evaluation and determine that the product meets all applicable specifications before packaging. When the manufactured product meets all specifications, our automated packaging equipment packages the product with at least one tamper-evident safety seal and affixes a label, an indelible lot number and, in most cases, the expiration or “best by” date.

Our manufacturing operations are designed to allow low-cost production of a wide variety of products of different quantities, physical sizes and packaging formats, while maintaining a high level of customer service and quality. Flexible production line changeover capabilities and reduced cycle times allow us to respond quickly to changes in manufacturing schedules and customer demands.

We have inventory control systems at our facilities that track each manufacturing and packaging component as we receive it from our supply sources through manufacturing and shipment of each product to customers. To facilitate this tracking, most products we sell are bar coded. We believe our distribution capabilities increase our flexibility in responding to our customers’ delivery requirements.

### **Raw Materials and Suppliers**

In fiscal 2020, we spent approximately \$801,000 on raw materials, excluding packaging and similar product materials. The principal raw materials required in our operations are vitamins, minerals, herbs, and gelatin. We believe that there are adequate sources of supply for all our principal raw materials, and in general we maintain two to three suppliers for many of our raw materials. From time to time, weather or unpredictable fluctuations in the supply and demand may affect price, quantity, availability, or selection of raw materials. We believe that our strong relationships with our suppliers yield high quality, competitive pricing, and overall good service to our customers. Although we cannot be sure that our sources of supply for our principal raw materials will be adequate in all circumstances, we believe that we can develop alternate sources in a timely and cost-effective manner if our current sources become inadequate. During fiscal 2020, no one raw material supplier accounted for more than 10% of our raw material purchases. Due to availability of numerous alternative raw material suppliers, we do not believe that the loss of any single raw material supplier would have a material adverse effect on our consolidated financial condition or results of operations. See “*Risk Factors — Risks Related to Our Business and Industry — An increase in the price and shortage of supply of key raw materials could adversely affect our business.*”

### **Sales and Marketing**

We employ many different techniques and strategies within our marketing initiatives. These include direct to consumer outreach, use of influencers, Facebook targeting, focused e-mail campaigns, TV/Video spots and traditional media. Our marketing goal is always to increase visibility and relevance of our brands in the minds of our customers and potential customers. We hope to expand our programs to include experimental marketing techniques in the future.

We recently acquired Nexus, which we believe will become a value-added component of our marketing strategies.

### **Customers**

Bonne Santé Natural Manufacturing, Doctors Scientific Organica and GSP Nutrition sell products to customers under individual purchase orders placed by them under their standard terms and conditions of sale. These terms and conditions generally include insurance requirements, representations by us with respect to the quality of our products and our manufacturing process, our obligations to comply with law, and indemnifications by us if we breach our representations or obligations. There is no commitment from any customer to purchase from us, or from us to sell to them, any minimum amount of product.

During fiscal 2020 and 2019, Amazon, individually, accounted for 27% and 37% of Doctors Scientific Organica’s net sales, respectively, and 16% and 15% of our pro forma combined net sales, respectively. Additionally, during fiscal 2020 and 2019, Costco, individually, accounted for 30% and 0% of Doctors Scientific Organica’s net sales, respectively, and 18% and 0% of our pro forma combined net sales, respectively.

As described above, Nexus' customers are product vendors. Although the number of customers that Nexus has fluctuates from year to year, it has established long-term relationships with its significant product vendors, but it does not have long-term contracts with any of its customers. The relationship with customers can be terminated at any time by either



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party; however, as a result of Nexus' extensive network of digital marketers, which drive sales for product vendors, the average length of Nexus' relationships with its significant customers is 5 years. Most of Nexus' customers are acquired through existing customer referrals. Nexus also attends Internet marketing conferences to promote its service.

During fiscal 2020 and 2019, Nexus had four and two significant customers representing a total of 54% and 21% of net sales, respectively, and 17% and 5% of our pro forma combined net sales, respectively. These customers were DOFU Ventures, International Online Services, DM Marketing Masters and Dynamic Corp during 2020 and DM Marketing Masters and Oppur2nity during 2019.

The loss of any major customer would have a material adverse effect on us if we were unable to replace that customer. See *"Risk Factors — Risks Related to Our Business and Industry — Our major customers account for a significant portion of our consolidated net sales and the loss of any major customer could have a material adverse effect on our results of operations."*

## **Competition**

The nutraceutical industry is highly competitive. Our competitors include a number of large, nationally known brands such as Nature Made (Pharmavite), Nature's Bounty, GNC, Spectrum (Hain Celestial), Country Life, Garden of Life and Jarrow Formulas, and many smaller brands, manufacturers and distributors. The sales of products through online marketplace platforms such as Amazon and firms' websites continue to expand. Private label products also provide competition to our products. Whole Foods Market, Walmart, CVS, Walgreens and many health stores also sell a portion of their nutritional supplement offerings under their own private labels. Private label products are often sold at a discount to branded products. We also compete with distributors that sell products to health stores as well as mass market retailers such as United Natural Foods and KeHE Distributors. In addition, several major pharmaceutical companies continue to offer nutritional supplement lines in the mass market, including Centrum (Pfizer and GSK) and One-A-Day (Bayer). Pharmaceutical companies also offer prescription and over-the-counter products that are or may be competitive with nutritional supplements, particularly with regard to certain categories of products. Finally, as the nutraceutical market generally has low barriers to entry, additional competitors enter the market regularly.

Nexus' competitors would be any digital marketing agency in the cost per acquisition space looking to acquire exclusive advertiser offers and high end publishers who can send high amounts of traffic through digital marketing media. Examples include Ca\$hNetwork, OfferBlueprint and MaxBounty.

## **Competitive Strengths**

Based on management's belief and experience in the industry, we believe that the following competitive strengths enable us to compete effectively.

- ***Proprietary manufacturing facilities.*** Bonne Santé Natural Manufacturing and Doctors Scientific Organica own and operate proprietary manufacturing facilities, which allow for a high level of managerial control over all aspects of production, including sourcing, logistics and maintaining the highest levels of quality during the manufacturing process. Through direct ownership, we are able to optimize our sales and marketing practices and provide a completely integrated approach, all solidified by a single manufacturing platform for capsules, tablets, powders and various other delivery methods for all vitamins and supplements. In addition, as a private label contract manufacturer for third parties, we can provide a turnkey solution for brands and retailers who want to minimize their supply chain disruption and maximize their control over product flow to end customers. In addition, as a middle market-sized contract manufacturer, we are not encumbered by the often overly complex processes that our larger competitors may have. We can be nimble and highly adaptable, "flexing" with our customers' needs as they change over time, which allows us to better service our ever-expanding international client base. We are able to maintain a competitive advantage due to our vertically integrated operational control. This vertical integration also allows us to minimize intellectual property and data security risks, while also eliminating costs, improving

focus, optimizing quality and launching with a faster time-to-market for new products. We retain control over every step of the manufacturing processes, allowing us to establish our own institutional advantages and maximize efficiencies.

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- ***Established and trusted brands.*** Smart for Life, Doctors Scientific Organica and Sports Illustrated Nutrition are well-established brands in the in the health and wellness industry. In particular, Smart for Life products are currently sold in many of the largest big-box retailers in the United States and Canada, including Costco, Walmart, Sam's Club, BJ's and Publix, as well as through online channels such as Amazon. Doctors Scientific Organica has established a dedicated following of consumers that are strong believers in the high-quality vitamins and supplements it sells to its customers, along with the eco-friendly and bio-degradable packaging, with Amazon sales numbers continuing to increase as a result. We believe that the Sports Illustrated brand is one of the most recognized brands in sports and athletics. In connection with our acquisition of GSP Nutrition, we acquired a license for the exclusive use of the Sports Illustrated brand (excluding the Sports Illustrated Swimsuit brand for which we have a right of first offer under the license) for certain dietary and nutritional supplements, in each case to be sold to/through certain approved accounts in the United States and Canada.
- ***Client focused innovative research and development.*** We believe that our research and development team adds significant value to our company and our customers and is a differentiating factor for our company. We strive to be technology driven leveraging technology, science, and innovation in our research and development efforts. We work closely with our clients to create and develop new and exciting products. We frequently work directly with our customers in our research and development labs to create innovative solutions that create value for our customers in a timely manner. Our team works closely with physicians to create novel wholesome products that add nutritional and functional value.
- ***Ability to market through captive marketing subsidiary.*** We believe that our subsidiary, Nexus, allows us access to a broad spectrum of marketing tools to be utilized across the entire spectrum of our products. We believe that having an experienced management team and existing customer base accessible to all of our other brands in our portfolio will allow us to drive sales and revenue of existing products as well as test new product offerings generated through our research and development.
- ***Referral only network based on long term relationships.*** Nexus operates a referral only network, meaning that all of its digital marketers are referred. There is no way to get a Nexus account other than being directly referred by a known good account holder. This allows Nexus to stem any fraudulent traffic, which we believe is a substantial competitive advantage for product vendors. Nexus has also established long term relationships with its product vendors and offers competitive bonuses for its digital marketer base. We believe that these factors set Nexus apart from its competition.

## Growth Strategies

We will strive to grow our business by pursuing the following growth strategies.

- ***Acquisition of additional businesses.*** The nutritional products industry is highly fragmented with a large pool of companies generating less than \$20 million in revenues representing significant opportunity for industry consolidation. Over the next 24 months, we plan to acquire multiple companies aggregating a minimum of \$100 million in annualized revenues with the number of prospective acquisitions in the pipeline representing over \$50 million in additional revenue. As of the date of this prospectus, we have determined that none of these prospective acquisitions are probable, within the meaning of Regulation S-X, due to numerous factors, including that we have not yet entered into definitive or other binding agreements, completed our due diligence, obtained board approval or publicly announced the prospective acquisitions, nor are we subject to financial penalties if these prospective acquisitions are not completed. As noted above, we also do not currently have sufficient capital to complete these acquisitions. We intend to raise capital for additional acquisitions primarily through debt financing at our operating company level, additional equity offerings by our company, or by undertaking a combination of any of the above. The sale of additional equity securities could result in dilution to our stockholders. The incurrence of indebtedness would result in increased debt service obligations and could require us to agree to operating and financial covenants that would restrict our operations. Financing may not be available in amounts or on terms acceptable

to us, if at all. There is no guarantee that we will be able to acquire additional businesses under the terms outlined above or that we will be able to find additional acquisition candidates should we terminate our plans for any of our current acquisition targets.

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- ***Increase sales from existing and new customers.*** We expect to continue to drive growth for our consumer products branded business through our increased focus on our top brands and continued expansion in various health and wellness categories, which we expect to result in incremental shelf space with existing customers and new customer additions. We expect that our focus on delivering tangible benefits to consumers through product innovation will not only benefit us but also benefit our customers. Our ability to supply both branded and private label products broadens and deepens our partnerships with key retail customers, providing us more opportunities for category leadership and growth. We view the private label business as an important and valuable service that we provide to key accounts.
- ***Further penetrate international markets.*** Our products are currently marketed and sold in approximately two countries. In fiscal 2020, approximately 18% of our sales (on a pro forma combined basis) were to customers outside the United States. We plan to capitalize on our marketing and distribution capabilities to drive incremental international sales of our consumer product brands in emerging markets, which are characterized by a rising middle class and a strong demand for high quality nutritional and wellness products from U.S.-based manufacturers.
- ***Drive productivity through operational efficiencies.*** We expect to continue to focus on improving efficiency across our operations to allow us to reduce costs in our manufacturing facilities as well as across our overhead cost areas. Our recent acquisition of Doctors Scientific Organica significantly increased our production capacity. In addition, we have launched an initiative to optimize our product portfolio, which we expect will enable further efficiencies across our manufacturing network. We are also introducing new initiatives that leverage automation, standardization and simplification and are expected to increase productivity across our operations.

## **Intellectual Property**

We believe trademark protection is particularly important to the maintenance of the recognized brand names under which we market our products. We own or have rights to material trademarks or trade names that we use in conjunction with the sale of our products, including the Smart for Life, Doctors Scientific Organica and Sports Illustrated Nutrition brand names. We also own website domain names and have proprietary methodologies that we use in our manufacturing businesses. We also rely upon trade secrets, know-how, continuing technological innovations and licensing opportunities to develop and maintain our competitive position.

In January 2020, GSP Nutrition entered into a license agreement, which was amended on June 1, 2020 and August 1, 2021, for the exclusive use of the Sports Illustrated brand (excluding the Sports Illustrated Swimsuit brand for which GSP Nutrition has a right of first offer under the license) in the United States and Canada for dietary and nutritional supplements in the form of capsules, softgel tablets, chewable tablets, lozenges, gummies, protein bars, and protein powders and concentrates for preparing sports drinks or energy drinks, and the non-exclusive right to use the brand for the production and sale of shaker bottles, in each case to be sold to/through certain approved accounts in the United States and Canada.

As consideration for the license, GSP Nutrition must pay royalties in an amount that is between 4% and 14% of net sales (as defined in the license agreement) with certain amounts guaranteed in advance. The aggregate amount of such guaranteed royalties is \$1 million for the initial term of the license agreement. In addition, GSP Nutrition must contribute an amount ranging between 1% and 3% of its net sales to a common marketing fund, to be spent on an annual basis on marketing efforts, including advertising and promotional campaigns.

The license agreement has a term of five years ending on December 31, 2024, with a right to renew for an additional five-year term by providing written notice of renewal between June 1, 2023 and July 31, 2023. The licensor may terminate the license agreement upon breach by GSP Nutrition of the payment or other terms of the license agreement (which is not cured within the applicable cure period, if any, if such breach is capable of cure) or in the event of certain other customary termination events. GSP Nutrition may terminate the license agreement upon a material breach by the licensor if such breach is not cured with thirty (30) business days of the licensor's receipt of written notice thereof.

We protect our intellectual property rights through a variety of methods, including trademark, patent and trade secret laws, as well as confidentiality agreements and proprietary information agreements with vendors,

employees, consultants and others who have access to our proprietary information. Protection of our intellectual property often affords us the opportunity to enhance our position in the marketplace by precluding our competitors from using or otherwise exploiting our technology and brands. We are also a party to several intellectual property license agreements relating to certain of our products. The

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duration of our trademark registrations is generally 10, 15 or 20 years, depending on the country in which the marks are registered, and we can renew the registrations. The scope and duration of our intellectual property protection varies throughout the world by jurisdiction and by individual product. Our global trademark portfolio, with the aforementioned registration durations, consists of our core marks for our business and our proprietary product brands which drive significant brand awareness for all of our businesses. Our proprietary product formulas and recipes, maintained as trade secrets, are significant to our growth and success as they form the foundation for our production and sales of effective, high quality products.

### **Facilities**

Our corporate offices are located at 990 Biscayne Blvd., Suite 503, Miami, Florida 33132.

Bonne Santé Natural Manufacturing is located at 10575 N.W. 37<sup>th</sup> Terrace, Doral, Florida 33178. It operates a 22,000 square foot manufacturing facility at this address. The building housing this manufacturing facility is under a 5-year lease ending in June 2022, at the rental rate of \$325,000 per year. Bonne Santé Natural Manufacturing has an option to renew this lease for an additional three years with a 3% annual increase in the rental amount.

Doctors Scientific Organica's manufacturing and corporate offices are located at 1210 W 13<sup>th</sup> St, Riviera Beach, Florida 33404. It operates a 30,000 square foot manufacturing facility at this address. The building housing this manufacturing facility is under a five-year lease ending in August 2023 at the rental rate of \$296,040 per year. Doctors Scientific Organica has an option to renew this lease for an additional three years with a 3% annual increase in the rental amount.

Our Canadian subsidiary Smart for Life Canada Inc. operates a retail store located at 6525 Décarie Boulevard, Suite GR-3, Montreal, Quebec, Canada H3W-3E3. This location also acts as a distribution center for our international direct to consumer and big box customers. Smart for Life Canada Inc. rents this facility under a three-year lease agreement ending in September 2024 at the rental rate of C\$37,570.50 per year (approximately US\$46,734), plus its 3.53% proportionate share of real estate taxes and operating expenses.

We believe that all our properties have been adequately maintained, are generally in good condition, and are suitable and adequate for our business.

### **Employees**

Across all operating units, we currently have approximately 107 employees with approximately 70 of such employees being engaged in our manufacturing operations and the balance being engaged in management or middle management. None of our employees are represented by labor unions, and we believe that we have an excellent relationship with our employees.

### **Legal Proceedings**

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings or claims that we believe will have a material adverse effect on our business, financial condition or operating results.

### **Regulation**

Our business is subject to varying degrees of regulation by a number of government authorities in the United States, including the FDA, the FTC, the CPSC, the USDA and the EPA. Various agencies of the state and localities in which we operate and in which our products are sold also regulate our business.

The areas of our business that these and other authorities regulate include, among others:

- product claims and advertising;
- product labels;

- product ingredients; and
- how we manufacture, package, distribute, import, export, sell and store our products.



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In addition, our products sold in foreign countries are also subject to regulation under various national, local and international laws that include provisions governing, among other things, the formulation, manufacturing, packaging, labeling, advertising and distribution of dietary supplements and over-the-counter drugs.

As a result of the acquisition of Nexus, we are also subject to laws and regulations generally applicable to providers of digital marketing services, including federal and state laws and regulations governing data security and privacy, unfair and deceptive acts and practices, advertising and content regulation.

We are also subject to a variety of other regulations in the United States, including those relating to taxes, employment, import and export, and intellectual property.

### ***Food and Drug Administration***

The Dietary Supplement Health and Education Act of 1994, or DSHEA, amended the Federal Food, Drug, and Cosmetic Act, or the FDC Act, to establish a new framework governing the composition, safety, labeling, manufacturing and marketing of dietary supplements. Generally, under the FDC Act, dietary ingredients (i.e., vitamins; minerals; herb or other botanical; amino acids; or dietary substances for use by humans to supplement diet by increasing total dietary intake; or any concentrate, metabolite, constituent, extract or combination of any of the above) that were marketed in the United States prior to October 15, 1994 may be used in dietary supplements without notifying the FDA. New dietary ingredients (i.e., dietary ingredients that were not marketed in the United States before October 15, 1994) must be the subject of a new dietary ingredient notification submitted to the FDA unless the ingredient has been “present in the food supply as an article used for food” without being “chemically altered.” A new dietary ingredient notification must provide the FDA evidence of a “history of use or other evidence of safety” establishing that use of the dietary ingredient “will reasonably be expected to be safe.” A new dietary ingredient notification must be submitted to the FDA at least 75 days before the initial marketing of the new dietary ingredient. The FDA may determine that a new dietary ingredient notification does not provide an adequate basis to conclude that a dietary ingredient is reasonably expected to be safe. Such a determination could prevent the marketing of such dietary ingredient.

In 2011 and 2016, the FDA issued draft guidance setting forth recommendations for complying with the new dietary ingredient notification requirement. Although FDA guidance is non-binding and does not establish legally enforceable responsibilities, and companies are free to use an alternative approach if the approach satisfies the requirements of applicable laws and regulations, FDA guidance is a strong indication of the FDA’s current thinking on the topic discussed in the guidance, including its position on enforcement. At this time, it is difficult to determine whether the 2016 draft guidance (which replaced the 2011 draft guidance), if finalized, would have a material impact on our operations. However, if the FDA were to enforce the applicable statutes and regulations in accordance with the draft guidance as written, such enforcement could require us to incur additional expenses, which could be significant, and negatively impact our business in several ways, including, but not limited to, enjoining the manufacturing of our products until the FDA determines that we are in compliance and can resume manufacturing, increasing our liability and reducing our growth prospects.

The FDA or other agencies could take actions against products or product ingredients that, in their determination, present an unreasonable health risk to consumers that would make it illegal for us to sell such products. In addition, the FDA could issue consumer warnings with respect to the products or ingredients in such products that are sold in our stores. Such actions or warnings could be based on information received through FDC Act-mandated reporting of serious adverse events.

We take a number of actions to ensure the products we sell comply with the FDC Act. Some of these actions include maintaining and continuously updating a list of restricted ingredients that will be prohibited from inclusion in any products that we sell. In addition, we have developed and maintain a list of ingredients that we believe comply with the applicable provisions of the FDC Act. As is common in our industry, we rely on some third-party vendors to ensure that the products they manufacture and sell to us comply with all applicable regulatory and legislative requirements. In general, we seek representations and warranties, indemnification and/or insurance from our vendors. However, even with adequate insurance and indemnification, any claims of non-compliance could significantly damage our reputation and consumer confidence in our products. In addition, the failure of such products to comply with applicable regulatory and legislative requirements could prevent us from

marketing the products or require us to recall or remove such products from the market, which in certain cases could materially and adversely affect our business, financial condition and results of operations. A removal or recall could also result in negative publicity and damage to our

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reputation that could reduce future demand for our products. In the past, we have attempted to offset any losses related to recalls and removals with reformulated or alternative products; however, there can be no assurance that we would be able to offset all or any portion of losses related to any future removal or recall.

The FDC Act permits structure/function claims to be included in labels and labeling for dietary supplements without FDA pre-market approval. However, companies must have substantiation that the claims are “truthful and not misleading”, and must submit a notification with the text of the claims to the FDA no later than 30 days after marketing the dietary supplement with the claims. Permissible structure/function claims may describe how a particular nutrient or dietary ingredient affects the structure, function or general well-being of the body, or characterize the documented mechanism of action by which a nutrient or dietary ingredient acts to maintain such structure or function. The label or labeling of a product marketed as a dietary supplement may not expressly or implicitly represent that a dietary supplement will diagnose, cure, mitigate, treat or prevent a disease (i.e. a disease claim). If the FDA determines that a particular structure/function claim is an unacceptable disease claim that causes the product to be regulated as a drug, a conventional food claim or an unauthorized version of a “health claim,” or, if the FDA determines that a particular claim is not adequately supported by existing scientific data or is false or misleading in any particular, we would be prevented from using the claim and would have to update our product labels and labeling accordingly.

In addition, DSHEA provides that so-called “third-party literature,” e.g., “a publication, including an article, a chapter in a book, or an official abstract of a peer-reviewed scientific publication that appears in an article and was prepared by the author or the editors of the publication” supplements, when reprinted in its entirety, may be used “in connection with the sale of a dietary supplement to consumers” without the literature being subject to regulation as labeling. Such literature: (1) must not be false or misleading; (2) may not “promote” a particular manufacturer or brand of dietary supplement; (3) must present a balanced view or is displayed or presented with other such items on the same subject matter so as to present a balanced view of the available scientific information; (4) if displayed in an establishment, must be physically separate from the dietary supplements; and (5) should not have appended to it any information by sticker or any other method. If the literature fails to satisfy each of these requirements, we may be prevented from disseminating such literature with our products, and any continued dissemination could subject our product to regulatory action as an illegal drug.

In June 2007, pursuant to the authority granted by the FDC Act as amended by DSHEA, the FDA published detailed GMP regulations that govern the manufacturing, packaging, labeling and holding operations of dietary supplement manufacturers. The GMP regulations, among other things, impose significant recordkeeping requirements on manufacturers. The GMP requirements are in effect for all dietary supplement manufacturers, and the FDA conducts inspections of dietary supplement manufacturers pursuant to these requirements. There remains considerable uncertainty with respect to the FDA’s interpretation of the regulations and their actual implementation in manufacturing facilities.

In addition, the FDA’s interpretation of the regulations governing dietary supplements will likely change over time as the agency becomes more familiar with the industry and the regulations. The failure of a manufacturing facility to comply with the GMP regulations renders products manufactured in such facility “adulterated,” and subjects such products and the manufacturer to a variety of potential FDA enforcement actions. In addition, under the Food Safety Modernization Act, or FSMA, which was enacted in January 2011, the manufacturing of dietary ingredients contained in dietary supplements will be subject to similar or even more burdensome manufacturing requirements, which will likely increase the costs of dietary ingredients and will subject suppliers of such ingredients to more rigorous inspections and enforcement. The FSMA will also require importers of food, including dietary supplements and dietary ingredients, to conduct verification activities to ensure that the food they might import meets applicable domestic requirements.

The FDA has broad authority to enforce the provisions of federal law applicable to dietary supplements, including powers to issue a public warning or notice of violation letter to a company, publicize information about illegal products, detain products intended for import, require the reporting of serious adverse events, require a recall of illegal or unsafe products from the market, and request the Department of Justice to initiate a seizure action, an injunction action or a criminal prosecution in the United States courts.

The FSMA expands the reach and regulatory powers of the FDA with respect to the production and importation of food, including dietary supplements. The expanded reach and regulatory powers include the FDA’s ability

to order mandatory recalls, administratively detain domestic products, and require certification of compliance with domestic requirements for imported foods associated with safety issues. FMSA also gave FDA the authority to administratively revoke manufacturing facility registrations, effectively enjoining manufacturing of dietary ingredients and dietary supplements without judicial process. The regulation of dietary supplements may increase or become more restrictive in the future.

### ***Federal Trade Commission***

The FTC exercises jurisdiction over the advertising of dietary supplements and other health-related products and requires that all advertising to consumers be truthful and non-misleading. The FTC actively monitors the dietary supplement space and has instituted numerous enforcement actions against dietary supplement companies for failure to have adequate substantiation for claims made in advertising or for the use of false or misleading advertising claims. FTC enforcement actions may result in consent decrees, cease and desist orders, judicial injunctions and the payment of fines with respect to advertising claims that are found to be unsubstantiated.

### ***Environmental Regulation***

Our facilities and operations, in common with those of similar industries making similar products, are subject to many federal, state, provincial and local requirements, rules and regulations relating to the protection of the environment and of human health and safety, including those regulating the discharge of materials into the environment. We continually examine ways to reduce our emissions, minimize waste and limit our exposure to any liabilities, as well as decrease costs related to environmental compliance. Costs to comply with current and anticipated environmental requirements, rules and regulations and any estimated capital expenditures for environmental control facilities are not anticipated to be material when compared with overall costs and capital expenditures. Accordingly, we do not anticipate that such costs will have a material effect on our financial position, results of operations, cash flows or competitive position.

### ***New Legislation or Regulation***

Legislation may be introduced which, if passed, would impose substantial new regulatory requirements on dietary supplements and other health products. We cannot determine what effect additional domestic or international governmental legislation, regulations, or administrative orders, when and if promulgated, would have on our business in the future. New legislation or regulations may require the reformulation of certain products to meet new standards, require the recall or discontinuance of certain products not capable of reformulation, impose additional record keeping or require expanded documentation of the properties of certain products, expanded or different labeling or scientific substantiation.

## MANAGEMENT

### Directors and Executive Officers

Set forth below is information regarding our directors and executive officers as of the date of this prospectus.

Name	Age	Position
Alfonso J. Cervantes, Jr.	72	Executive Chairman of the Board
Ryan F. Zackon	39	Chief Executive Officer and Director
Darren C. Minton	39	President and Director
Alan B. Bergman	53	Chief Financial Officer
Ronald S. Altbach	74	Director
Richard M. Cohen	70	Director <sup>(1)</sup>
Robert S. Rein, Esq.	77	Director <sup>(1)</sup>
Roger Conley Wood	54	Director <sup>(1)</sup>

- (1) Appointed to our board of directors effective automatically upon the effectiveness of the registration statement of which this prospectus forms a part.

**Alfonso J. Cervantes, Jr.** Mr. Cervantes is the founder of our company and has served as our Executive Chairman since our inception. Mr. Cervantes is also Executive Chairman of Trilogy Capital Group, LLC, or Trilogy, a private equity firm and a principal stockholder, and served as Chairman and Chief Executive Officer of its predecessor, Trilogy Capital Partners, Inc. since 2002. Through more than 35 years as an executive in diversified businesses, Mr. Cervantes has accumulated extensive experience in the public markets with experience in corporate finance and emerging growth companies. His significant corporate finance experience includes mergers and acquisitions, initial public offerings, private placements as well as the reorganization of middle-market companies. Prior to Smart for Life, Inc., Mr. Cervantes was the founder and Vice Chairman of Staffing 360 Solutions, Inc. (NASDAQ: STAF), from 2012 to 2015, where he facilitated, in association with Mr. Minton, multiple acquisitions and drove the company from pure startup to over \$100 million in revenues in approximately two years. Mr. Cervantes is a graduate of Webster University with a degree in Communications. We believe Mr. Cervantes is qualified to serve on our board of directors due to his extensive corporate finance experience and knowledge of our company.

**Ryan F. Zackon.** Mr. Zackon has served as our Chief Executive Officer since November 2020 and as a member of our board of directors since December 2020. Mr. Zackon possesses significant experience in the nutraceutical industry with an emphasis on the development and implementation of operational and financial initiatives. Prior to joining us, he served as Vice President and Interim Chief Operating Officer for Twinlab Consolidated Holdings, Inc. (OTC: TLCC), a 50-year-old international health and wellness company engaged in the manufacturing, marketing and distribution of a broad array of nutritional products on a global basis, from June 2019 to December 2020. Prior to that, Mr. Zackon served as the Vice President of Operations at Woodfield Distribution, LLC, a third-party logistics provider to the pharmaceutical industry, from January 2018 to June 2019. Prior to that, Mr. Zackon was Chief Operating Officer of Private Label Express, a dietary health and wellness contract manufacturer, from September 2016 to January 2018. He previously also served as the Chief Operating Officer of PDF Security Services, a leading multi-national security consulting firm based in Sacramento, CA. Mr. Zackon is a graduate of The Ohio State with a degree in Psychology. We believe Mr. Zackon is qualified to serve on our board of directors due to his extensive management experience in the nutraceutical industry.

**Darren C. Minton.** Mr. Minton has served as our President since September 2017 and as a member of our board of directors since November 2018. Mr. Minton also serves as President of BSNM, managing day-to-day manufacturing operations. Mr. Minton has more than 15 years of capital markets experience in both small and large organizations. Over the years, his capacities have ranged from various executive positions, as well as

president and chief executive officer positions with entrepreneurial ventures to established roles reporting to public company boards, with significant leadership and team building skills. Prior to joining us, Mr. Minton was a co-founder and Executive Vice President at Staffing 360 Solutions, Inc. (NASDAQ: STAF), from 2012 to 2017, where he facilitated the company's alternative public offering and listing on Nasdaq. He previously served as President of Trilogy Capital Partners, Inc. and as an Analyst at Mesa West Capital, a privately held portfolio lender with a multi-billion dollar offering capability headquartered in Los Angeles, as well as First Republic Bank in Palo Alto. Mr. Minton is a graduate of Stanford University with a degree in Economics. We believe Mr. Minton is qualified to serve on our board of directors due to his extensive management and capital markets experience.

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**Alan B. Bergman.** Mr. Bergman has served as our Chief Financial Officer since January 2021. Mr. Bergman's expertise includes corporate financial management, mergers and acquisitions, corporate reorganizations, cost reduction and avoidance, financial analysis and reporting, IPO management, contract negotiations, ISO 9000 Quality Systems and SEC reporting and compliance. Prior to joining us, he served as Chief Financial Officer, Vice President Finance at Bright Mountain Media, Inc. (OTCQB: BMTM) from June 2019 to December 2020. Prior to that, he served as Vice President Finance at Greenlane Holdings, Inc. (NASDAQ: GNLN), from December 2018 to May 2019. He previously served as Controller for Woodfield Distribution from October 2013 to February 2018 and as Vice President Finance at Latitude Solutions from May 2011 to March 2013. Mr. Bergman commenced his career in 2000 with Deloitte as a Senior Auditor and subsequently as Audit Manager at Mallah Furman, P.A. and as Senior Auditor at Weinberg & Company, P.A. In addition, Mr. Bergman is also an Adjunct Professor of Accounting at Florida Atlantic University and Millennia Atlantic University. Mr. Bergman received his Master's in Accounting from University of Miami.

**Ronald S. Altbach.** Mr. Altbach has been a member of our board of directors since October 2020. He previously served on our board from our inception until November 2018. Mr. Altbach is a financial services executive with over 35 years of capital markets experience with an emphasis on mergers and acquisitions and the development of strategic relationships. He has served in senior leadership positions in a variety of industries, including investment banking, marketing, consumer and luxury products, and media finance. Mr. Altbach is currently a principal in and Chief Commercial Officer and a director of MPS Infrastructure, Inc., which is engaged in the ownership, development, building and operation of large-scale infrastructure projects with an emphasis on sustainable water and power initiatives across Africa, where he has served since 2017. Mr. Altbach previously was President of Altbachco, LLC, a New York-based investment company which is a principal shareholder in Regeneration Capital Group, a New York-based merchant bank he co-formed with Mr. Cervantes in 2008 and where he served as President from 2009 to 2016. He serves as lead independent director on the board of Catch Media, a cloud-based technology provider with millions of active users across the globe. He previously held the position of Vice Chairman of Rosecliff, Inc., a New York-based merchant bank principally engaged in leveraged buyouts, and Chairman of Paul Sebastian, Inc., a Rosecliff portfolio company that marketed its own fragrance brands, as well as licensed brands, to U.S. and international department stores. Mr. Altbach is a graduate of Cornell University with a degree in Music. We believe Mr. Altbach is qualified to serve on our board of directors due to his extensive capital markets experience.

**Richard M. Cohen.** Mr. Cohen will become a member of our board of directors effective automatically upon the effectiveness of the registration statement of which this prospectus forms a part. He previously served on our board from our inception until November 2018. Mr. Cohen is an experienced CEO/CFO at public and private companies. His professional experience includes biotech, financial services and diversified media and he maintains excellent contacts with capital financing sources on and off Wall Street. From 1996 to present, Mr. Cohen has been President of Richard M. Cohen Consultants. He was the CEO, CFO, and Board Member of CorMedix Inc., Bridgewater, NJ, a publicly traded (NYSE) medical device/biotechnology company with an intrapericardial therapy product targeted to markets in the U.S. and Europe, from 2010 to 2013. He has served on the board of directors and as Audit Committee Chair of 20/20 GeneSystems, Inc. (2016 to present), Helix BioMedix, Inc. (2006 to Present), CorMedix Inc. (2010 to 2013), and Rodman & Renshaw (2008 to 2012). Mr. Cohen's academic credentials include an MBA from Stanford University and B.S. with honors from Wharton School, University of Pennsylvania. We believe Mr. Cohen is qualified to serve on our board of directors due to his extensive board and audit committee experience.

**Robert S. Rein, Esq.** Mr. Rein will become a member of our board of directors automatically upon the effectiveness of the registration statement of which this prospectus forms a part. Mr. Rein is an attorney and has been practicing law in California since 1971. Since 2008, Mr. Rein has been a Partner in Rein & Associates, a law firm representing businesses and individuals with respect to all aspects of business transactions and matters. His practice primarily consists of handling business, corporate and real estate matters; tax issues; and business and estate planning. Mr. Rein's experience includes business acquisitions and sales, reorganizations, financings, business and tax planning, and business counselling. His firm has represented both public and private entities. Prior to the formation of Rein & Associates, Mr. Rein was a partner in predecessors to Rein & Associates since 1975. Mr. Rein obtained his B.A. in Economics from Brandeis University and his J.D. from Harvard Law School. Upon graduating law school, Mr. Rein clerked for Judge Milton Conford, the then senior judge of the New Jersey Superior Court, Appellate Division. Mr. Rein is currently the CEO and a member of the board of directors of R



Solutions, Inc., a corporation involved in the furniture and other corporate fulfilment business, and Racada Corp., a real estate investment company. We believe that Mr. Rein is well qualified to serve on our board of directors due to his extensive legal and business experience.

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**Roger Conley Wood.** Mr. Wood will become a member of our board of directors effective automatically upon the effectiveness of the registration statement of which this prospectus forms a part. Mr. Wood is a seasoned executive with over 25 years of experience serving in C-level positions with various technology and consumer product businesses. He is currently Chairman of Conley Holdings, a private family company with interests in Homebuilding, Fashion, Training & Education, Pet Care, Media & Entertainment and Personal Care sectors. He served as the Chief Executive Officer and Managing Partner of Blue Bear Brands, a marketing consultancy specializing in predictive analytics and machine learning, from 2014 to 2020. He previously held senior management positions with Hearst Corporation, Orca Payments, Amobee Media, Willis Group, Reebok International, Omnipoint Voicestream and Motorola. He has served on the board of directors of numerous private companies and the board of trustees for the Wardlaw-Hartridge School, Global Alumni Board of Harvard Business School, Junior Achievement and the British American Business Council. Mr. Wood obtained his B.A. in Marketing and Statistics from Morehouse College and his Master's in Business Administration from Harvard University. We believe Mr. Wood is qualified to serve on our board of directors due to his extensive management and prior board experience.

Our directors currently have terms which will end at our next annual meeting of the stockholders or until their successors are elected and qualify, subject to their prior death, resignation or removal. Officers serve at the discretion of the board of directors. There is no arrangement or understanding between any director or executive officer and any other person pursuant to which he was or is to be selected as a director, nominee or officer.

### **Family Relationships**

There are no family relationships among any of our officers or directors.

### **Involvement in Certain Legal Proceedings**

To the best of our knowledge, except as described below, none of our directors or executive officers has, during the past ten years:

- been convicted in a criminal proceeding or been subject to a pending criminal proceeding (excluding traffic violations and other minor offences);
- had any bankruptcy petition filed by or against the business or property of the person, or of any partnership, corporation or business association of which he was a general partner or executive officer, either at the time of the bankruptcy filing or within two years prior to that time;
- been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction or federal or state authority, permanently or temporarily enjoining, barring, suspending or otherwise limiting, his involvement in any type of business, securities, futures, commodities, investment, banking, savings and loan, or insurance activities, or to be associated with persons engaged in any such activity;
- been found by a court of competent jurisdiction in a civil action or by the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;
- been the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated (not including any settlement of a civil proceeding among private litigants), relating to an alleged violation of any federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
- been the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act

(15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

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### **Corporate Governance**

#### ***Governance Structure***

We chose to appoint a separate Chairman of the Board who is not our Chief Executive Officer. Our board of directors has made this decision based on their belief that a separate Chairman of the Board can act as a balance to the Chief Executive Officer, who also serves as a non-independent director.

#### ***The Board's Role in Risk Oversight***

The board of directors oversees that the assets of our company are properly safeguarded, that the appropriate financial and other controls are maintained, and that our business is conducted wisely and in compliance with applicable laws and regulations and proper governance. Included in these responsibilities is the board's oversight of the various risks facing our company. In this regard, our board seeks to understand and oversee critical business risks. Our board does not view risk in isolation. Risks are considered in virtually every business decision and as part of our business strategy. Our board recognizes that it is neither possible nor prudent to eliminate all risk. Indeed, purposeful and appropriate risk-taking is essential for our company to be competitive on a global basis and to achieve its objectives.

While the board oversees risk management, company management is charged with managing risk. Management communicates routinely with the board and individual directors on the significant risks identified and how they are being managed. Directors are free to, and indeed often do, communicate directly with senior management.

Our board administers its risk oversight function as a whole by making risk oversight a matter of collective consideration; however, much of the work is delegated to committees, which will meet regularly and report back to the full board. The audit committee oversees risks related to our financial statements, the financial reporting process, accounting and legal matters, the compensation committee evaluates the risks and rewards associated with our compensation philosophy and programs, and that the nominating and corporate governance committee evaluates risk associated with management decisions and strategic direction.

#### ***Independent Directors***

Nasdaq's rules generally require that a majority of an issuer's board of directors must consist of independent directors. Our board of directors currently consists of four (4) directors, one of whom, Mr. Altbach, is independent within the meaning of the Nasdaq's rules. We have entered into independent director agreements with Messrs. Cohen, Rein and Wood, pursuant to which they have been appointed to serve as independent directors effective automatically upon the effectiveness of the registration statement of which this prospectus forms a part. As a result of these appointments, we anticipate that our board of directors upon closing of this offering will consist of seven (7) directors, four (4) of whom will be independent within the meaning of Nasdaq's rules.

#### ***Committees of the Board of Directors***

Our board has established an audit committee, a compensation committee and a nominating and corporate governance committee, each with its own charter approved by the board. Upon completion of this offering, we intend to make each committee's charter available on our website at [www.smartforlifecorp.com](http://www.smartforlifecorp.com).

In addition, our board of directors may, from time to time, designate one or more additional committees, which shall have the duties and powers granted to it by our board of directors.

#### ***Audit Committee***

Richard M. Cohen, Ronald S. Altbach and Robert S. Rein, each of whom satisfies the "independence" requirements of Rule 10A-3 under the Exchange Act and Nasdaq's rules, have been appointed to serve on our audit committee, effective automatically upon the effectiveness of the registration statement of which this

prospectus forms a part, with Mr. Cohen serving as the chairman. Mr. Cohen qualifies as “audit committee financial expert.” The audit committee will oversee our accounting and financial reporting processes and the audits of the financial statements of our company.

The audit committee is responsible for, among other things: (i) retaining and overseeing our independent accountants; (ii) assisting the board in its oversight of the integrity of our financial statements, the qualifications, independence and performance of our independent auditors and our compliance with legal and regulatory requirements; (iii) reviewing

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and approving the plan and scope of the internal and external audit; (iv) pre-approving any audit and non-audit services provided by our independent auditors; (v) approving the fees to be paid to our independent auditors; (vi) reviewing with our chief executive officer and chief financial officer and independent auditors the adequacy and effectiveness of our internal controls; (vii) reviewing hedging transactions; and (viii) reviewing and assessing annually the audit committee's performance and the adequacy of its charter.

### Compensation Committee

Ronald S. Altbach, Richard M. Cohen and Roger Conley Wood, each of whom satisfies the "independence" requirements of Rule 10A-3 under the Exchange Act and Nasdaq's rules, have been appointed to serve on our compensation committee, effective automatically upon the effectiveness of the registration statement of which this prospectus forms a part, with Mr. Altbach serving as the chairman. The members of the compensation committee are also "non-employee directors" within the meaning of Section 16 of the Exchange Act. The compensation committee will assist the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers.

The compensation committee is responsible for, among other things: (i) reviewing and approving the remuneration of our executive officers; (ii) determining the compensation of our independent directors; (iii) making recommendations to the board regarding equity-based and incentive compensation plans, policies and programs; and (iv) reviewing and assessing annually the compensation committee's performance and the adequacy of its charter.

### Nominating and Corporate Governance Committee

Robert S. Rein, Esq., Ronald S. Altbach and Roger Conley Wood, each of whom satisfies the "independence" requirements of Rule 10A-3 under the Exchange Act and Nasdaq's rules, have been appointed to serve on our nominating and corporate governance committee, effective automatically upon the effectiveness of the registration statement of which this prospectus forms a part, with Mr. Rein serving as the chairman. The nominating and corporate governance committee will assist the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees.

The nominating and corporate governance committee is responsible for, among other things: (i) recommending the number of directors to comprise our board; (ii) identifying and evaluating individuals qualified to become members of the board and soliciting recommendations for director nominees from the chairman and chief executive officer of our company; (iii) recommending to the board the director nominees for each annual stockholders' meeting; (iv) recommending to the board the candidates for filling vacancies that may occur between annual stockholders' meetings; (v) reviewing independent director compensation and board processes, self-evaluations and policies; (vi) reviewing and approving related party transactions; (vii) overseeing compliance with our code of ethics; and (viii) monitoring developments in the law and practice of corporate governance.

The nominating and corporate governance committee's methods for identifying candidates for election to our board of directors (other than those proposed by our stockholders, as discussed below) will include the solicitation of ideas for possible candidates from a number of sources — members of our board of directors, our executives, individuals personally known to the members of our board of directors, and other research. The nominating and corporate governance committee may also, from time-to-time, retain one or more third-party search firms to identify suitable candidates.

In making director recommendations, the nominating and corporate governance committee may consider some or all of the following factors: (i) the candidate's judgment, skill, experience with other organizations of comparable purpose, complexity and size, and subject to similar legal restrictions and oversight; (ii) the interplay of the candidate's experience with the experience of other board members; (iii) the extent to which the candidate would be a desirable addition to the board and any committee thereof; (iv) whether or not the person has any relationships that might impair his or her independence; and (v) the candidate's ability to contribute to the effective management of our company, taking into account the needs of our company and such factors as the individual's experience, perspective, skills and knowledge of the industry in which we operate.

A stockholder may nominate one or more persons for election as a director at an annual meeting of stockholders if the stockholder complies with the notice and information provisions contained in our bylaws. Such notice must be in writing to our company not less than 120 days and not more than 150 days prior to the anniversary date of the

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preceding year's annual meeting of stockholders or as otherwise required by requirements of the Exchange Act. In addition, stockholders furnishing such notice must be a holder of record on both (i) the date of delivering such notice and (ii) the record date for the determination of stockholders entitled to vote at such meeting.

### **Code of Ethics**

We have adopted a code of ethics that applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer. Such code of ethics addresses, among other things, honesty and ethical conduct, conflicts of interest, compliance with laws, regulations and policies, including disclosure requirements under the federal securities laws, and reporting of violations of the code.

We are required to disclose any amendment to, or waiver from, a provision of our code of ethics applicable to our principal executive officer, principal financial officer, principal accounting officer, controller, or persons performing similar functions. We intend to use our website as a method of disseminating this disclosure, as permitted by applicable SEC rules. Any such disclosure will be posted to our website within four (4) business days following the date of any such amendment to, or waiver from, a provision of our code of ethics.



## EXECUTIVE COMPENSATION

### Summary Compensation Table — Years Ended December 31, 2021 and 2020.

The following table sets forth information concerning all cash and non-cash compensation awarded to, earned by or paid to the named persons for services rendered in all capacities during the noted periods. No other executive officers received total annual salary and bonus compensation in excess of \$100,000.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards \$( <sup>(1)</sup> )	Option Awards \$( <sup>(1)</sup> )	All Other Compensation \$( <sup>(2)</sup> )	Total (\$)
Alfonso J. Cervantes, Jr.,	2021	216,667	—	—	—	—	216,667
Executive Chairman	2020	200,000	—	22,500	900	23,328	246,728
Ryan F. Zackon,	2021	254,166	—	—	—	16,968	271,134
Chief Executive Officer <sup>(3)</sup>	2020	22,916	—	—	—	—	22,916
Darren C. Minton,	2021	175,000	—	—	—	—	175,000
President	2020	200,000	—	12,500	100	—	212,600

(1) The amount is equal to the aggregate grant-date fair value with respect to the awards, computed in accordance with FASB ASC Topic 718.

(2) Other compensation includes automobile allowances.

(3) Mr. Zackon was appointed as our Chief Executive Officer on November 15, 2020.

### Employment Agreements

On July 1, 2020, we entered into an employment agreement with Mr. Cervantes, our Executive Chairman. Pursuant to the employment agreement, Mr. Cervantes was entitled to an annual base salary of \$200,000, which was increased to \$250,000 on completion of the Doctors Scientific Organica acquisition on July 1, 2021 and was increased to \$300,000 on completion of the Nexus acquisition on November 8, 2021. In addition, Mr. Cervantes is eligible to receive a bonus of \$100,000 for each bona fide acquisition and \$250,000 on conclusion of an initial public offering of not less than \$10 million. He will also be entitled to an annual bonus of 20% of his base salary based on meeting company objectives and the remainder will be based on meeting mutually agreed employee objectives or as otherwise determined by the board. Mr. Cervantes is eligible to participate in all equity incentive plans and other employee benefit plans, including health insurance, commensurate with his position. We also provide Mr. Cervantes an allowance for a late model automobile and related expenses. The term of Mr. Cervantes' agreement is five years, commencing July 1, 2020 and terminating June 30, 2025. His employment agreement is terminable on 30 days' notice. However, we may terminate Mr. Cervantes' employment without notice for cause (as defined in the employment agreement). If we terminate Mr. Cervantes' employment without cause or due to a disability, he is entitled to twelve (12) months of severance pay equal to the base salary of the current year, which will be paid on a bi-weekly schedule. The employment agreement contains standard confidentiality provisions and restrictive covenants prohibiting Mr. Cervantes from owning or operating a business that competes with our company during the term of his employment.

On November 15, 2020, we entered into an employment agreement with Mr. Zackon, our Chief Executive Officer. Pursuant to the employment agreement, Mr. Zackon was entitled to an annual base salary of \$250,000, which was increased to \$300,000 after the first year of employment and will be increased to \$350,000 after the second year of employment. He will also be entitled to receive an annual bonus in an amount between 10% and 20% of his base salary based on meeting mutually agreed employee objectives or as otherwise determined by the board. Mr. Zackon is eligible to participate in all equity incentive plans and other employee benefit plans, including health insurance, commensurate with his position. The term of Mr. Zackon's agreement commenced

on November 15, 2020 and will continue until termination. His employment agreement is terminable on 30 days' notice. However, we may terminate Mr. Zackon's employment without notice for cause (as defined in the employment agreement). If we terminate Mr. Zackon's employment without cause or due to a disability, he is entitled to six (6) months of severance pay equal to the base salary of the current year, which will be paid on a bi-weekly schedule. The employment agreement contains standard confidentiality provisions and restrictive covenants prohibiting Mr. Zackon from owning or operating a business that competes with our company during the term of his employment.

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On July 1, 2020, we entered into an employment agreement with Mr. Minton, our President. Pursuant to the employment agreement, Mr. Minton was entitled to an annual base salary of \$200,000, which was increased to \$250,000 on completion of the Doctors Scientific Organica acquisition on July 1, 2021. In addition, Mr. Minton is eligible to receive a bonus of \$25,000 for our first two acquisitions following the date of the employment agreement and \$50,000 on conclusion of an initial public offering of not less than \$10 million. He will also be entitled to receive an annual bonus of up to 20% of his base salary based on meeting mutually agreed employee objectives or as otherwise determined by the board. Mr. Minton is eligible to participate in all equity incentive plans and other employee benefit plans, including health insurance, commensurate with his position. We also provide Mr. Minton an allowance for a late model automobile and related expenses. The term of Mr. Minton's agreement is three years, commencing July 1, 2020 and terminating June 30, 2023. His employment agreement is terminable on 30 days' notice. However, we may terminate Mr. Minton's employment without notice for cause (as defined in the employment agreement). If we terminate Mr. Minton's employment without cause or due to a disability, he is entitled to six (6) months of severance pay equal to the base salary of the current year, which will be paid on a bi-weekly schedule. The employment agreement contains standard confidentiality provisions and restrictive covenants prohibiting Mr. Minton from owning or operating a business that competes with our company during the term of his employment.

### **Outstanding Equity Awards at Fiscal Year-End**

The following table includes certain information with respect to the value of all unexercised options and unvested shares of restricted stock previously awarded to the executive officers named above at the fiscal year ended December 31, 2021.

Name	Option Awards				
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date
Alfonso J. Cervantes, Jr.	1,000,000	—	—	\$ 0.01	09/14/30
Darren C. Minton	250,000	—	—	\$ 0.01	09/14/30

### **Additional Narrative Disclosure**

#### ***Retirement Benefits***

We have not maintained, and do not currently maintain, a defined benefit pension plan or nonqualified deferred compensation plan. We currently make available a retirement plan intended to provide benefits under Section 401(k) of the Code, pursuant to which employees, including the executive officers named above, can make voluntary pre-tax contributions.

#### ***Potential Payments Upon Termination or Change in Control***

As described under “— Employment Agreements” above, Messrs. Cervantes, Zackon and Minton are entitled severance if their employment is terminated without cause.

### **Director Compensation**

The table below sets forth the compensation paid to our independent directors during the fiscal year ended December 31, 2021.

Name	Fees Earned or	Option	Total (\$)
------	----------------	--------	------------

	Paid in Cash (\$)	Awards (\$) <sup>(1)</sup>	
Ronald S. Altbach	—	2,000	2,000

(1) The amount is equal to the aggregate grant-date fair value with respect to the awards, computed in accordance with FASB ASC Topic 718.

No other member of our board of directors received any compensation for his services as a director during the fiscal year ended December 31, 2021.

## 2020 Stock Incentive Plan

On September 14, 2020, our board of directors adopted the Bonne Santé Group, Inc. 2020 Stock Incentive Plan, or the 2020 Plan, which was approved by our stockholders on September 14, 2020. The following is a summary of certain significant features of the 2020 Plan. The information which follows is subject to, and qualified in its entirety by reference to, the 2020 Plan document itself, which is filed as an exhibit to the registration statement of which this prospectus forms a part.

Awards that may be granted include incentive stock options as described in section 422(b) of the Code, non-qualified stock options (i.e., options that are not incentive stock options) and awards of restricted stock. These awards offer our employees, consultants, advisors and outside directors the possibility of future value, depending on the long-term price appreciation of our common stock and the award holder's continuing service with our company or one or more of its subsidiaries.

All of the permissible types of awards under the 2020 Plan are described in more detail as follows:

**Purposes of Plan:** The purpose of the 2020 Plan is to offer selected employees, consultants, advisors and outside directors the opportunity to acquire equity in our company.

**Administration of the Plan:** The 2020 Plan is administered by our compensation committee. Among other things, the administrator has the authority to select persons who will receive awards, determine the types of awards and the number of shares to be covered by awards, and to establish the terms, conditions, restrictions and other provisions of awards.

**Eligible Recipients:** Persons eligible to receive awards under the 2020 Plan will be those employees, consultants, advisors and outside directors of our company and its subsidiaries who are selected by the administrator.

**Shares Available Under the Plan:** The maximum number of shares of common stock that may be delivered to participants under the 2020 Plan is 2,000,000, subject to adjustment for certain corporate changes affecting the shares, such as stock splits. Shares subject to an award under the 2020 Plan for which the award is canceled, forfeited or expires again become available for grants under the 2020 Plan. Shares subject to an award that is settled in cash will not again be made available for grants under the 2020 Plan. As of the date of this prospectus, 550,000 shares remain available for issuance under the 2020 Plan.

### **Stock Options:**

**General.** Subject to the provisions of the 2020 Plan, the administrator has the authority to determine all grants of stock options. That determination will include: (i) the number of shares subject to any option; (ii) the exercise price per share; (iii) the expiration date of the option; (iv) the manner, time and date of permitted exercise; (v) other restrictions, if any, on the option or the shares underlying the option; and (vi) any other terms and conditions as the administrator may determine.

**Option Price.** The exercise price for stock options will be determined at the time of grant. Normally, the exercise price will not be less than the fair market value on the date of grant, as determined in good faith by the administrator. As a matter of tax law, the exercise price for any incentive stock option awarded may not be less than the fair market value of the shares on the date of grant. However, incentive stock option grants to any person owning more than 10% of our voting stock must have an exercise price of not less than 110% of the fair market value on the grant date.

**Exercise of Options.** An option may be exercised only in accordance with the terms and conditions for the option agreement as established by the administrator at the time of the grant. The option must be exercised by notice to us, accompanied by payment of the exercise price. Payments may be made in cash or, at the option of the administrator, by actual or constructive delivery of shares of common stock to the holder of the option based upon the fair market value of the shares on the date of exercise.

**Expiration or Termination.** Options, if not previously exercised, will expire on the expiration date established by the administrator at the time of grant; provided that such term cannot exceed ten years and that such term of

an incentive stock option granted to a holder of more than 10% of our voting stock cannot exceed five years. Options will terminate before their expiration date if the holder's service with us terminates before the expiration date. The option may remain

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exercisable for specified periods after certain terminations of service, including terminations as a result of death, disability or retirement, with the precise period during which the option may be exercised to be established by the administrator and reflected in the grant evidencing the award.

**Stock Awards:** Stock awards can also be granted under the 2020 Plan. A stock award is a grant of shares of common stock. These awards will be subject to such conditions, restrictions and contingencies as the administrator shall determine at the date of grant. Those may include requirements for continuous service and/or the achievement of specified performance goals.

**Other Material Provisions:** Awards will be evidenced by a written agreement, in such form as may be approved by the administrator. In the event of various changes to the capitalization of our company, such as stock splits, stock dividends and similar re-capitalizations, an appropriate adjustment will be made by the administrator to the number of shares covered by outstanding awards or to the exercise price of such awards. The administrator is also permitted to include in the written agreement provisions that provide for certain changes in the award in the event of a change of control of our company, including acceleration of vesting. Except as otherwise determined by the administrator at the date of grant, awards will not be transferable, other than by will or the laws of descent and distribution. Prior to any award distribution, we are permitted to deduct or withhold amounts sufficient to satisfy any employee withholding tax requirements. The board also has the authority, at any time, to discontinue the granting of awards. The board also has the authority to alter or amend the 2020 Plan or any outstanding award or may terminate the 2020 Plan as to further grants, provided that no amendment will, without the approval of our stockholders, increase the number of shares available under the 2020 Plan or change the persons eligible for awards under the 2020 Plan. No amendment that would adversely affect any outstanding award made under the 2020 Plan can be made without the consent of the holder of such award.

## **2022 Equity Incentive Plan**

On January 13, 2022, our board of directors adopted the Smart for Life, Inc. 2022 Equity Incentive Plan, or the 2022 Plan. The following is a summary of certain significant features of the 2022 Plan. The information which follows is subject to, and qualified in its entirety by reference to, the 2022 Plan document itself, which is filed as an exhibit to the registration statement of which this prospectus forms a part.

Awards that may be granted include: (a) incentive stock options, (b) non-qualified stock options, (c) stock appreciation rights, (d) restricted awards, (e) performance share awards, and (f) performance compensation awards. These awards offer our officers, employees, consultants and directors the possibility of future value, depending on the long-term price appreciation of our common stock and the award holder's continuing service with our company.

Stock options give the option holder the right to acquire from us a designated number of shares of common stock at a purchase price that is fixed upon the grant of the option. The exercise price will not be less than the market price of the common stock on the date of grant. Stock options granted may be either tax-qualified stock options (so-called "incentive stock options") or non-qualified stock options.

Stock appreciation rights, or SARs, which may be granted alone or in tandem with options, have an economic value similar to that of options. When a SAR for a particular number of shares is exercised, the holder receives a payment equal to the difference between the market price of the shares on the date of exercise and the exercise price of the shares under the SAR. Again, the exercise price for SARs normally is the market price of the shares on the date the SAR is granted. Under the 2022 Plan, holders of SARs may receive this payment — the appreciation value — either in cash or shares of common stock valued at the fair market value on the date of exercise. The form of payment will be determined by us.

Restricted shares are shares of common stock awarded to participants at no cost. Restricted shares can take the form of awards of restricted stock, which represent issued and outstanding shares of our common stock subject to vesting criteria, or restricted stock units, which represent the right to receive shares of our common stock subject to satisfaction of the vesting criteria. Restricted shares are forfeitable and non-transferable until the shares vest. The vesting date or dates and other conditions for vesting are established when the shares are awarded.

The 2022 Plan also provides for performance compensation awards, representing the right to receive a payment, which may be in the form of cash, shares of common stock, or a combination, based on the attainment of pre-established goals.



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All of the permissible types of awards under the 2022 Plan are described in more detail as follows:

**Purposes of Plan:** The purposes of the 2022 Plan are to attract and retain officers, employees and directors for our company and its subsidiaries; motivate them by means of appropriate incentives to achieve long-range goals; provide incentive compensation opportunities; and further align their interests with those of our stockholders through compensation that is based on our common stock.

**Administration of the Plan:** The 2022 Plan is administered by our compensation committee. Among other things, the administrator has the authority to select persons who will receive awards, determine the types of awards and the number of shares to be covered by awards, and to establish the terms, conditions, performance criteria, restrictions and other provisions of awards. The administrator has authority to establish, amend and rescind rules and regulations relating to the 2022 Plan.

**Eligible Recipients:** Persons eligible to receive awards under the 2022 Plan will be those officers, employees, consultants, and directors of our company and its subsidiaries who are selected by the administrator.

**Shares Available Under the Plan:** The maximum number of shares of our common stock that may be delivered to participants under the 2022 Plan is 2,000,000, subject to adjustment for certain corporate changes affecting the shares, such as stock splits. Shares subject to an award under the 2022 Plan for which the award is canceled, forfeited or expires again become available for grants under the 2022 Plan. Shares subject to an award that is settled in cash will not again be made available for grants under the 2022 Plan.

### **Stock Options:**

**General.** Subject to the provisions of the 2022 Plan, the administrator has the authority to determine all grants of stock options. That determination will include: (i) the number of shares subject to any option; (ii) the exercise price per share; (iii) the expiration date of the option; (iv) the manner, time and date of permitted exercise; (v) other restrictions, if any, on the option or the shares underlying the option; and (vi) any other terms and conditions as the administrator may determine.

**Option Price.** The exercise price for stock options will be determined at the time of grant. Normally, the exercise price will not be less than the fair market value on the date of grant. As a matter of tax law, the exercise price for any incentive stock option awarded may not be less than the fair market value of the shares on the date of grant. However, incentive stock option grants to any person owning more than 10% of our voting stock must have an exercise price of not less than 110% of the fair market value on the grant date.

**Exercise of Options.** An option may be exercised only in accordance with the terms and conditions for the option agreement as established by the administrator at the time of the grant. The option must be exercised by notice to us, accompanied by payment of the exercise price. Payments may be made in cash or, at the option of the administrator, by actual or constructive delivery of shares of common stock to the holder of the option based upon the fair market value of the shares on the date of exercise.

**Expiration or Termination.** Options, if not previously exercised, will expire on the expiration date established by the administrator at the time of grant. In the case of incentive stock options, such term cannot exceed ten years provided that in the case of holders of more than 10% of our voting stock, such term cannot exceed five years. Options will terminate before their expiration date if the holder's service with our company or a subsidiary terminates before the expiration date. The option may remain exercisable for specified periods after certain terminations of employment, including terminations as a result of death, disability or retirement, with the precise period during which the option may be exercised to be established by the administrator and reflected in the grant evidencing the award.

**Incentive and Non-Qualified Options.** As described elsewhere in this summary, an incentive stock option is an option that is intended to qualify under certain provisions of the Code, for more favorable tax treatment than applies to non-qualified stock options. Any option that does not qualify as an incentive stock option will be a non-qualified stock option. Under the Code, certain restrictions apply to incentive stock options. For example, the exercise price for incentive stock options may not be less than the fair market value of the shares on the

grant date and the term of the option may not exceed ten years. In addition, an incentive stock option may not be transferred, other than by will or the laws of descent and distribution, and is exercisable during the holder's lifetime only by the holder. In addition, no

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incentive stock options may be granted to a holder that is first exercisable in a single year if that option, together with all incentive stock options previously granted to the holder that also first become exercisable in that year, relate to shares having an aggregate fair market value in excess of \$100,000, measured at the grant date.

**Stock Appreciation Rights:** Awards of SARs may be granted alone or in tandem with stock options. SARs provide the holder with the right, upon exercise, to receive a payment, in cash or shares of stock, having a value equal to the excess of the fair market value on the exercise date of the shares covered by the award over the exercise price of those shares. Essentially, a holder of a SAR benefits when the market price of the common stock increases, to the same extent that the holder of an option does, but, unlike an option holder, the SAR holder need not pay an exercise price upon exercise of the award.

**Stock Awards:** Stock awards can also be granted under the 2022 Plan. A stock award is a grant of shares of common stock or of a right to receive shares in the future. These awards will be subject to such conditions, restrictions and contingencies as the administrator shall determine at the date of grant. Those may include requirements for continuous service and/or the achievement of specified performance goals.

**Cash Awards:** A cash award is an award that may be in the form of cash or shares of common stock or a combination, based on the attainment of pre-established performance goals and other conditions, restrictions and contingencies identified by the administrator.

**Performance Criteria:** Under the 2022 Plan, one or more performance criteria will be used by the administrator in establishing performance goals. Any one or more of the performance criteria may be used on an absolute or relative basis to measure the performance of our company, as the administrator may deem appropriate, or as compared to the performance of a group of comparable companies, or published or special index that the administrator deems appropriate. In determining the actual size of an individual performance compensation award, the administrator may reduce or eliminate the amount of the award through the use of negative discretion if, in its sole judgment, such reduction or elimination is appropriate. The administrator shall not have the discretion to (i) grant or provide payment in respect of performance compensation awards if the performance goals have not been attained or (ii) increase a performance compensation award above the maximum amount payable under the 2022 Plan.

**Other Material Provisions:** Awards will be evidenced by a written agreement, in such form as may be approved by the administrator. In the event of various changes to the capitalization of our company, such as stock splits, stock dividends and similar re-capitalizations, an appropriate adjustment will be made by the administrator to the number of shares covered by outstanding awards or to the exercise price of such awards. The administrator is also permitted to include in the written agreement provisions that provide for certain changes in the award in the event of a change of control of our company, including acceleration of vesting. Except as otherwise determined by the administrator at the date of grant, awards will not be transferable, other than by will or the laws of descent and distribution. Prior to any award distribution, we are permitted to deduct or withhold amounts sufficient to satisfy any employee withholding tax requirements. Our board also has the authority, at any time, to discontinue the granting of awards. The board also has the authority to alter or amend the 2022 Plan or any outstanding award or may terminate the 2022 Plan as to further grants, provided that no amendment will, without the approval of our stockholders, to the extent that such approval is required by law or the rules of an applicable exchange, increase the number of shares available under the 2022 Plan, change the persons eligible for awards under the 2022 Plan, extend the time within which awards may be made, or amend the provisions of the 2022 Plan related to amendments. No amendment that would adversely affect any outstanding award made under the 2022 Plan can be made without the consent of the holder of such award.

## CURRENT RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

### Transactions with Related Persons

The following includes a summary of transactions since the beginning of our 2020 fiscal year, or any currently proposed transaction, in which we were or are to be a participant and the amount involved exceeded or exceeds the lesser of \$120,000 or one percent of the average of our total assets at year end for the last two completed fiscal years, and in which any related person had or will have a direct or indirect material interest (other than compensation described under “*Executive Compensation*” above). We believe the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to terms available or the amounts that would be paid or received, as applicable, in arm’s-length transactions.

- We have a management services agreement with Trilogy, a company controlled by our Chairman. As of September 30, 2021 and December 31, 2020, the amounts due from the related party are \$67,161 and \$386,900, respectively.
- Prior to September 30, 2021, Doctor Scientific Organica rented its operating facility from Scientific Real Estate Holdings, LLC, a non-consolidating company owned by its former sole member, Sasson Moulavi. Rent expense paid to the related party for the nine months ended September 30, 2021 and 2020 were \$267,966 and \$267,966, respectively. As of December 15, 2021, the total rent paid in 2021 is \$357,289.
- Prior to our acquisition, Doctor Scientific Organica provided advances to, and received advances from, Sasson Moulavi and entities related to him. These advances are non-interest bearing with no fixed maturity and are expected to be repaid in the near term. During the years ended December 31, 2020 and 2019, these advances amounted to \$0 and \$19,758, respectively. At December 31, 2020, the net balance due to these related parties was \$118,375.
- Prior to October 1, 2021, Doctor Scientific Organica sold its products to Control de Poids/Smart for Life-Montreal, which was considered a related party due to common ownership by Sasson Moulavi. During the years ended December 31, 2020 and 2019, sales to this related party were \$561,041 and \$76,305, respectively. At December 31, 2020 and 2019, accounts receivable due from this related party was \$0 and \$111,218, respectively.

### Promoters and Certain Control Persons

Alfonso J. Cervantes, Jr., our Executive Chairman and founder, may be deemed a “promoter” as defined by Rule 405 of the Securities Act. For information regarding compensation, including items of value, that have been provided or that may be provided to Mr. Cervantes, please refer to “*Executive Compensation*” above.

In addition, in 2020, at the same time that we made other compensatory stock and option awards to officers, directors and consultants for prior services, we issued an aggregate of 2,250,000 shares of common stock and an option for the purchase of 1,000,000 shares of common stock at an exercise price of \$0.01 to Mr. Cervantes for services rendered.

As noted above, we are also party to a management services agreement with Trilogy, a company controlled by Mr. Cervantes that initially organized our company and provided us with seed capital. In 2020, we issued 6,200,000 shares of common stock to Trilogy.

## PRINCIPAL STOCKHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of January 31, 2022 for (i) each of our executive officers and directors; (ii) all of our executive officers and directors as a group; and (iii) each other stockholder known by us to be the beneficial owner of more than 5% of our outstanding common stock. The following table assumes that the underwriters have not exercised the over-allotment option.

Beneficial ownership is determined in accordance with SEC rules and generally includes voting or investment power with respect to securities. For purposes of this table, a person or group of persons is deemed to have “beneficial ownership” of any shares of common stock that such person or any member of such group has the right to acquire within sixty (60) days of January 31, 2022. For purposes of computing the percentage of outstanding shares of our common stock held by each person or group of persons named above, any shares that such person or persons has the right to acquire within sixty (60) days of January 31, 2022 are deemed to be outstanding for such person, but not deemed to be outstanding for the purpose of computing the percentage ownership of any other person. The inclusion herein of any shares listed as beneficially owned does not constitute an admission of beneficial ownership by any person. The share ownership numbers after the offering for the beneficial owners indicated below exclude any potential purchases that may be made by such persons in this offering.

Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o our company, 990 Biscayne Blvd., Suite 503, Miami, Florida 33132.

Name of Beneficial Owner	Common Stock Beneficially Owned Prior to this Offering <sup>(1)</sup>		Common Stock Beneficially Owned After this Offering <sup>(2)</sup>	
	Shares	%	Shares	%
Alfonso J. Cervantes, Jr., Executive Chairman <sup>(3)</sup>	9,140,000	61.23%	9,140,000	42.38%
Ryan F. Zackon, Chief Executive Officer and Director <sup>(4)</sup>	293,000	2.10%	293,000	1.42%
Darren C. Minton, President and Director <sup>(5)</sup>	1,500,000	10.58%	1,500,000	7.21%
Alan B. Bergman, Chief Financial Officer	15,000	*	15,000	*
Ronald S. Altbach, Director <sup>(6)</sup>	1,200,000	8.49%	1,200,000	5.78%
Richard M. Cohen, Director Nominee	550,000	3.95%	550,000	2.67%
Robert S. Rein, Esq., Director Nominee	1,130,000	8.11%	1,130,000	5.49%
Roger Conley Wood, Director Nominee	—	*	—	*
All executive officers and directors as a group	13,828,000	94.58%	13,828,000	65.03%

\* Less than 1%

(1) Based on 13,927,223 shares of common stock issued and outstanding as of January 31, 2022.

(2) Based on 20,566,124 shares of common stock issued and outstanding after this offering.

(3) Includes (i) 1,750,000 shares of common stock held directly, (ii) 1,000,000 shares of common stock which Mr. Cervantes has the right to acquire within 60 days through the exercise of vested options and (iii) 6,390,000 shares of common stock held by Trilogy. Mr. Cervantes is the Chairman of Trilogy and has voting and investment power over the securities held by it. Mr. Cervantes disclaims beneficial ownership of the shares held by Trilogy except to the extent of his pecuniary interest, if any, in such shares.

(4) Includes 293,000 shares held by The Ryan F. Zackon Revocable Trust, of which Mr. Zackon is the trustee and beneficiary.

(5) Includes (i) 1,250,000 shares of common stock held directly and (ii) 350,000 shares of common stock which Mr. Minton has the right to acquire within 60 days through the exercise of vested options.

(6) Includes (i) 200,000 shares of common stock which Mr. Altbach has the right to acquire within 60 days through the exercise of vested options and (ii) 1,000,000 shares of common stock held by Mesa Lane LLC. Mr. Altbach is the

Manager of Mesa Lane LLC and has voting and investment power over the securities held by it. Mr. Altbach disclaims beneficial ownership of the shares held by Mesa Lane LLC except to the extent of his pecuniary interest, if any, in such shares.

We do not currently have any arrangements which if consummated may result in a change of control of our company.

## DESCRIPTION OF SECURITIES

### General

The following description summarizes important terms of the classes of our capital stock. This summary does not purport to be complete and is qualified in its entirety by the provisions of our certificate of incorporation, the certificate of designation for our series A convertible preferred stock and our bylaws, which have been filed as exhibits to the registration statement of which this prospectus is a part. We will also file a certificate of designation for the series B convertible preferred stock that may be acquired as a substitute for the common stock being issued as a component of the units offered hereunder, the form of which have been filed as an exhibit to the registration statement of which this prospectus is a part.

Our authorized capital stock currently consists of 100,000,000 shares of common stock, par value \$0.0001 per share, and 10,000,000 shares of preferred stock, par value \$0.0001 per share.

As of the date of this prospectus, there were 13,927,223 shares of common stock and 8,000 shares of series A convertible preferred stock issued and outstanding.

### Units

We are offering 1,800,000 units at the initial public offering price of \$10.00 per unit. Each unit consists of (i) one share of our common stock (or, at the purchaser's election, one share of series B convertible preferred stock), (ii) one series A warrant to purchase one share of our common stock at an exercise price equal to \$        per share (or 70% of the unit offering price), exercisable until the fifth anniversary of the issuance date, and (iii) one series B warrant to purchase one share of our common stock at an exercise price equal to \$        per share (or 100% of the unit offering price), exercisable until the fifth anniversary of the issuance date and subject to certain adjustment and cashless exercise provisions as described herein. The shares of our common stock and the warrants are immediately separable and will be issued separately but will be purchased together in this offering.

As noted above, we are offering to those purchasers, if any, whose purchase of our common stock in this offering would otherwise result in such purchaser, together with its affiliates and certain related parties, beneficially owning more than 4.99% (or, at the election of the purchaser prior to the date of issuance, 9.99%) of our outstanding common stock immediately following the consummation of this offering, the opportunity to substitute series B convertible preferred stock for the shares of common stock included in the units purchased by that investor. Each share of series B convertible preferred stock is being sold together with the same warrants described above being sold with each share of common stock. For each share of series B convertible preferred stock purchased in this offering in lieu of common stock, we will reduce the number of shares of common stock being sold in the offering on a one-for-one basis. Pursuant to this prospectus, we are also offering the shares of common stock issuable upon conversion of the series B convertible preferred stock. The shares of series B convertible preferred stock will otherwise have the preferences, rights and limitations described under “—*Preferred Stock — Series B Convertible Preferred Stock*” below.

### Common Stock

*Dividend Rights.* Subject to preferences that may be applicable to any then-outstanding preferred stock, holders of common stock are entitled to receive ratably those dividends, if any, as may be declared from time to time by the board of directors out of legally available funds.

*Liquidation Rights.* In the event of our liquidation, dissolution or winding up, holders of common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities and the satisfaction of any liquidation preference granted to the holders of any then-outstanding shares of preferred stock.

*Voting Rights.* The holders of common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders. Under our certificate of incorporation and bylaws, any corporate action

to be taken by vote of stockholders other than for election of directors shall be authorized by the affirmative vote of the majority of votes cast. Directors are elected by a plurality of votes. Stockholders do not have cumulative voting rights.



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*Other Rights.* Holders of common stock have no preemptive, conversion or subscription rights and there are no redemption or sinking fund provisions applicable to the common stock. The rights, preferences and privileges of the holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock.

### **Preferred Stock**

Our certificate of incorporation authorizes our board to issue up to 10,000,000 shares of preferred stock in one or more series, to determine the designations and the powers, preferences and rights and the qualifications, limitations and restrictions thereof, including the dividend rights, conversion or exchange rights, voting rights (including the number of votes per share), redemption rights and terms, liquidation preferences, sinking fund provisions and the number of shares constituting the series. Our board of directors could, without stockholder approval, issue preferred stock with voting and other rights that could adversely affect the voting power and other rights of the holders of common stock and which could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, a majority of our outstanding voting stock.

#### ***Series A Convertible Preferred Stock***

On June 29, 2021, we filed a certificate of designation with the Delaware Secretary of State to establish our series A convertible preferred stock. We designated a total of 8,000 shares of our preferred stock as series A convertible preferred stock. Our series A convertible preferred stock has the following voting powers, designations, preferences and relative rights, qualifications, limitations or restrictions:

*Dividend Rights.* Holders of series A convertible preferred stock are entitled to receive cumulative dividends at a rate of 7.5% of the stated value per share (\$1,000, subject to adjustment) per annum, which shall increase to 15% per annum after November 23, 2021 and 24% per annum after December 31, 2021; provided, however, that no dividends shall accrue following the date that the registration statement of which this prospectus is a part is declared effective by the SEC (which we refer to as the IPO date). The dividends shall be calculated on the basis of a 360-day year, consisting of twelve 30 calendar day periods, and shall accrue daily and shall be deemed to accrue whether or not earned or declared and whether or not there are profits, surplus or other funds legally available for the payment of dividends. Any dividends that are not paid within three (3) trading days following a dividend payment date shall continue to accrue and shall entail a late fee at the rate of 15% per annum or the lesser rate permitted by applicable law.

*Liquidation Rights.* Prior to the IPO date, upon any liquidation, dissolution or winding-up of our company, whether voluntary or involuntary, or upon a change of control, the holders of series A convertible preferred stock shall be entitled to receive out of the assets of our company an amount equal to the greater of (a) 150% of the stated value, plus any accrued and unpaid dividends thereon, for each share held, and (b) the amount that could otherwise be received by a holder for the shares issuable upon conversion of the series A convertible preferred stock in full (ignoring for such purposes any conversion limitations) before any distribution or payment shall be made to the holders of common stock. Following the IPO date, upon any liquidation, dissolution or winding-up of our company, whether voluntary or involuntary, or upon a change of control, the holders of series A convertible preferred stock shall be entitled to receive out of the assets of our company the same amount that a holder of common stock would receive if the series A convertible preferred stock were fully converted (disregarding for such purposes any conversion limitations) to common stock which amounts shall be paid *pari passu* with all holders of common stock.

*Voting Rights.* Until the IPO date, the holders of series A convertible preferred stock shall have the same voting rights as the holders of common stock (on an as-if-converted-to-common-stock-basis). On and after the IPO date, the series A convertible preferred stock shall have no voting rights except as set forth below. As long as any shares of series A convertible preferred stock are outstanding, we shall not, without the affirmative vote of the holders of a majority of the then outstanding shares of the series A convertible preferred stock, (a) alter or change adversely the powers, preferences or rights given to the series A convertible preferred stock or, after the IPO date, alter or amend the certificate of designation, (b) authorize or create any class of stock ranking as to dividends, redemption or distribution of assets upon a liquidation senior to, or otherwise *pari passu* with, the series A convertible preferred stock, (c) amend our certificate of incorporation or other charter documents in any

manner that adversely affects any rights of the holders of series A convertible preferred stock, (d) prior to the IPO date, increase the number of authorized shares of common stock or series A convertible preferred stock, (e) prior to the IPO date, repay, repurchase or offer to repay, repurchase or otherwise acquire more than a de minimis number of shares of common stock or securities convertible into or

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exchangeable for common stock, (f) prior to the IPO date, repurchases of common stock or securities convertible into or exchangeable for common stock of departing officers and directors, (g) prior to the IPO date, pay cash dividends or distributions on any of our equity securities, (h) prior to the IPO date, enter into any change of control transaction (as defined in the certificate of designation) or (i) either prior to the IPO date or after the IPO date, as applicable, enter into any agreement with respect to any of the foregoing.

*Conversion Rights.* Each share of series A convertible preferred stock is convertible, at any time and from time to time from at the option of the holder thereof, into that number of shares of common stock determined by dividing the stated value of such share of series A convertible preferred stock (plus any accrued but unpaid dividends thereon) by the conversion price. The conversion price is initially equal \$0.6667 (subject to adjustments); provided, however, if the pre-money valuation of our company on the IPO date is less than \$75,000,000, the conversion price shall be reduced to equal the product of (i) the then conversion price and (ii) the quotient obtained by dividing (A) the pre-money valuation of our company on the IPO date and (B) \$75,000,000. Notwithstanding the foregoing, we shall not effect any conversion, and a holder shall not have the right to convert, any portion of the series A convertible preferred stock to the extent that, after giving effect to the conversion, such holder (together with such holder's affiliates) would beneficially own in excess of 4.99% of the number of shares of common stock outstanding immediately after giving effect to the issuance of shares issuable upon the conversion. This limitation may be waived (up to a maximum of 9.99%) by the holder and in its sole discretion, upon not less than sixty-one (61) days' prior notice to us.

*Participation Rights.* Pursuant to a securities purchase agreement that we entered into with the holders of the series A convertible preferred stock, until the one-year anniversary of the IPO date, upon any issuance by us or any of our subsidiaries of common stock or securities convertible into or exchangeable for common stock for cash consideration, indebtedness or a combination thereof, each holder of series A convertible preferred stock shall have the right to participate in such subsequent financing up to an amount equal to 50% of the aggregate amount raised thereunder on the same terms, conditions and price provided for thereunder.

*Registration Rights.* Pursuant to a registration rights agreement that we entered into with the holders of the series A convertible preferred stock, we are required to file a registration statement with the SEC covering the resale of the shares of common stock issuable upon conversion of the series A convertible preferred stock and upon the exercise of the warrants described below by August 14, 2021 and use our best efforts to ensure that the registration statement is declared effective by the SEC by the earlier of the IPO date or January 31, 2022. If the registration statement is not filed or declared effective on or prior to such dates, or such registration statement ceases for any reason to remain continuously effective or the holders are otherwise not permitted to utilize the prospectus therein to resell their shares for more than ten (10) consecutive calendar days or more than an aggregate of fifteen (15) calendar days (which need not be consecutive calendar days) during any 12-month period (each of which is referred to herein as an event), then, in addition to any other rights the holders may have under the registration rights agreement or under applicable law, on each such event date and on each monthly anniversary of each such event date (if the applicable event shall not have been cured by such date) until the applicable event is cured, we must pay to each holder an amount in cash, as partial liquidated damages and not as a penalty, equal to the product of 1.0% multiplied by the aggregate subscription amount paid by such holder pursuant to the securities purchase agreement. If we fail to pay any partial liquidated damages pursuant in full within seven days after the date payable, we must pay interest thereon at a rate of 12% per annum (or such lesser maximum amount that is permitted to be paid by applicable law), accruing daily from the date such partial liquidated damages are due until such amounts, plus all such interest thereon, are paid in full. The partial liquidated damages will apply on a daily pro rata basis for any portion of a month until such event is cured. Notwithstanding the foregoing, in no event will we be liable for liquidated damages in excess of 1.0% of the aggregate subscription amount in any single month and the maximum aggregate liquidated damages payable to a holder shall be ten percent (10%) of the aggregate subscription amount. As the result of our failure to cause the registration statement of which this prospectus forms a part to be declared effective by the SEC on or prior to January 31, 2022, we have incurred liquidated damages of \$102,500 and will continue to incur liquidated damages of approximately \$3,416 per day until the registration statement of which this prospectus forms a part is declared effective by the SEC.

### ***Series B Convertible Preferred Stock***

Prior to the closing of this offering, we will file a certificate of designation with the Delaware Secretary of State to establish our series B convertible preferred stock. We will designate a total of        shares of our preferred stock as series B convertible preferred stock. Our series B convertible preferred stock will have the following voting powers, designations, preferences and relative rights, qualifications, limitations or restrictions:

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*Dividend Rights.* Holders of series B convertible preferred stock will not be entitled to receive any dividends, unless and until specifically declared by our board of directors. However, holders of our series B convertible preferred stock will be entitled to receive dividends on shares of series B convertible preferred stock equal (on an as-if-converted-to-common-stock basis) to and in the same form as dividends actually paid on shares of the common stock when such dividends are specifically declared by our board of directors, except for stock dividends or distributions payable in shares of common stock on shares of common stock or any other common stock equivalents for which the conversion price will be adjusted.

*Liquidation Rights.* In the event of our liquidation, dissolution, or winding up, holders of our series B convertible preferred stock will be entitled to receive the amount of cash, securities or other property to which such holder would be entitled to receive with respect to such shares of series B convertible preferred stock if such shares had been converted to common stock immediately prior to such event (without giving effect for such purposes to the 4.99% or 9.99% beneficial ownership limitation, as applicable) subject to the preferential rights of holders of any class or series of our capital stock specifically ranking by its terms senior to the series B convertible preferred stock as to distributions of assets upon such event, whether voluntarily or involuntarily.

*Voting Rights.* The holders of the series B convertible preferred stock will have no voting rights, except as required by law. However, we may not disproportionately alter or change adversely the powers, preferences and rights of the series B convertible preferred stock or amend the certificate of designation or amend our certificate of incorporation or bylaws in any manner that disproportionately adversely affect any right of the holders of the series B convertible preferred stock without the affirmative vote of the holders of a majority of the shares of series B convertible preferred stock then outstanding.

*Conversion Rights.* Each share of series B convertible preferred stock will be convertible at any time at the holder's option into one share of common stock (subject to adjustment as provided in the certificate of designation); provided that the holder will be prohibited from converting series B convertible preferred stock into shares of our common stock if, as a result of such conversion, the holder, together with its affiliates, would own more than 4.99% (or, at the election of the purchaser prior to the date of issuance, 9.99%) of the total number of shares of our common stock then issued and outstanding. However, any holder may increase or decrease such percentage to any other percentage not in excess of 9.99%, provided that any increase in such percentage shall not be effective until the 61<sup>st</sup> day after such notice to us.

*Other Rights.* We are not obligated to redeem or repurchase any shares of series B convertible preferred stock. Shares of series B convertible preferred stock are not otherwise entitled to any redemption rights, or mandatory sinking fund or analogous fund provisions.

## **Options**

As of the date of this prospectus, we have issued options to purchase an aggregate of 1,450,000 shares of common stock under the 2020 Plan, each at an exercise price of \$0.01 per share.

## **Warrants Outstanding Prior to this Offering**

In December 2021 and January 2022, we entered into note and warrant purchase agreements with certain investors, pursuant to which we sold to such investors (i) original issue discount secured subordinated promissory notes in the aggregate principal amount of \$705,882 and (ii) warrants for the purchase of a number of shares of our common stock that is equal to the investors' investment amount divided by a price per share that is equal to 100% of the effective initial public offering price. These warrants are excisable at any time during the three (3) year period commencing on the sixth (6<sup>th</sup>) month anniversary of the closing of this offering. The exercise price per share will be equal to 125% of the effective initial public offering price, subject to standard adjustments for stock splits, stock combinations, stock dividends, reclassifications, mergers, consolidations, reorganizations and similar transactions, and may be exercised on a cashless basis if the market value of our common stock is greater than such exercise price.

On November 5, 2021, we issued a warrant for the purchase of 72,000 shares of common stock to Dawson James Securities, Inc., the representative of the underwriters for this offering, as partial compensation for services rendered in connection with our private placement of debentures that were completed on November 5, 2021. Half

to these shares, or 36,000 shares, were subsequently forfeited by Dawson James Securities, Inc. This warrant is exercisable for a period of five years at an exercise price of \$2.50 per share, subject to standard adjustments for stock splits, stock combinations, stock dividends, reclassifications, mergers, consolidations, reorganizations and similar transactions, and may be exercised on a cashless basis.

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In July and August 2021, we issued warrants for the purchase of an aggregate of 11,999,404 shares of common stock. These warrants are excisable at any time during the period commencing on the sixth (6<sup>th</sup>) month anniversary of the date on which the registration statement of which this prospectus forms a part is declared effective by the SEC and ending on the fifth (5<sup>th</sup>) anniversary of such date. The exercise price per share will be equal to 125% of the initial public offering price, subject to standard adjustments for stock splits, stock combinations, stock dividends, reclassifications, mergers, consolidations, reorganizations and similar change of control transactions, and for certain dilutive issuances; provided that, we shall not effect any exercise, and a holder shall not have the right to exercise, any portion of a warrant to the extent that, after giving effect to the exercise, such holder (together with such holder's affiliates) would beneficially own in excess of 4.99% of the number of shares of common stock outstanding immediately after giving effect to the issuance of shares issuable upon the exercise. This limitation may be waived (up to a maximum of 9.99%) by the holder and in its sole discretion, upon not less than sixty-one (61) days' prior notice to us.

On July 1, 2021, we issued warrants for the purchase of an aggregate of 1,078,173 shares of common stock to Dawson James Securities, Inc., the representative of the underwriters for this offering, as partial compensation for services rendered in connection with our private placement of series A convertible preferred stock and loan from Diamond Creek Capital, LLC that were completed on July 1, 2021. These warrants are exercisable for a period of five years at an exercise price of \$0.6667 per share, subject to standard adjustments for stock splits, stock combinations, stock dividends, reclassifications, mergers, consolidations, reorganizations and similar transactions, and may be exercised on a cashless basis.

On December 18, 2020, we issued a warrant for the purchase of 1,292,445 shares of common stock to Peah Capital, LLC. This warrant is exercisable for the period commencing on January 31, 2022 and ending on December 18, 2027; provided that, the warrant will automatically expire and terminate in the event a registration statement covering the resale of all shares issued pursuant the future equity agreement with Peah Capital, LLC described below has been declared effective by the SEC. The exercise price of this warrant is \$0.0001, subject to standard adjustments for stock splits, stock combinations, stock dividends, reclassifications and similar transactions. In addition, in the event that the number of our outstanding shares of common stock is increased prior to the 18-month anniversary of the warrant, the number of shares issuable upon exercise of the warrant shall be automatically increased to represent that number which is 9.9% of the then total outstanding capitalization.

On May 18, 2017, we issued a warrant to Leonite Capital LLC for the purchase of a number of shares of common stock as determined by dividing \$60,000 by the price per share paid by investors in an equity financing occurring after the date of the warrant and resulting in gross proceeds to us of at least \$1,000,000. Following the recent private placement, in which investors paid \$0.6667 per underlying common share, the number of shares issuable upon exercise of this warrant is 89,996 shares. The exercise price of this warrant is \$0.0001, subject to standard adjustments for stock splits, stock combinations, stock dividends, reclassifications, mergers, consolidations, reorganizations and similar change of control transactions, and for certain dilutive issuances; provided that, we shall not effect any exercise, and the holder shall not have the right to exercise, any portion of the warrant to the extent that, after giving effect to the exercise, the holder (together with the holder's affiliates) would beneficially own in excess of 4.99% of the number of shares of common stock outstanding immediately after giving effect to the issuance of shares issuable upon the exercise. This limitation may be waived (up to a maximum of 9.99%) by the holder and in its sole discretion, upon not less than sixty-one (61) days' prior notice to us.

### **Warrants Issued in this Offering**

The series A warrants and series B warrants will be issued in registered form under separate warrant agent agreements, each of which we refer to as a warrant agent agreement, between us and our warrant agent, VStock Transfer, LLC, who we refer to as the warrant agent. The material provisions of the warrants are set forth in this description and a copy of each of the warrant agent agreements has been filed as an exhibit to the registration statement of which this prospectus forms a part. Our company and the warrant agent may amend or supplement each of the warrant agent agreements without the consent of any holder for the purpose of curing any ambiguity, or curing, correcting or supplementing any defective provision contained therein or adding or changing any other provisions with respect to matters or questions arising under each of the warrant agent agreements as the parties thereto may deem necessary or desirable and that the parties determine, in good faith, shall not adversely

affect the interest of the series A warrant or series B warrant holders, respectively. All other amendments and supplements to each of the warrant agent agreement shall require the vote or written consent of holders of at least 50.1% of each of the series A warrants and series B warrants, as applicable.



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### ***Series A Warrants***

The series A warrants entitle the registered holder to purchase one share of our common stock at an exercise price equal to \$            per share (or 70% of the unit offering price), exercisable until the fifth anniversary of the issuance date. The exercise price and number of shares of common stock issuable upon exercise of the series A warrants may be adjusted in certain circumstances, including in the event of a stock dividend, extraordinary dividend on or recapitalization, reorganization, merger or consolidation.

The series A warrants may be exercised upon surrender of the warrant certificate on or prior to the expiration date at the offices of the warrant agent, with the exercise form attached to the warrant certificate completed and executed as indicated, accompanied by full payment of the exercise price, by certified or official bank check payable to us, for the number of warrants being exercised. The series A warrant holders do not have the rights or privileges of holders of common stock and any voting rights until they exercise their series A warrants and receive shares of common stock. After the issuance of shares of common stock upon exercise of the series A warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by stockholders.

No series A warrants will be exercisable for cash unless at the time of the exercise a prospectus relating to common stock issuable upon exercise of the series A warrants is current and the common stock has been registered or qualified or deemed to be exempt under the securities laws of the state of residence of the holder of the warrants. Under the terms of the series A warrant agent agreement, we have agreed to use our best efforts to maintain a current prospectus relating to common stock issuable upon exercise of the series A warrants until the expiration of the series A warrants. Additionally, the market for the series A warrants may be limited if the prospectus or prospectus relating to the common stock issuable upon exercise of the series A warrants is not current or if the common stock is not qualified or exempt from qualification in the jurisdictions in which the holders of such series A warrants reside. In no event will the registered holders of a series A warrant be entitled to receive a net-cash settlement in lieu of physical settlement in shares of our common stock.

No fractional shares of common stock will be issued upon exercise of the series A warrants. If, upon exercise of the series A warrants, a holder would be entitled to receive a fractional interest in a share, we will, upon exercise, round down to the nearest whole number the number of shares of common stock to be issued to the Warrant holder. If multiple series A warrants are exercised by the holder at the same time, we will aggregate the number of whole shares issuable upon exercise of all the series A warrants.

The price of the series A warrants has been arbitrarily established by us and the underwriter after giving consideration to numerous factors, including but not limited to, the pricing of the units in this offering. No particular weighting was given to any one aspect of those factors considered. We have not performed any method of valuation of the warrants.

### ***Series B Warrants***

The series B warrants entitle each holder to purchase one share of our common stock at an exercise price equal to \$            per share (or 100% of the unit offering price), exercisable until the fifth anniversary of the issuance date and subject to certain adjustment and cashless exercise provisions as described herein. The exercise price and number of shares of common stock issuable upon exercise of the series B warrants may be adjusted in certain circumstances, including in the event of a stock dividend, extraordinary dividend on or recapitalization, reorganization, merger or consolidation.

The series B warrants may be exercised upon surrender of the warrant certificate on or prior to the expiration date at the offices of the warrant agent, with the exercise form attached to the warrant certificate completed and executed as indicated, accompanied by full payment of the exercise price, by certified or official bank check payable to us, for the number of warrants being exercised. The series B warrant holders do not have the rights or privileges of holders of common stock and any voting rights until they exercise their series B warrants and receive shares of common stock. After the issuance of shares of common stock upon exercise of the series B warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by stockholders.

No series B warrants will be exercisable for cash unless at the time of the exercise a prospectus relating to common stock issuable upon exercise of the series B warrants is current and the common stock has been registered or qualified or deemed to be exempt under the securities laws of the state of residence of the holder of the warrants. Under the terms of the series B warrant agent agreement, we have agreed to use our best efforts to maintain a current prospectus

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relating to common stock issuable upon exercise of the series B warrants until the expiration of the series B warrants. Additionally, the market for the series B warrants may be limited if the prospectus relating to the common stock issuable upon exercise of the series B warrants is not current or if the common stock is not qualified or exempt from qualification in the jurisdictions in which the holders of such series B warrants reside. In no event will the registered holders of a series B warrant be entitled to receive a net-cash settlement in lieu of physical settlement in shares of our common stock. If we fail to maintain a current prospectus or prospectus relating to the common stock issuable upon the exercise of the series B warrants, such holders may exercise their series B warrants on a “cashless” basis pursuant to a formula set forth in the terms of the series B warrants.

Additionally, holders of series B warrants may exercise such warrants on a “cashless” basis upon the earlier of (i) 10 trading days from the issuance date of such warrant or (ii) the time when \$10.0 million of volume is traded in our common stock, if the VWAP of our common stock on any trading day on or after the date of issuance fails to exceed the exercise price of the series B warrant (subject to adjustment for any stock splits, stock dividends, stock combinations, recapitalizations and similar events). In such event, the aggregate number of shares of common stock issuable in such cashless exercise shall equal the product of (x) the aggregate number of shares of common stock that would be issuable upon exercise of the series B warrant in accordance with its terms if such exercise were by means of a cash exercise rather than a cashless exercise and (y) 1.00.

No fractional shares of common stock will be issued upon exercise of the series B warrants. If, upon exercise of the series B warrants, a holder would be entitled to receive a fractional interest in a share, we will, upon exercise, round down to the nearest whole number the number of shares of common stock to be issued to the Warrant holder. If multiple series B warrants are exercised by the holder at the same time, we will aggregate the number of whole shares issuable upon exercise of all the series B warrants.

The price of the series B warrants has been arbitrarily established by us and the Underwriter after giving consideration to numerous factors, including but not limited to, the pricing of the Units in this offering. No particular weighting was given to any one aspect of those factors considered. We have not performed any method of valuation of the warrants.

### **Convertible Promissory Notes**

On February 25, 2021, we issued a convertible promissory note in the principal amount of \$500,000 to East West Capital LLC. This note accrues interest at 15% per annum and matures on March 31, 2023. This note will automatically convert into shares of common stock concurrent with the closing of this offering at a conversion price equal to 50% of the initial public offering price.

On May 10, 2021, we issued a convertible promissory note in the principal amount of \$73,727.01 to Bevilacqua PLLC, our outside securities counsel. This note accrues interest at 15% per annum and matures on May 10, 2022. The note is convertible at the option of the holder into shares of common stock at a conversion price that is equal to forty percent (40%) of either (i) the price per share paid by investors in our next priced equity financing, including this offering, or (ii) the volume weighted average price of the common stock for the five trading days from and including the date that the conversion notice is given.

On July 1, 2021, we issued a convertible promissory note in the principal amount of \$3,000,000 to Sasson E. Moulavi in connection with the acquisition of Doctors Scientific Organica. This note accrues interest at 6% per annum and matures on July 1, 2024. This note will automatically convert into shares of common stock concurrent with the closing of this offering at a conversion price equal to the initial public offering price.

On November 8, 2021, we issued a convertible promissory note in the principal amount of \$1,900,000 to Justin Francisco and Steven Rubert in connection with the acquisition of Nexus. This note accrues interest at 5% per annum and matures on November 8, 2024. This note will automatically convert into shares of common stock concurrent with the closing of this offering at a conversion price equal to the initial public offering price.

### **Debentures**

On November 5, 2021, we entered into a securities purchase agreement with certain investors, pursuant to which we sold 12% unsecured subordinated convertible debentures in the aggregate principal amount of \$2,250,000 to such investors for gross proceeds of \$2,250,000.



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Interest at a rate of 12% per annum shall accrue on the principal balance of the debentures from the date of issuance until the date that the registration statement of which this prospectus is a part is declared effective by the SEC (which we refer to as the IPO date); provided that upon an event of default, such interest rate shall increase to 18% per annum or the maximum rate permitted under applicable law, and we may be required to pay a default amount in certain circumstances. The debentures are due and payable on the earliest of the maturity date, November 30, 2022, or upon their earlier conversion or redemption.

At any time after the sixth month anniversary of the IPO date, the holders may convert the principal amount of the debentures into shares of common stock at a conversion price that is equal to 50% of the effective initial public offering price (as described in the debentures); provided that after the IPO date, the conversion price shall be reduced to the lower of such price and the lowest volume weighted average price during the 10 trading days immediately following the IPO date; provided further, that the conversion price shall not be less than \$1.00. The conversion price is subject to standard equitable adjustments for stock splits, stock combinations, recapitalizations and similar transactions, as well as, prior to the IPO date, for future issuances below the conversion price. The debentures also contain beneficial ownership limitations which limit the holders' beneficial ownership to 9.99% of our outstanding common stock.

At any time after the IPO date, we may redeem some or all of the outstanding principal amount of the debentures for cash in an amount equal to 115% of the outstanding principal amount of the debentures, plus accrued but unpaid interest and any other amounts due under the debentures.

The securities purchase agreement and the debentures contain customary representations, warranties, affirmative and negative covenants and events of default for loans of this type. The debentures are guaranteed by each of our subsidiaries.

### **Future Equity Agreements**

As described below, we have utilized future equity agreements as an incentive to induce investors to make us loans under separate promissory notes. We have issued the promissory notes and future equity agreements as units. Providing equity to these investors through the future equity agreements in addition to issuing the investors promissory notes is similar to the common practice of an issuer selling promissory notes and warrants as a unit, except in our case, we issued a future equity agreement instead of a warrant. The future equity agreement provides the investor with the ability to participate in the potential equity appreciation of our company while still receiving repayment of the investor's loan with interest under the terms of the promissory note. For example, if an investor made a \$100,000 investment, the investor would receive his or her investment amount back plus interest under the promissory note and, at the time of our initial public offering, the same investor will also receive a number of shares of common stock equal to \$100,000 divided by the effective price per share at which common stock is sold in our initial public offering. The promissory notes and the repayment obligations under those promissory notes stand separate and apart from the future equity agreements, and the shares to be issued under the future equity agreements do not impact the repayment of the promissory notes by their terms.

We have entered into a future equity agreement with Peah Capital, LLC, pursuant to which we have agreed to issue to Peah Capital, LLC concurrent with the closing of this offering a number of shares of our common stock equal to 75% of all funds loaned to us by it divided by the effective price per share at which common stock is sold in this offering. The aggregate amount loaned to us by Peah Capital, LLC is \$1,675,000. As noted above, the warrant issued to Peah Capital, LLC will automatically expire and terminate in the event a registration statement covering the resale of these shares has been declared effective by the SEC.

From May 2017 to December 15, 2021, we entered into future equity agreements with 56 lenders, pursuant to which we have agreed to issue to such lenders concurrent with the closing of this offering a number of shares of our common stock equal to the principal amount loaned to us divided by the effective price per share at which our common stock is sold in this offering. The aggregate principal amount loaned to us by these lenders is \$5,880,405.

### **Anti-takeover Effects of Delaware Law and Charter Provisions**

We have elected not to be governed by Section 203 of the General Corporation Law of the State of Delaware, which prohibits a publicly-held Delaware corporation from engaging in a business combination, except under certain circumstances, with an interested stockholder.

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Our certificate of incorporation and bylaws contain certain provisions that may have anti-takeover effects, making it more difficult for or preventing a third party from acquiring control of our company or changing our board of directors and management.

Our certificate of incorporation authorizes our board of directors to issue up to 10,000,000 shares of preferred stock without further stockholder approval. The preferred stock may be issued in one or more series, the terms of which may be determined at the time of issuance by the board of directors without further action by the stockholders. These terms may include preferences as to dividends and liquidation, conversion rights, redemption rights and sinking fund provisions. The issuance of any preferred stock could diminish the rights of holders of our common stock, and therefore could reduce the value of such common stock. In addition, specific rights granted to future holders of preferred stock could be used to restrict our ability to merge with, or sell assets to, a third party. The ability of our board of directors to issue preferred stock could make it more difficult, delay, discourage, prevent or make it more costly to acquire or effect a change-in-control, which in turn could prevent our stockholders from recognizing a gain in the event that a favorable offer is extended and could materially and negatively affect the market price of our common stock.

Our bylaws permit the board of directors to establish the number of directors and fill any vacancies and newly created directorships. These provisions will prevent a stockholder from increasing the size of our board of directors and gaining control of our board of directors by filling the resulting vacancies with its own nominees. In addition, our bylaws provide that no member of our board of directors may be removed from office by our stockholders without cause and, in addition to any other vote required by law, upon the approval of not less than the majority of the total voting power of all of our outstanding voting stock then entitled to vote in the election of directors.

Our bylaws establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to the board of directors. Stockholders at an annual meeting will only be able to consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of the board of directors or by a stockholder who was a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has given us timely written notice, in proper form, of the stockholder's intention to bring that business before the meeting. Although our bylaws do not give the board of directors the power to approve or disapprove stockholder nominations of candidates or proposals regarding other business to be conducted at a special or annual meeting, our bylaws may have the effect of precluding the conduct of certain business at a meeting if the proper procedures are not followed or may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempting to obtain control of our company.

Furthermore, neither the holders of our common stock nor the holders of our preferred stock have cumulative voting rights in the election of our directors. The combination of the present ownership by a few stockholders of a significant portion of our issued and outstanding common stock and lack of cumulative voting makes it more difficult for other stockholders to replace our board of directors or for a third party to obtain control of our company by replacing its board of directors.

### **Transfer Agent and Registrar**

VStock Transfer, LLC, 18 Lafayette Place, Woodmere, NY 11598, telephone 212-828-8436, is the transfer agent for our common stock.

### **Trading Symbol and Market**

We have applied to list our common stock on Nasdaq under the symbol "SMFL." The closing of this offering is contingent upon such listing. We do not intend to list the warrants or series B convertible preferred stock on any securities exchange or nationally recognized trading system.

## SHARES ELIGIBLE FOR FUTURE SALE

Before this offering, there has not been a public market for shares of our common stock. Future sales of substantial amounts of shares of our common stock, including shares issued upon the conversion of convertible notes, the exercise of outstanding options and warrants, in the public market after this offering, or the possibility of these sales occurring, could cause the prevailing market price for our common stock to fall or impair our ability to raise equity capital in the future.

Immediately following the closing of this offering, we will have 20,566,124 shares of common stock issued and outstanding. In the event the underwriters exercise the over-allotment option in full, we will have 20,836,124 shares of common stock issued and outstanding. The common stock sold in this offering will be freely tradable without restriction or further registration or qualification under the Securities Act.

Previously issued shares of common stock that were not offered and sold in this offering, as well as shares issuable upon the exercise of warrants and subject to employee stock options, are or will be upon issuance, “restricted securities,” as that term is defined in Rule 144 under the Securities Act. These restricted securities are eligible for public sale only if such public resale is registered under the Securities Act or if the resale qualifies for an exemption from registration under Rule 144 or Rule 701 under the Securities Act, which are summarized below.

### Rule 144

In general, a person who has beneficially owned restricted shares of our common stock for at least twelve months, or at least six months in the event we have been a reporting company under the Exchange Act for at least ninety (90) days before the sale, would be entitled to sell such securities, provided that such person is not deemed to be an affiliate of ours at the time of sale or to have been an affiliate of ours at any time during the ninety (90) days preceding the sale. A person who is an affiliate of ours at such time would be subject to additional restrictions, by which such person would be entitled to sell within any three-month period only a number of shares that does not exceed the greater of the following:

- 1% of the number of shares of our common stock then outstanding; or
- 1% of the average weekly trading volume of our common stock during the four calendar weeks preceding the filing by such person of a notice on Form 144 with respect to the sale;

provided that, in each case, we are subject to the periodic reporting requirements of the Exchange Act for at least 90 days before the sale. Rule 144 trades must also comply with the manner of sale, notice and other provisions of Rule 144, to the extent applicable.

### Rule 701

In general, Rule 701 allows a stockholder who purchased shares of our capital stock pursuant to a written compensatory plan or contract and who is not deemed to have been an affiliate of ours during the immediately preceding 90 days to sell those shares in reliance upon Rule 144, but without being required to comply with the public information, holding period, volume limitation or notice provisions of Rule 144. All holders of Rule 701 shares, however, are required to wait until ninety (90) days after the date of this prospectus before selling shares pursuant to Rule 701.

### Lock-Up Agreements

We and all of our directors and executive officers have agreed with the underwriters, subject to certain exceptions, not to sell, transfer or dispose of, directly or indirectly, any of our common stock or securities convertible into or exercisable or exchangeable for our common stock for a period of (i) 12 months after the closing of this offering in the case of our company and (ii) 6 months after the date of this prospectus in the case of our directors and executive officers. See “*Underwriting — Lock-Up Agreements.*”



## **MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS FOR NON-U.S. HOLDERS**

The following is a summary of the material United States federal income tax consequences of the purchase, ownership and disposition of our units that are being issued pursuant to this offering. This summary is limited to Non-U.S. Holders (as defined below) that hold our units as a capital asset (generally, property held for investment) for United States federal income tax purposes. This summary does not discuss all of the aspects of United States federal income taxation that may be relevant to a Non-U.S. Holder in light of the Non-U.S. Holder's particular investment or other circumstances. Accordingly, all prospective Non-U.S. Holders should consult their own tax advisors with respect to the United States federal, state, local and non-United States tax consequences of the purchase, ownership and disposition of our units.

This summary is based on provisions of the Code, applicable United States Treasury regulations and administrative and judicial interpretations, all as in effect or in existence on the date of this prospectus. Subsequent developments in United States federal income tax law, including changes in law or differing interpretations, which may be applied retroactively, could alter the United States federal income tax consequences of owning and disposing of our units as described in this summary. There can be no assurance that the IRS will not take a contrary position with respect to one or more of the tax consequences described herein and we have not obtained, nor do we intend to obtain, a ruling from the IRS with respect to the United States federal income tax consequences of the ownership or disposition of our units.

As used in this summary, the term "Non-U.S. Holder" means a beneficial owner of our units that is not, for United States federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation) created or organized in or under the laws of the United States, any state thereof, or the District of Columbia;
- an entity or arrangement treated as a partnership;
- an estate whose income is includible in gross income for United States federal income tax purposes regardless of its source; or
- a trust, if (1) a United States court is able to exercise primary supervision over the trust's administration and one or more "United States persons" (within the meaning of the Code) has the authority to control all of the trust's substantial decisions, or (2) the trust has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

If an entity or arrangement treated as a partnership for United States federal income tax purposes holds our units, the tax treatment of a partner in such a partnership generally will depend upon the status of the partner, the activities of the partnership and certain determinations made at the partner level. Partnerships, and partners in partnerships, that hold our units should consult their own tax advisors as to the particular United States federal income tax consequences of owning and disposing of our units that are applicable to them.

This summary does not consider any specific facts or circumstances that may apply to a Non-U.S. Holder, including the impact of the Medicare contribution tax on net investment income and the alternative minimum tax, and does not address any special tax rules that may apply to particular Non-U.S. Holders, including, without limitation:

- a Non-U.S. Holder that is a financial institution, insurance company, tax-exempt organization, pension plan, broker, dealer or trader in stocks or securities, foreign currency dealer, U.S. covered expatriate, controlled foreign corporation or passive foreign investment company;
- a Non-U.S. Holder holding our units as part of a conversion, constructive sale, wash sale or other integrated transaction or a hedge, straddle or synthetic security;
- a Non-U.S. Holder that holds or receives our common stock pursuant to the exercise of any employee stock option or otherwise as compensation; or

- a Non-U.S. Holder that at any time owns, directly, indirectly or constructively, 5% or more of our outstanding common stock.

In addition, this summary does not address any U.S. state or local, or non-U.S. or other tax consequences, or any United States federal income tax consequences for beneficial owners of a Non-U.S. Holder, including stockholders of

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a controlled foreign corporation or passive foreign investment company that holds our units or their constituent stock or warrants. This summary also does not address the effects of other United States federal tax laws, such as estate and gift tax laws.

**Each Non-U.S. Holder should consult its tax advisor regarding the United States federal, state, local and non-U.S. income and other tax consequences of owning and disposing of our units or their constituent stock or warrants.**

### **Characterization of Units and Allocation of Purchase Price**

No statutory, administrative or judicial authority directly addresses the treatment of a unit, or any instrument similar to these units for U.S. federal income tax purposes, and therefore, that treatment is not entirely clear. We intend to take the position that the acquisition or disposition of a unit is treated for U.S. federal income tax purposes as the acquisition or disposition of the underlying common stock and series A warrant and series B warrant. By purchasing a unit, you will agree to adopt such treatment for U.S. federal income tax purposes. For U.S. federal income tax purposes, each holder of a unit must allocate the purchase price paid by such holder for such unit between the underlying common stock, series A warrant and series B warrant based on the relative fair market value of each at the time of issuance. Under U.S. federal income tax law, each investor must make his or her own determination of such value based on all the relevant facts and circumstances. Therefore, we urge each investor to consult his or her tax advisor regarding the determination of value for these purposes. The price allocated to each share of common stock, each series A warrant and series B warrant should be the shareholder's initial tax basis in such shares of common stock or series A warrant or series B warrant. We also intend to take the position that the separation of the common stock, series A warrant and series B warrant constituting a unit is not a taxable event for U.S. federal income tax purposes.

The foregoing treatment of the units, common stock, series A warrant and series B warrant and a holder's purchase price allocation is not binding on the IRS or the courts. Because there are no authorities that directly address instruments that are similar to the units, no assurance can be given that the IRS or the courts will agree with the characterization described above or the discussion below. Accordingly, each prospective investor is urged to consult its tax advisors regarding the tax consequences of an investment in a unit (including alternative characterizations of the same). The remainder of this discussion assumes that the characterization of the units described above will be respected for U.S. federal income tax purposes.

### **Distributions**

We do not currently expect to pay any cash dividends on our common stock. If we make distributions of cash or property (other than certain pro rata distributions of our common stock) with respect to our common stock, any such distributions generally will constitute dividends for United States federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under United States federal income tax principles. If a distribution exceeds our current and accumulated earnings and profits, the excess will be treated as a nontaxable return of capital to the extent of the Non-U.S. Holder's adjusted tax basis in its common stock and will reduce (but not below zero) such Non-U.S. Holder's adjusted tax basis in its common stock. Any remaining excess will be treated as gain from a disposition of our common stock subject to the tax treatment described below in "*Dispositions of Our Common Stock*."

Subject to the discussion below on effectively connected income, dividends paid to a Non-U.S. Holder of our common stock will be subject to United States federal withholding tax at a rate of 30% of the gross amount of the dividends (or such lower rate specified by an applicable income tax treaty, provided the Non-U.S. Holder furnishes a valid IRS Form W-8BEN or W-8BEN-E (or other applicable documentation) certifying qualification for the lower treaty rate).

Distributions on our common stock that are treated as dividends and that are effectively connected with a Non-U.S. Holder's conduct of a trade or business in the United States will be taxed on a net income basis at the regular graduated rates and in the manner applicable to U.S. persons. An exception may apply if the Non-U.S. Holder is eligible for, and properly claims, the benefit of an applicable income tax treaty and the dividends are not attributable to a permanent establishment or fixed base maintained by the Non-U.S. Holder in the United States. In such case, the Non-U.S. Holder may be eligible for a lower rate under an applicable income tax treaty between

the United States and its jurisdiction of tax residence. Dividends that are effectively connected with a Non-U.S. Holder's conduct of a trade or business in the United States will not be subject to the United States withholding tax if the Non-U.S. Holder provides to the applicable withholding agent a properly executed IRS Form W-8ECI (or other applicable form) in accordance with the applicable

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certification and disclosure requirements. A Non-U.S. Holder treated as a corporation for United States federal income tax purposes may also be subject to a “branch profits tax” at a 30% rate (unless the Non-U.S. Holder is eligible for a lower rate under an applicable income tax treaty) on the Non-U.S. Holder’s earnings and profits (attributable to dividends on our common stock or otherwise) that are effectively connected with the Non-U.S. Holder’s conduct of a trade or business within the United States.

The IRS Forms and other certifications described above must be provided to the applicable withholding agent prior to the payment of dividends and must be updated periodically. A Non-U.S. Holder may obtain a refund or credit of any excess amounts withheld by timely filing an appropriate claim for a refund with the IRS in the form of a U.S. tax return. Non-U.S. Holders should consult their tax advisors regarding their eligibility for benefits under a relevant income tax treaty and the manner of claiming such benefits.

The foregoing discussion is subject to the discussions below under “— *Backup Withholding and Information Reporting*” and “— *FATCA Withholding*.”

### **Dispositions of Our Common Stock**

A Non-U.S. Holder generally will not be subject to United States federal income tax (including United States withholding tax) on gain recognized on any sale or other disposition of our common stock unless:

- the gain is effectively connected with the Non-U.S. Holder’s conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment or fixed base maintained by the Non-U.S. Holder in the United States); in this case, the gain will be subject to United States federal income tax on a net income basis at the regular rates and in the manner applicable to United States persons (unless an applicable income tax treaty provides otherwise) and, if the Non-U.S. Holder is treated as a corporation for United States federal income tax purposes, the “branch profits tax” described above may also apply;
- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and meets certain other requirements; in this case, except as otherwise provided by an applicable income tax treaty, the gain, which may be offset by certain United States source capital losses (provided the Non-U.S. Holder has timely filed United States federal income tax returns with respect to such losses), generally will be subject to a flat 30% United States federal income tax, even if the Non-U.S. Holder is not treated as a resident of the United States under the Code; or
- we are or have been a “United States real property holding corporation” for United States federal income tax purposes at any time during the shorter of (i) the five-year period ending on the date of disposition and (ii) the period that the Non-U.S. Holder held our common stock.

Generally, a corporation is a “United States real property holding corporation” if the fair market value of its “United States real property interests” equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests plus its other assets used or held for use in a trade or business. We believe that we are not currently, and we do not anticipate becoming in the future, a United States real property holding corporation. However, because the determination of whether we are a United States real property holding corporation is made from time to time and depends on the relative fair market values of our assets, there can be no assurance in this regard. If we were a United States real property holding corporation, the tax relating to disposition of stock in a United States real property holding corporation generally will not apply to a Non-U.S. Holder whose holdings, direct, indirect and constructive, constituted 5% or less of our common stock at all times during the applicable period, provided that our common stock is “regularly traded on an established securities market” (as provided in applicable United States Treasury regulations) at any time during the calendar year in which the disposition occurs. However, no assurance can be provided that our common stock will be regularly traded on an established securities market for purposes of the rules described above. Non-U.S. Holders should consult their tax advisors regarding the possible adverse United States federal income tax consequences to them if we are, or were to become, a United States real property holding corporation.

The foregoing discussion is subject to the discussions below under “— *Backup Withholding and Information Reporting*” and “— *FATCA Withholding*.”



### **Exercise or Lapse of Series A Warrant or Series B Warrant**

In general, a Non-U.S. Holder will not recognize gain or loss for U.S. federal income tax purposes upon the exercise of a series A warrant or series B warrant, except to the extent the Non-U.S. Holder receives a cash payment for any such fractional share that would otherwise have been issuable upon exercise of the series A warrant or the series B warrant, which will be treated as a sale subject to the rules described under “— *Dispositions of Our Common Stock*” above. Upon the lapse or expiration of a series A warrant or series B warrant, a Non-U.S. Holder will recognize a loss equal to such Non-U.S. Holder’s U.S. federal income tax basis in each series A warrant or series B warrant if the loss is (i) effectively connected with the conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the Non-U.S. Holder maintains a permanent establishment in the United States to which such loss is attributable) or (ii) treated as a loss from sources within the United States and the Non-U.S. Holder is present 183 days or more in the taxable year of disposition and certain other conditions are met. The deductibility of capital losses is subject to limitations.

### **Certain Adjustments to the Series A Warrants and Series B Warrants**

Under Section 305(c) of the Code, an adjustment (or a failure to make an adjustment) to the conversion ratio of a series A warrant and series B warrant that has the effect of increasing a Non-U.S. Holder’s proportionate interest in our assets or earnings may, in some circumstances, result in a deemed distribution to a Non-U.S. Holder for U.S. federal income tax purposes. Adjustments to the conversion rate made pursuant to a bona fide, reasonable, adjustment formula that has the effect of preventing the dilution of the interest of the holders of series A warrants and series B warrants, however, generally will not be deemed to result in a distribution to a Non-U.S. Holder. Any such deemed distribution would be taxable to a Non-U.S. Holder as described above under “— *Distributions*.”

### **Backup Withholding and Information Reporting**

Backup withholding (currently at a rate of 24%) will not apply to payments of dividends on our common stock to a Non-U.S. Holder if the Non-U.S. Holder provides to the applicable withholding agent a properly executed IRS Form W-8BEN or W-8BEN-E (or other applicable form) certifying under penalties of perjury that the Non-U.S. Holder is not a United States person or is otherwise entitled to an exemption. However, the applicable withholding agent generally will be required to report to the IRS (and to such Non-U.S. Holder) payments of distributions on our common stock and the amount of United States federal income tax, if any, withheld from those payments, regardless of whether such distributions constitute dividends. In accordance with applicable treaties or agreements, the IRS may provide copies of such information returns to the tax authorities in the country in which the Non-U.S. Holder resides.

The gross proceeds from sales or other dispositions of our common stock may be subject, in certain circumstances discussed below, to United States backup withholding and information reporting. If a Non-U.S. Holder sells or otherwise disposes of our common stock outside the United States through a non-United States office of a non-United States broker and the disposition proceeds are paid to the Non-U.S. Holder outside the United States, then the United States backup withholding and information reporting requirements generally will not apply to that payment. However, United States information reporting, but not United States backup withholding, will apply to a payment of disposition proceeds, even if that payment is made outside the United States, if a Non-U.S. Holder sells our common stock through a non-United States office of a broker that is a United States person or has certain enumerated connections with the United States, unless the broker has documentary evidence in its files that the Non-U.S. Holder is not a United States person and certain other conditions are met or the Non-U.S. Holder otherwise qualifies for an exemption.

If a Non-U.S. Holder receives payments of the proceeds of a disposition of our common stock to or through a United States office of a broker, the payment will be subject to both United States backup withholding and information reporting unless the Non-U.S. Holder provides to the broker a properly executed IRS Form W-8BEN or W-8BEN-E (or other applicable form) certifying under penalties of perjury that the Non-U.S. Holder is not a United States person, or the Non-U.S. Holder otherwise qualifies for an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be credited against the Non-U.S. Holder’s United States federal income tax liability (which may result in the Non-U.S. Holder being entitled to a refund), provided that the required information is timely furnished to the IRS.





## **FATCA Withholding**

The Foreign Account Tax Compliance Act and related Treasury guidance (commonly referred to as FATCA) impose United States federal withholding tax at a rate of 30% on payments to certain foreign entities of (i) U.S. source dividends (including dividends paid on our common stock) and (ii) (subject to the proposed Treasury Regulations discussed below) the gross proceeds from the sale or other disposition of property that produces U.S. source dividends (including sales or other dispositions of our common stock). This withholding tax applies to a foreign entity, whether acting as a beneficial owner or an intermediary, unless such foreign entity complies with (i) certain information reporting requirements regarding its United States account holders and its United States owners and (ii) certain withholding obligations applicable to certain payments to its account holders and certain other persons. Accordingly, the entity through which a Non-United States Holder holds its common stock will affect the determination of whether such withholding is required. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

Under the applicable Treasury Regulations and administrative guidance, withholding under FATCA generally will apply to payments of dividends on our common stock. While withholding under FATCA would have applied also to payments of gross proceeds from the sale or other disposition of stock on or after January 1, 2019, proposed Treasury Regulations eliminate FATCA withholding on payments of gross proceeds. Taxpayers generally may rely on these proposed Treasury Regulations until final Treasury Regulations are issued.

Non-U.S. Holders are encouraged to consult their tax advisors regarding FATCA.

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## UNDERWRITING

Dawson James Securities, Inc. is acting as lead book-running manager of the offering and as representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus, each underwriter named below has severally and not jointly agreed to purchase, and we have agreed to sell to that underwriter, the number of units described in this prospectus.

Underwriter	Number of Units
Dawson James Securities, Inc.	
Total	

The underwriting agreement provides that the obligations of the underwriters to purchase the units in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all of such units (other than those covered by the over-allotment option described below) if they purchase any of the units.

The units sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any units sold by the underwriters to securities dealers may be sold at a discount from the initial public offering price not to exceed \$            per unit. If all the units are not sold at the initial offering price, the underwriters may change the offering price and the other selling terms.

### Over-Allotment Option

We have granted the representative of the underwriters an option exercisable on one or more occasions for up to 45 days after the date of the underwriting agreement, to purchase up to            shares of common stock, and/or up to            series A warrants, and/or            series B warrants at \$            per share of common stock, and \$            per series A warrant and \$            per series B warrant, less underwriting discounts. The underwriters may exercise this option solely to cover over-allotments, if any, made in connection with this offering. To the extent the option is exercised, and the conditions of the underwriting agreement are satisfied, we will be obligated to sell to the underwriters, and the underwriters will be obligated to purchase, these additional shares of common stock and/or warrants.

### Underwriting Discounts and Commissions

The following table shows the per unit price and total underwriting discounts and commissions we will pay in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters' over-allotment option:

	Per Unit	Total Without Over-Allotment Option	Total With Over-Allotment Option
Initial public offering price	\$	\$	\$
Underwriting discounts and commissions (9%)	\$	\$	\$
Proceeds to us, before expenses	\$	\$	\$

We have also agreed to reimburse the underwriter for its expenses in connection with this offering, including all reasonable fees and expenses of the underwriters' outside legal counsel, up to \$145,000, and up to \$10,000 for the underwriters' "road show" expenses. We estimate the total expenses of this offering which will be payable by us, excluding the underwriting discount and the underwriter's expenses payable by us, will be approximately \$561,000.

**Indemnification**

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

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### **Tail Financing**

Dawson James Securities, Inc. will be entitled to the compensation discussed above with respect to any public or private offering or other financing or capital-raising transaction of any kind to the extent that financing or capital is provided by investors that were contacted by Dawson James Securities, Inc. during the term of its engagement for this offering or twelve months following the completion thereof.

### **Lock-up Agreements**

We and all of our directors and executive officers have agreed to enter into lock-up agreements in connection with this offering. Under the lock-up agreements, subject to certain exceptions, we and each of these persons may not, without the prior written approval of the representative, offer, sell, contract to sell, pledge, or otherwise dispose of, directly or indirectly, or hedge our common stock or securities convertible into or exchangeable or exercisable for our common stock. These restrictions remain in effect and will generally terminate on the six-month anniversary after the closing date with respect to our directors and executive officers and on the twelve-month anniversary with respect to our company.

### **Stabilization, Short Positions and Penalty Bids**

The underwriters may engage in stabilizing transactions, short sales and purchases to cover positions created by short sales, and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of the common stock, in accordance with Regulation M under the Exchange Act:

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- A short position involves a sale by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase in the offering, which creates the syndicate short position. This short position may be either a covered short position or a naked short position. In a covered short position, the number of shares involved in the sales made by the underwriters in excess of the number of shares they are obligated to purchase is not greater than the number of shares that they may purchase by exercising their option to purchase additional shares. In a naked short position, the number of shares involved is greater than the number of shares in their option to purchase additional shares. The underwriters may close out any short position by either exercising their option to purchase additional shares and/or purchasing shares in the open market. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through their option to purchase additional shares. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.
- Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions.
- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of the common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on Nasdaq or otherwise and, if commenced, may be discontinued at any time.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

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### **Electronic Distribution**

A prospectus in electronic format may be made available on the Internet sites or through other online services maintained by one or more of the underwriters and/or selling group members participating in this offering, or by their affiliates. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter or selling group member, prospective investors may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of units for sale to online brokerage account holders. Any such allocation for online distributions will be made by the representatives on the same basis as other allocations.

Other than the prospectus in electronic format, the information on any underwriter's or selling group member's website and any information contained in any other web site maintained by an underwriter or selling group member is not part of the prospectus or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by us or any underwriter or selling group member in its capacity as underwriter or selling group member and should not be relied upon by investors.

### **Other Relationships**

The underwriters and certain of their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The underwriters and certain of their affiliates have, from time to time, performed, and may in the future perform, various commercial and investment banking and financial advisory services for the issuer and its affiliates, for which they received or may in the future receive customary fees and expenses. Dawson James Securities, Inc. served as an advisor to us in connection with our November 2021 private placement of \$2.25 million of debentures and, in connection with such advisory work, received a five-year warrant to purchase 36,000 shares of common stock at an exercise price of \$2.50 per share. Dawson James Securities, Inc. also served as placement agent to us in connection with our July 2021 private placement of series A convertible preferred stock and warrants and in connection with our July 2021 private placement of \$3.0 million in unsecured subordinated notes (Diamond Creek Capital, LLC); and in connection with such offerings received cash compensation and five-year placement agent warrants to purchase 719,964 shares and 358,209 shares, respectively, of common stock at an exercise price of \$0.6667 per share.

In the ordinary course of their various business activities, the underwriters and certain of their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the issuer or its affiliates. If the underwriters or their affiliates have a lending relationship with us, they routinely hedge their credit exposure to us consistent with their customary risk management policies. The underwriters and their affiliates may hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities or the securities of our affiliates, including potentially the shares of common stock offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the shares of common stock offered hereby. The underwriters and certain of their affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

### **Selling Restrictions**

This prospectus does not constitute an offer to sell to, or a solicitation of an offer to buy from, anyone in any country or jurisdiction (i) in which such an offer or solicitation is not authorized, (ii) in which any person making such offer or solicitation is not qualified to do so or (iii) in which any such offer or solicitation would otherwise be unlawful. No action has been taken that would, or is intended to, permit a public offer of the units or possession or distribution of this prospectus or any other offering or publicity material relating to the units in any country or jurisdiction (other than the United States) where any such action for that purpose is required. Accordingly, each underwriter has undertaken that it will not, directly or indirectly, offer or sell any units or have in its possession,

distribute or publish any prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of units by it will be made on the same terms.

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### **Determination of Public Offering Price**

Prior to this offering, there has not been a public market for our securities. The public offering price of the units offered by this prospectus has been determined by negotiation between us and the underwriters. Among the factors considered in determining the public offering price of the units were:

- our history and our prospects;
- our financial information and historical performance;
- the industry in which we operate;
- the status and development prospects for our products and services;
- the experience and skills of our executive officers; and
- the general condition of the securities markets at the time of this offering.

The offering price stated on the cover page of this prospectus should not be considered an indication of the actual value of our common stock. That price is subject to change as a result of market conditions and other factors, and we cannot assure you that our common stock can be resold at or above the public offering price.

### ***European Economic Area***

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) an offer to the public of any units which are the subject of the offering contemplated herein may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any units may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to legal entities which are qualified investors as defined under the Prospectus Directive;
- by the underwriters to fewer than 100, or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives of the underwriters for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of common stock shall result in a requirement for us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any units under, the offers contemplated here in this prospectus will be deemed to have represented, warranted and agreed to and with each underwriter and us that:

- it is a qualified investor as defined under the Prospectus Directive; and
- in the case of any units acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the units acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in the circumstances in which the prior consent of the representatives of the underwriters has been given to the offer or resale or (ii) where units have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of such units to it is not treated under the Prospectus Directive as having been made to such persons.



For the purposes of this representation and the provision above, the expression an “offer of units to the public” in relation to any units in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any units to be offered so as to enable an investor to decide

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to purchase or subscribe for the units, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

### ***United Kingdom***

This prospectus has only been communicated or caused to have been communicated and will only be communicated or caused to be communicated as an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act of 2000 (the “FSMA”)) as received in connection with the issue or sale of the units in circumstances in which Section 21(1) of the FSMA does not apply to us. All applicable provisions of the FSMA will be complied with in respect to anything done in relation to the units in, from or otherwise involving the United Kingdom.

### ***Notice to Residents of Canada***

The securities may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

## LEGAL MATTERS

Certain legal matters with respect to the shares of units offered hereby will be passed upon by Bevilacqua PLLC, Washington, DC. Schiff Hardin, LLP, Washington, DC, is acting as counsel to the underwriters.

Bevilacqua PLLC holds 250,000 shares of common stock. In addition, on May 10, 2021, we issued a convertible promissory note in the principal amount of \$73,727.01 to Bevilacqua PLLC. The note accrues interest at 15% per annum and matures on May 10, 2022. The note is convertible at the option of the holder into shares of common stock at a conversion price that is equal to forty percent (40%) of either (i) the price per share paid by investors in our next priced equity financing, including this offering, or (ii) the volume weighted average price of the common stock for the five trading days from and including the date that the conversion notice is given. Bevilacqua PLLC received these securities as partial consideration for legal services previously provided to us.

## EXPERTS

The financial statements of Smart for Life, Inc., Doctors Scientific Organica, LLC and Nexus Offers, Inc. appearing elsewhere in this prospectus have been included herein in reliance upon the reports of Daszkal Bolton LLP, an independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

## WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement, of which this prospectus is a part, on Form S-1 with the SEC relating to this offering. This prospectus, which constitutes a part of the registration statement, does not contain all of the information in the registration statement and the exhibits filed with the registration statement. For further information pertaining to us and the securities to be sold in this offering, you should refer to the registration statement and its exhibits. References in this prospectus to any of our contracts, agreements or other documents are not necessarily complete, and you should refer to the exhibits attached to the registration statement for copies of the actual contracts, agreements or documents.

Upon the effectiveness of the registration statement, we will be subject to the informational requirements of the Exchange Act, and, in accordance with the Exchange Act, will file periodic reports, proxy statements and other information with the SEC. The SEC maintains an internet site that contains these reports, proxy statements and other information regarding issuers that file with the SEC. The website address is <http://www.sec.gov>. Additionally, we will make these filings available, free of charge, on our website at [www.smartforlifecorp.com](http://www.smartforlifecorp.com) as soon as reasonably practicable after we electronically file such materials with, or furnish them to, the SEC. The information on our website, other than these filings, is not, and should not be, considered part of this prospectus and is not incorporated by reference into this document.

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**SMART FOR LIFE, INC.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

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**SMART FOR LIFE, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**SEPTEMBER 30, 2021 AND DECEMBER 31, 2020**

	September 30, 2021	December 31, 2020
	(unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash	\$ 690,101	\$ 484,949
Accounts receivable, net	160,897	69,325
Inventory	3,030,957	58,426
Related party receivable	329,883	78,466
Prepaid expenses and other current assets	113,622	77,051
Total current assets	<u>4,325,460</u>	<u>768,217</u>
Property and equipment, net	1,298,452	381,174
Intangible assets, net	9,352,180	285,627
Operating lease right of use asset	767,294	495,154
Deposits and other assets	61,877	37,197
Total assets	<u>\$ 15,805,263</u>	<u>\$ 1,967,369</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 1,928,541	\$ 986,632
Accrued expenses	1,294,387	1,434,314
Related party payable	83,661	124,555
Deferred revenue	225,287	194,020
Operating lease obligations, current	504,542	249,284
Convertible notes and notes payable, current	6,148,195	3,971,482
Total current liabilities	<u>10,184,613</u>	<u>6,960,287</u>
Long-term liabilities:		
Operating lease obligations, noncurrent	289,936	223,985
Convertible notes and notes payable, noncurrent	7,908,923	1,908,923
Total liabilities	<u>18,383,472</u>	<u>9,093,195</u>
Commitments and contingencies		

Stockholders' Deficit

Preferred stock, \$0.0001 par value, 8,000 shares authorized, 8,000 and 0 issued and outstanding as of September 30, 2021 and December 31, 2020, respectively	1	—
Common stock, \$0.0001 par value, 100,000,000 shares authorized, 13,870,000 and 13,805,000 issued and outstanding as of September 30, 2021 and December 31, 2020, respectively	1,387	1,381
Additional paid in capital	8,767,069	121,870
Accumulated deficit	(11,346,666)	(7,249,077)
Total stockholders' deficit	(2,578,209)	(7,125,826)
Total liabilities and stockholders' deficit	<u>\$ 15,805,263</u>	<u>\$ 1,967,369</u>

*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements*



**SMART FOR LIFE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**  
**(UNAUDITED)**

	September 30, 2021	September 30, 2020
Net sales	\$ 4,794,494	\$ 1,406,345
Cost of goods sold	3,328,402	1,232,763
Gross profit	<u>1,466,092</u>	<u>173,582</u>
Operating expenses:		
General and administrative	4,174,479	1,122,118
Depreciation and amortization expense	<u>656,458</u>	<u>82,638</u>
Total operating expenses	<u>4,830,937</u>	<u>1,204,756</u>
Operating loss	(3,364,845)	(1,031,174)
Other income (expense)		
Other income	80,311	13,865
Interest (expense)	<u>(813,055)</u>	<u>(408,587)</u>
Total other income (expense)	<u>(732,744)</u>	<u>(394,722)</u>
Net loss	<u>\$ (4,097,589)</u>	<u>\$ (1,425,896)</u>
Weighted average shares outstanding	13,835,274	3,203,849
Loss per share	<u>\$ (0.30)</u>	<u>\$ (0.45)</u>

*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements*

**SMART FOR LIFE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**  
**(UNAUDITED)**

	Preferred Stock		Common Stock		Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Paid-In Capital	Deficit	
Balance, December 31, 2019	—	\$ —	2,000,000	\$ 200	\$ —	\$ (4,080,059)	\$ (4,079,859)
Stock issued for services	—	—	11,805,000	1,181	121,870	—	123,051
Net loss	—	—	—	—	—	(3,169,018)	(3,169,018)
Balance, December 31, 2020	—	\$ —	13,805,000	\$ 1,381	\$ 121,870	\$ (7,249,077)	\$ (7,125,826)
Stock issued for services	—	—	65,000	6	—	—	6
Warrants issued in connection with debt obtained	—	—	—	—	1,565,200	—	1,565,200
Stock issued for cash	8,000	1	—	—	7,079,999	—	7,080,000
Net loss	—	—	—	—	—	(4,097,589)	(4,097,589)
Balance, September 30, 2021	8,000	\$ 1	13,870,000	\$ 1,387	\$ 8,767,069	\$ (11,346,666)	\$ (2,578,209)

*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements*

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**SMART FOR LIFE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**  
**(UNAUDITED)**

	September 30, 2021	September 30, 2020
Cash flows from operating activities:		
Net loss	\$ (4,097,589)	\$ (1,425,896)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expense	12,921	—
Debt issuance cost	536,628	—
Depreciation expense	118,466	115,063
Amortization expense	537,992	—
Stock-based compensation	—	66,250
Stock issued for services	—	45,000
Change in operating assets and liabilities:		
Accounts receivable	(104,487)	(249,559)
Related party receivable	(251,417)	(173,892)
Inventory	(2,972,531)	(271,733)
Prepaid expenses and other current assets	(36,573)	(41,306)
Deposits and other assets	(24,680)	(500)
Accounts payable	941,909	(172,458)
Related party payables	(40,894)	—
Accrued expenses	(139,919)	290,338
Deferred revenue	31,270	943,232
Net cash used in operating activities	<u>(5,488,904)</u>	<u>(875,461)</u>
Cash flows from investing activities:		
Cash paid for acquisition of DSO	(6,000,000)	—
Additions to property and equipment	(1,550)	(31,039)
Net cash used in investing activities	<u>(6,001,550)</u>	<u>(31,039)</u>
Cash flows from financing activities:		
Right of use asset and lease liability	49,069	—
Proceeds from issuance of preferred stock	7,080,000	—
Proceeds from convertible notes and notes payable	5,301,130	500,000
Repayments on convertible notes and notes payable	(995,757)	(116,600)
Paycheck protection program loan proceeds	261,164	539,286
Net cash provided by financing activities	<u>11,695,606</u>	<u>922,686</u>

Net increase in cash	205,152	16,186
Cash, beginning of period	484,949	12,212
Cash, end of period	<u>\$ 690,101</u>	<u>\$ 28,398</u>

**Supplemental disclosure of cash flow information:**

Interest paid	<u>\$ 276,427</u>	<u>\$ 85,307</u>
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*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements*

**SMART FOR LIFE, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

**Note 1 — Description of Business**

Smart for Life, Inc., formerly Bonne Santé Group, Inc. (“SFL”), is a Delaware corporation which was formed on February 7, 2017. Structured as a global holding company, it is engaged in the development, marketing, manufacturing, acquisition, operation and sale of a broad spectrum of nutraceutical and related products with an emphasis on Health & Wellness.

On March 8, 2018, SFL acquired 51% of Millenium Natural Manufacturing Corp. and Millenium Natural Health Products, Inc. (collectively, “Millenium”). On October 8, 2019, SFL entered into an agreement to acquire the remaining 49% of these companies, subject to certain conditions which were subsequently met. On September 30, 2020, the name of Millenium Natural Manufacturing Corp. was changed to Bonne Sante Natural Manufacturing, Inc. (“BSNM”), and on November 24, 2020, Millenium Natural Health Products Inc. was merged into BSNM.

Based in Doral, Florida, BSNM operates a 22,000 square-foot FDA-certified manufacturing facility. It manufactures nutritional products for a significant number of customers.

On July 1, 2021, SFL acquired Doctors Scientific Organica, LLC d/b/a Smart for Life, Oyster Management Services, Ltd., Lawee Enterprises, L.L.C. and U.S. Medical Care Holdings, L.L.C (collectively, “DSO”). On August 27, 2021, SFL transferred all of the equity interests of Oyster Management Services, Ltd., Lawee Enterprises, L.L.C. and U.S. Medical Care Holdings, L.L.C. to Doctors Scientific Organica, LLC. As a result, these entities are now wholly owned subsidiaries of Doctors Scientific Organica, LLC.

Based in Riviera Beach, Florida, DSO operates a 30,000 square-foot FDA-certified manufacturing facility. DSO manufactures and sells weight management foods and related products. Additionally, DSO provides manufacturing services for other customers.

On August 24, 2021, Smart for Life Canada Inc. (“SFL Canada”) was established as a wholly owned subsidiary of Doctors Scientific Organica, LLC in Canada. SFL Canada sells retail products through a retail store location in Montreal Canada and the same location also acts as distribution center for international direct to consumer and big box customers. It maintains inventory and employees at this location.

**Note 2 — Summary of Significant Accounting Policies**

**Principles of Consolidation**

The consolidated financial statements reflect the consolidated operations of SFL and its wholly owned subsidiaries BSNM, DSO and SFL Canada (collectively the “Company”) from the effective date of formation and are prepared in the United States Dollars in accordance with generally accepted accounting principles in the United States of America (“GAAP”). Intercompany balances and transactions have been eliminated.

**Use of Estimates**

The preparation of the consolidated financial statements in conformity with GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. These estimates include, among other items, assessing the collectability of receivables, the realization of deferred taxes, useful lives and recoverability of tangible and intangible assets, assumptions used in the valuation of options, the computation of revenue based on the proportional delivery of services, and accruals for commitments and contingencies. Some of these estimates can be subjective and complex and, consequently, actual results could differ materially from those estimates.



**SMART FOR LIFE, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

**Note 2 — Summary of Significant Accounting Policies** (cont.)

**Cash Equivalents**

The Company considers all highly liquid investments purchased with an original maturity of three (3) months or less to be cash equivalents. At September 30, 2021 and December 31, 2020, there were no cash equivalents.

**Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable are presented net of an allowance for doubtful accounts of \$13,103 and \$12,915 at September 30, 2021 and December 31, 2020, respectively. The Company's allowance for doubtful accounts represents the Company's estimate for uncollectible receivables based on a review of specific accounts and the Company's historical collection experience. The Company writes off specific accounts based on an ongoing review of collectability, as well as management's past experience with the customers.

**Inventory, net**

Inventory consists of raw materials, work in progress, and finished goods and is valued at the lower of cost (first-in, first-out) (replacement cost or net realizable value). An allowance for inventory obsolescence is provided for slow moving or obsolete inventory to write down historical cost to net realizable value. The Company primarily performs their manufacturing for nutraceuticals in the form of powders, tablets and capsules.

The allowance for obsolescence is an estimate established through charges to cost of goods sold. Management's judgment in determining the adequacy of the allowance is based upon several factors which include, but are not limited to, analysis of slow moving inventory, analysis of the selling price of inventory, the predetermined shelf life of the product, and management's judgment with respect to current economic conditions. Given the nature of the inventory, it is reasonably possible the Company's estimate of the allowance for obsolescence will change in the near term.

**Property and Equipment**

Property and equipment are recorded at cost. Expenditures for major betterments and additions are charged to the asset accounts, while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are charged to expense as incurred. The Company provides for depreciation and amortization over the estimated useful lives of various assets using the straight-line method ranging from 3-15 years.

**Intangible Assets**

Intangible assets principally consist of customer relationships, intellectual property, and non-compete agreements with employees. The Company amortizes intangible assets with finite lives on a straight-line basis over their estimated useful lives which ranges from 3 to 5 years.

**Long-Lived Assets**

The Company assesses potential impairments to its long-lived assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. An impairment loss is recognized when the undiscounted cash flows expected to be generated by an asset (or group of assets) is less than its carrying amount. Any required impairment loss is measured as the amount by which the asset's carrying value exceeds its fair value and is recorded as a reduction in the carrying value of the related asset and a charge to operating results. The Company had no impairment of long-lived assets at September 30, 2021 and December 31, 2020.

### **Deferred Rent and Rent Expense**

The Company leases space under operating leases. Rent expense is recognized on a straight-line basis over the lease term. Tenant improvement allowances funded by landlord incentives, rent holidays and rent escalation clauses which provide for scheduled rent increases during the lease term or for rental payments commencing at a date other than the date of initial occupancy are recorded in the Consolidated Statement of Income on a straight-line basis over the lease



**SMART FOR LIFE, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

**Note 2 — Summary of Significant Accounting Policies** (cont.)

term, whereby an equal amount of rent expense is attributed to each period during the term of the lease, regardless when actual payments are made. This generally results in rent expense in excess of cash payments during the first half of the lease and cash payments in excess of rent expense during the latter half. The difference between the rent due under the stated periods of the lease and the straight-line basis is recorded as deferred rent on the Consolidated Balance Sheet.

**Revenue Recognition**

**Impact of the initial adoption of Accounting Standards Codification (“ASC”) 606**

Effective January 1, 2019, the Company now evaluates revenue recognition based on the criteria set forth in ASC 606, Revenue from Contracts with Customers. The Company adopted the new revenue recognition standard using the modified retrospective method to undelivered performance obligations on existing contracts which resulted in no impact to retained earnings.

The Company evaluates and recognize revenue by:

- identifying the contract(s) with the customer,
- identifying the performance obligations in the contract,
- determining the transaction price,
- allocating the transaction price to performance obligations in the contract; and
- recognizing revenue as each performance obligation is satisfied through the transfer of a promised good or service to a customer (i.e., “transfer of control”).

The Company primarily generates revenues by manufacturing and packaging of nutraceutical products as a contract manufacturer for customers. The majority of the Company’s revenue is recognized when it satisfies a single performance obligation by transferring control of its products to a customer. Control is generally transferred when the Company’s products are either shipped or delivered based on the terms contained within the underlying contracts or agreements. The Company’s general payment terms are short-term in duration. The Company does not have significant financing components or payment terms. The Company did not have any material unsatisfied performance obligations at September 30, 2021 or December 31, 2020.

Distribution expenses to transport the Company’s products, where applicable, and warehousing expense after manufacture are accounted for within operating expenses.

**Freight**

For the nine months ended September 30, 2021 and 2020, freight costs amounted to \$181,782 and \$84,229, respectively and have been recorded in cost of goods sold in the accompanying Consolidated Statement of Income.

**Advertising**

Advertising costs are expensed as incurred. Advertising costs for the nine months ended September 30, 2021 and 2020 were \$518,443 and \$36,156, respectively.

**SMART FOR LIFE, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

**Note 2 — Summary of Significant Accounting Policies** (cont.)

**Stock-based Compensation**

The Company recognizes expense for stock options and warrants granted over the vesting period based on the fair value of the award at the grant date, are valued using a Black-Scholes option pricing model to determine the fair market value of the stock options. The Company calculates the amount of tax benefit available by tracking each stock option award on an employee-by-employee basis and on a grant-by-grant basis. The Company then compares the recorded expense to the tax deduction received for each stock option grant.

**Income Taxes**

The Company accounts for income tax under the provisions of ASC 740, Income Taxes. The Company records a liability for uncertain tax positions when it is probable that a loss has been incurred and the amount can be reasonably estimated. At September 30, 2021 and December 31, 2020, the Company has no liabilities for uncertain tax positions. The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. The Company's tax years subject to examination by tax authorities generally remain open for three (3) years from the date of filing.

The provision for income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled. The Company records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

**Recent Accounting Standards Issued Not Yet Adopted**

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. This standard simplifies the accounting for income taxes by removing certain exceptions to the general principles in ASC 740. The amendments also improve consistent application of and simplify GAAP for areas of ASC 740 by clarifying and amending existing guidance. This standard is effective for the Company on January 1, 2022, with early adoption permitted. Depending on the amendment, adoption may be applied on a retrospective, modified retrospective or prospective basis. The Company is currently evaluating the impact that adoption of this new standard will have on its consolidated financial statements.

**Note 3 — Acquisition**

On February 11, 2020, the Company entered into securities purchase agreement, which was amended on July 7, 2020 and June 4, 2021, to acquire DSO. On July 1, 2021, the acquisition was completed.

Pursuant to the terms of the securities purchase agreement, the Company paid \$6,000,000 in cash and issued two promissory notes to the member of DSO. The first promissory note is a convertible promissory note in the principal amount of \$3,000,000 that bears interest at an annual rate of 6% and the second promissory note is also in the principal amount of \$3,000,000, is not convertible, and bears interest at an annual rate of 6%.

**SMART FOR LIFE, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

**Note 3 — Acquisition** (cont.)

The table below summarizes the value of the total consideration given in the transaction.

	<b>Amount</b>
Cash issued	\$ 6,000,000
Debt issued	6,000,000
Total consideration	<u>\$ 12,000,000</u>

Under the acquisition method of accounting outlined in ASC 805, the identifiable assets acquired and liabilities assumed in the acquisition are recorded at their acquisition-date fair values and are included in the Company's consolidated financial position.

The following table summarizes the purchase price allocation for the assets acquired and liabilities assumed in connection with the acquisition of DSO.

	<b>Amount</b>
Tangible assets acquired	\$ 3,497,511
Liabilities assumed	(1,102,057)
Intangible assets	9,604,546
Net assets acquired	<u>\$ 12,000,000</u>

The intangible assets acquired from DSO have estimated useful lives and values of:

	<b>Useful life in years</b>	<b>Amount</b>
Non-compete agreements	3	\$ 540,000
Customer contracts	5	6,723,182
Intellectual property	5	2,341,364
Total intangible assets		<u>\$ 9,604,546</u>

**Note 4 — Inventory**

Inventory consisted of the following at September 30, 2021 and December 31, 2020:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
Raw materials	\$ 2,667,248	\$ 54,797
Finished goods	363,710	3,629
	3,030,957	58,426
Less: allowance for obsolescence	—	—
	<u>\$ 3,030,957</u>	<u>\$ 58,426</u>

**SMART FOR LIFE, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

**Note 5 — Property and Equipment**

Property and equipment consisted of the following at September 30, 2021 and December 31, 2020:

	Estimated Useful Lives (in Years)	September 30, 2021	December 31, 2020
Furniture and fixtures	7	\$ 13,955	\$ 1,090
Equipment – Manufacturing	5	2,918,938	797,760
Vehicle	6	29,336	—
Leasehold improvements	2.5	86,015	10,650
		3,048,244	809,500
Less: accumulated depreciation and amortization		(1,749,793)	(428,326)
Property and equipment, net		<u>\$ 1,298,451</u>	<u>\$ 381,174</u>

Depreciation and amortization expense for the nine months ended September 30, 2021 and 2020 totaled \$123,857 and \$212,415, respectively.

**Note 6 — Intangible Assets**

Intangible assets consisted of the following at September 30, 2021 and December 31, 2020:

	Estimated Useful Lives (in Years)	September 30, 2021	December 31, 2020
Customer contracts	5	\$ 7,165,444	\$ 442,642
Non-compete agreements	3	540,000	—
Intellectual property	5	2,341,743	—
Less: amortization		(695,007)	(157,015)
Intangibles, net		<u>\$ 9,352,180</u>	<u>\$ 285,627</u>

Amortization (included in depreciation and amortization expense) for the nine months ended September 30, 2021 and 2020 were \$537,992 and \$55,283, respectively.

Future amortization expense for the next 5 years is expected to be:

<b>For the Year Ended December 31:</b>	
2021	\$ 537,851
2022	2,048,192
2023	2,048,192
2024	1,958,498
2025	1,850,046
Thereafter	909,542



**SMART FOR LIFE, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

**Note 7 — Lease Commitments**

The Company enters into lessee arrangements consisting of operating leases for premises. The Company had four operating leases for premises as of September 30, 2021 and three as of December 31, 2020, respectively. One new lease commenced during 2020 and one lease agreement is set to expire at the end of 2022. The following table below provides supplemental information on leases at September 30, 2021:

	September 30, 2021	December 31, 2020
<b>Asset</b>		
Right of use asset	\$ 767,294	\$ 495,154
Total lease asset	<u>\$ 767,294</u>	<u>\$ 495,154</u>
<b>Liability</b>		
Right of use liability, current portion	\$ 504,542	\$ 249,284
Right of use liability, net of current portion	<u>289,936</u>	<u>223,985</u>
Total lease liability	<u>\$ 794,478</u>	<u>\$ 473,269</u>

Future minimum lease payments under capital leases and rental payments required under operating leases are presented as follows:

<b>For the period ended September 30:</b>		
2021	\$	348,290
2022		466,173
2023		<u>86,277</u>
Total payments	\$	900,740
Less: amount representing interest		<u>(106,262)</u>
Lease obligation, net	\$	794,478
Less: current portion		<u>(504,542)</u>
Lease obligation – long-term	\$	<u>289,936</u>

Rent expense for the nine months ended September 30, 2021 and 2020 was \$303,195 and \$981,241, respectively.

**Note 8 — Debt**

Since inception, the Company has issued term loans to various lenders. These notes accrue interest at rates between 12 – 15%, with various maturity dates.

In December 2020, the Company entered into a factoring agreement which was then converted into a \$1,500,000 term loan, which was amended on April 27, 2021 to increase the loan amount to \$1,625,000. The loan matures 18 months from issuance and earns interest at 17.5% per annum.

In June 2020, the Company received an Economic Injury Disaster Loan (“EIDL”) from the Small Business Administration. The loan matures in 30 years and bears interest at a rate of 3.75%.

In May 2020, the Company received loan proceeds through the Paycheck Protection Program (“PPP”). The loan matures in April 2022 and bears interest at a rate of 1%.

In February 2021, the Company received loan proceeds through the PPP. The loan matures in January 2023 and bears interest at a rate of 1%.

On July 1, 2021, the Company acquired DSO. As part of the purchase price, the Company issued two promissory notes to the seller, including (i) a 6% secured subordinated convertible promissory note in the principal amount of \$3,000,000 which accrues interest at 6% per annum and matures on July 1, 2024 and (ii) a 6% secured subordinated

**SMART FOR LIFE, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

**Note 8 — Debt** (cont.)

promissory note in the principal amount of \$3,000,000. This note accrues interest at 6% per annum and the outstanding principal and interest will be amortized on a straight-line basis and are payable quarterly in accordance with the amortization schedule attached to the note, with all amounts due and payable on July 1, 2024.

On July 1, 2021, the Company entered into a loan agreement with Diamond Creek Capital, LLC for a term loan in the principal amount of up to \$3,000,000 and issued a term loan promissory note to Diamond Creek Capital, LLC in the principal amount of \$3,000,000. The loan bears interest at a rate of 15.0% per annum, provided that upon an event of default, such rate shall increase by 5%. The loan is due and payable on the earlier of July 1, 2022 or upon completion of the Company's initial public offering. A portion of this borrowing was used to pay down other note holders.

As of September 30, 2021 and December 31, 2020, the outstanding balances on these loans are as follows:

	September 30, 2021	December 31, 2020
Term loans	\$ 6,916,325	\$ 3,841,413
EIDL loan	1,614,906	1,499,730
PPP loan May 2020	300,000	300,000
PPP loan February 2021	239,262	239,262
Notes issued to DSO seller	261,164	—
Term loan	6,000,000	—
Total	<u>\$ 15,331,657</u>	<u>\$ 5,880,405</u>

The future maturities of the debt are as follows:

**For the Year Ended December 31:**

2021	\$ —
2022	10,770,493
2023	261,164
2024	—
2025	—
Thereafter	4,300,000
Total	<u>\$ 15,331,657</u>
Debt issuance cost	(1,274,538)
	<u>\$ 14,057,118</u>

**Note 9 — Concentrations of Credit Risks**

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash, accounts receivable and unbilled receivables. The Company maintains bank accounts with several financial institutions. Concentrations of credit risk with respect to accounts receivable are limited to the dispersion of customers across different industries and geographic regions.



### **Cash**

The Company places its cash with high credit quality financial institutions. At September 30, 2021 and December 31, 2020, the Company had cash balances of \$0 and \$243,262 in excess of the Federal Deposit Insurance Corporation coverage of \$250,000 per institution. The Company has not experienced any losses in such accounts.

### **Major Vendors**

The Company does not have any suppliers which represent a significant portion of its supply chain. The Company's officers are closely monitoring the relationships with all suppliers.

**SMART FOR LIFE, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

**Note 10 — Stock Options and Warrants**

In 2020, the Company adopted its Stock Incentive Plan (the “Plan”) under which the Company is authorized to issue a total of 2,000,000 qualified stock options and nonqualified stock options to purchase common stock, to be granted to employees, and certain consultants or independent advisors who provide services to the Company. The maximum term of the options is ten (10) years. The Board of Directors has the right to accelerate the vesting period of the options based upon the performance of the employees and other reasons that would benefit the Company.

At September 30, 2021 and December 31, 2020, there were 550,000 and 750,000 stock options, respectively, available for issuance.

The Company recognized \$0 and \$1,000 of compensation expense related to the vesting of options during the nine months ended September 30, 2021 and 2020, respectively.

The following is a summary of options and warrants granted, exercised, forfeited and outstanding during the nine months ended:

	September 30, 2021 Stock Options		September 30, 2021 Warrants	
	Number of Options	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding at December 31, 2020	1,250,000	\$ 0.01	1,382,441	\$ 0.0001
Granted	200,000	0.01	13,317,565	0.0551
Exercised	—	—	—	—
Forfeited	—	—	—	—
Outstanding at September 30,	1,450,000	\$ 0.01	14,700,006	\$ 0.0498
Exercisable at September 30,	1,450,000		1,408,157	
Available for issuance at September 30,	550,000		—	

The following is a summary of options and warrants granted, exercised, forfeited and outstanding during the years ended December 31:

	December 31, 2020 Stock Options		December 31, 2020 Warrants	
	Number of Options	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding at beginning of year	—	\$ —	89,996	\$ —
Granted	1,250,000	0.01	1,292,445	0.01
Exercised	—	—	—	—
Forfeited	—	—	—	—
Outstanding at December 31,	1,250,000	\$ 0.01	1,382,441	\$ 0.01

Exercisable at December 31,	1,250,000	89,996
Available for issuance at December 31,	750,000	—

During the nine months ended September 30, 2021, there were 200,000 stock options granted. At December 31, 2020, total future compensation costs related to non-vested stock options, less estimated forfeitures are approximately \$4,000 and will be recognized over the next four years.

During 2020, there were 1,250,000 stock options granted.

**SMART FOR LIFE, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

**Note 10 — Stock Options and Warrants** (cont.)

**Valuation Assumptions for Stock Options and Warrants**

The fair value of each option was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	2020	2019
Risk-free interest rate	0.36%	1.69%
Expected volatility	77%	81%
Expected life (years)	5	5
Dividend yield	0%	0%

The expected life represents the weighted average period of time that options granted are expected to be outstanding giving consideration to vesting schedules and the Company's historical exercise patterns. The risk-free rate is based on the U.S. Treasury yield constant maturity in effect at the time of grant for periods corresponding with the expected life of the option.

**Note 11 — Stockholders' Equity**

**Preferred Stock**

On June 29, 2021, the Company filed a certificate of designation with the Delaware Secretary of State to establish its series A convertible preferred stock. The Company designated a total of 8,000 shares of its preferred stock as series A convertible preferred stock. The series A convertible preferred stock has the following voting powers, designations, preferences and relative rights, qualifications, limitations or restrictions:

*Dividend Rights.* Holders of series A convertible preferred stock are entitled to receive cumulative dividends at a rate of 7.5% of the stated value per share (\$1,000, subject to adjustment) per annum, which shall increase to 15% per annum after November 23, 2021 and 24% per annum after December 31, 2021; provided, however, that no dividends shall accrue following the date that a registration statement covering the resale of the shares of common stock underlying the series A convertible preferred stock is declared effective by the SEC (the "IPO Date"). The dividends shall be calculated on the basis of a 360-day year, consisting of twelve 30 calendar day periods, and shall accrue daily and shall be deemed to accrue whether or not earned or declared and whether or not there are profits, surplus or other funds legally available for the payment of dividends. Any dividends that are not paid within three (3) trading days following a dividend payment date shall continue to accrue and shall entail a late fee at the rate of 15% per annum or the lesser rate permitted by applicable law.

*Liquidation Rights.* Prior to the IPO Date, upon any liquidation, dissolution or winding-up of our company, whether voluntary or involuntary, or upon a change of control, the holders of series A convertible preferred stock shall be entitled to receive out of the assets of the Company an amount equal to the greater of (a) 150% of the stated value, plus any accrued and unpaid dividends thereon, for each share held, and (b) the amount that could otherwise be received by a holder for the shares issuable upon conversion of the series A convertible preferred stock in full (ignoring for such purposes any conversion limitations) before any distribution or payment shall be made to the holders of common stock. Following the IPO Date, upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or upon a change of control, the holders of series A convertible preferred stock shall be entitled to receive out of the assets of the Company the same amount that a holder of common stock would receive if the series A convertible preferred stock were fully converted (disregarding for such purposes any conversion limitations) to common stock which amounts shall be paid pari passu with all holders of common stock.

*Voting Rights.* Until the IPO Date, the holders of series A convertible preferred stock shall have the same voting rights as the holders of common stock (on an as-if-converted-to-common-stock-basis). On and after the IPO Date, the series A convertible preferred stock shall have no voting rights except as set forth below. As long as any shares of series A convertible preferred stock are outstanding, the Company shall not, without the affirmative vote of the holders of a majority of the then outstanding shares of the series A convertible preferred stock, (a) alter or change adversely the powers, preferences or rights given to the series A convertible preferred stock or, after the IPO Date, alter or amend the

**SMART FOR LIFE, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

**Note 11 — Stockholders' Equity** (cont.)

certificate of designation, (b) authorize or create any class of stock ranking as to dividends, redemption or distribution of assets upon a liquidation senior to, or otherwise pari passu with, the series A convertible preferred stock, (c) amend the Company's certificate of incorporation or other charter documents in any manner that adversely affects any rights of the holders of series A convertible preferred stock, (d) prior to the IPO Date, increase the number of authorized shares of common stock or series A convertible preferred stock, (e) prior to the IPO Date, repay, repurchase or offer to repay, repurchase or otherwise acquire more than a de minimis number of shares of common stock or securities convertible into or exchangeable for common stock, (f) prior to the IPO Date, repurchases of common stock or securities convertible into or exchangeable for common stock of departing officers and directors, (g) prior to the IPO Date, pay cash dividends or distributions on any equity securities, (h) prior to the IPO Date, enter into any change of control transaction (as defined in the certificate of designation) or (i) either prior to the IPO Date or after the IPO Date, as applicable, enter into any agreement with respect to any of the foregoing.

*Conversion Rights.* Each share of series A convertible preferred stock is convertible, at any time and from time to time from at the option of the holder thereof, into that number of shares of common stock determined by dividing the stated value of such share of series A convertible preferred stock (plus any accrued but unpaid dividends thereon) by the conversion price. The conversion price is initially equal \$0.6667 (subject to adjustments); provided, however, if the pre-money valuation of the Company on the IPO Date is less than \$75,000,000, the conversion price shall be reduced to equal the product of (i) the then conversion price and (ii) the quotient obtained by dividing (A) the pre-money valuation of the Company on the IPO Date and (B) \$75,000,000. Notwithstanding the foregoing, the Company shall not effect any conversion, and a holder shall not have the right to convert, any portion of the series A convertible preferred stock to the extent that, after giving effect to the conversion, such holder (together with such holder's affiliates) would beneficially own in excess of 4.99% of the number of shares of common stock outstanding immediately after giving effect to the issuance of shares issuable upon the conversion. This limitation may be waived (up to a maximum of 9.99%) by the holder and in its sole discretion, upon not less than sixty-one (61) days' prior notice to us.

On July 1, 2021, the Company completed a private placement in which it sold an aggregate of 6,000 shares of series A convertible preferred stock and warrants for the purchase of an aggregate of 8,999,552 shares of common stock to certain investors for gross proceeds of \$6,000,000. On August 18, 2021, the Company completed an additional closing of this private placement in which it sold 2,000 shares of series A convertible preferred stock and warrants for the purchase of 2,999,852 shares of common stock for gross proceeds of \$2,000,000.

**Common Stock**

On June 15, 2020, the Company issued 6,625,000 shares of common stock for services rendered valued at \$66,250.

Between June 15, 2020 and November 30, 2020, the Company issued 5,180,000 shares of common stock for compensation valued at \$51,800.

On April 21, 2021, the Company issued 45,000 shares of common stock for compensation values at \$4.

On April 21, 2021, the Company issued 20,000 shares of common stock for services rendered valued at \$2.

**Note 12 — Commitments and Contingencies**

**COVID-19 Pandemic**

On March 11, 2020, the World Health Organization ("WHO") classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of these consolidated financial statements. As such, it is uncertain as to the full magnitude that the

pandemic will have on the Company's consolidated financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its consolidated financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of consolidated financial condition, liquidity or operations.

**SMART FOR LIFE, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

**Note 12 — Commitments and Contingencies** (cont.)

**Commercial Matters**

From time to time, the Company may become subject to threatened and/or asserted claims arising in the ordinary course of business. Management is not aware of any matters, either individually or in the aggregate, that are reasonably likely to have a material adverse effect on the Company's financial condition, results of operations or liquidity.

**Note 13 — Related Party Transaction**

The Company has a management services agreement with a company controlled by the Company's Chairman. As of September 30, 2021 and December 31, 2020, the amounts due from the related party are \$83,661 and \$386,900, respectively.

**Note 14 — Subsequent Events**

On November 5, 2021, the Company entered into a securities purchase agreement with certain investors, pursuant to which it sold 12% unsecured subordinated convertible debentures in the aggregate principal amount of \$2,250,000 to such investors for gross proceeds of \$2,250,000 to fund the purchase of Nexus Offers, Inc. ("Nexus") described below. Interest at a rate of 12% per annum shall accrue on the principal balance of the debentures from the date of issuance until the date that a registration statement relating to the Company's initial public offering is declared effective by the Securities and Exchange Commission; provided that upon an event of default, such interest rate shall increase to 18% per annum or the maximum rate permitted under applicable law. The debentures are due and payable on the earliest of the maturity date, November 30, 2022, or upon their earlier conversion or redemption. In connection with the debentures, the Company issued a warrant for the purchase of 72,000 shares of common stock to Dawson James Securities, Inc. ("Dawson") as a finder fee, 36,000 of which were subsequently forfeited by Dawson pursuant to the letter agreement referred to below.

In July 2021, the Company executed a securities purchase agreement with Nexus. On November 8, 2021, the Company completed the acquisition of Nexus for a total purchase price of \$6,000,000 (subject to adjustment), comprised of (i) \$2,200,000 in cash (subject to adjustment), (ii) a 5% secured subordinated convertible promissory note in the principal amount of \$1,900,000 and (iii) a 5% secured subordinated promissory note in the principal amount of \$1,900,000.

On November 29, 2021, the Company entered into a contribution and exchange agreement to acquire all of the issued and outstanding capital stock of GSP Nutrition Inc. ("GSP Nutrition"). On December 6, 2021, the acquisition was completed.

The total purchase price was \$425,000, payable in 42,500 shares of common stock; provided that if the effective price per share of common stock in the Company's initial public offering (as determined in accordance with the contribution and exchange agreement) is less than \$10 per share, then the Company must issue an additional number of shares of common stock equal to an amount determined by dividing the \$425,000 purchase price by the effective offering price per share, minus 42,500. In connection with this acquisition, the Company also issued 14,723 shares of common stock to certain vendors of GSP who agreed to settle accounts payable owed to them into the Company's common stock.

On September 27, 2021, Ada De Quesada ("De Quesada") brought a lawsuit against SFL, BSNM and Millenium Natural Health Products, Inc. (the "Defendant Entities") in the 11<sup>th</sup> Judicial Circuit in and for Miami-Dade County, Florida, having case number 21-021989-CA-01. Within the lawsuit, De Quesada sought damages against the Defendant Entities for breach of contract and failure to indemnify, arising out of an alleged failure by the Defendant Entities to pay an obligation purportedly due to De Quesada stemming from the purchase of the BSNM businesses by SFL. On November 9, 2021, the Defendant Entities filed a Motion to Dismiss the entire



lawsuit. Shortly thereafter and as a result of the Motion to Dismiss, the parties engaged in settlement discussions and agreed to a settlement of \$75,000 to be paid over a period of time. A draft of the confidential settlement agreement has been circulated for review and execution amongst the parties.

On February 1, 2022, the Company entered into a letter agreement with Dawson, pursuant to which Dawson agreed to forfeit (i) a warrant for the purchase of 239,988 shares of common stock issued to it on August 18, 2021 and (ii) half of the shares underlying the warrant issued to it on November 5, 2021, or 36,000 shares.

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**SMART FOR LIFE, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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## **Report of Independent Registered Public Accounting Firm**

To the Management and Board of Directors Smart for Life, Inc.  
Doral, Florida

### *Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of Smart for Life, Inc. (the “Company”) at December 31, 2020, and 2019, and the related consolidated statements of operations and changes in stockholders’ deficit, and cash flows for each of the years ended December 31, 2020 and 2019, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years then ended December 31, 2020 and 2019, in conformity with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, 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.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Daszkal Bolton LLP

We have served as the Company’s auditor since 2021

Sunrise, Florida

August 11, 2021

**SMART FOR LIFE, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**

	December 31, 2020	December 31, 2019
<b>ASSETS</b>		
Current assets:		
Cash	\$ 484,949	\$ 12,212
Accounts receivable, net	69,325	33,656
Inventory	58,426	566,396
Related party receivable	78,466	91,821
Prepaid expenses and other current assets	77,051	12,276
Total current assets	768,217	716,361
Property and equipment, net	381,174	505,340
Intangible assets, net	285,627	340,910
Deposits and other assets	37,197	36,697
Operating lease right-of-use assets	495,154	772,267
Total other assets	1,199,152	1,655,214
Total assets	\$ 1,967,369	\$ 2,371,575
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 986,632	\$ 992,153
Accrued expenses	1,434,314	957,942
Related party payable	124,555	99,187
Deferred revenue	194,020	162,830
Operating lease obligations, current	249,284	213,232
Note payable, current	3,971,482	3,552,820
Total current liabilities	6,960,287	5,978,164
Long-term liabilities:		
Operating lease obligations, noncurrent	223,985	473,270
Note payable, noncurrent	1,908,923	—
Total long-term liabilities	2,132,908	473,270
Total liabilities	9,093,195	6,451,434
Commitments and contingencies		
Stockholders' Equity		
Series A Preferred Stock, \$.0001 par value, 10,000,000 shares authorized,	—	—

0 and 0 shares issued and outstanding as of December 31, 2020 and 2019, respectively

Common stock, \$.0001 par value, 100,000,000 shares authorized, 13,810,000 and 200,000 issued and outstanding as of December 31, 2020 and 2019, respectively	1,381	200
Additional paid in capital	121,870	—
Non-controlling interest	—	(611,420)
Accumulated deficit	(7,249,077)	(4,080,059)
Total stockholders' deficit	<u>(7,125,826)</u>	<u>(4,079,859)</u>
Total liabilities and stockholders' equity	<u>\$ 1,967,369</u>	<u>\$ 2,371,575</u>

*The accompanying notes are an integral part of these consolidated financial statements*

**SMART FOR LIFE, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	December 31, 2020	December 31, 2019
Net sales	\$ 1,959,595	\$ 2,364,863
Cost of goods sold	1,831,629	2,316,674
Gross profit	127,966	48,189
Operating expenses:		
General and administrative	1,863,087	2,282,712
Depreciation and amortization expense	166,613	169,380
Total operating expenses	2,029,700	2,452,092
Operating loss	(1,901,734)	(2,403,903)
Other income (expense)		
Other income	(14,141)	13,290
Interest (expense)	(1,253,143)	(624,493)
Total other income (expense)	(1,267,284)	(611,203)
Income (loss) before income taxes	(3,169,018)	(3,015,106)
Income tax (benefit) expense	—	—
Net loss	(3,169,018)	(3,015,106)
Net loss attributable to the non-controlling interest	—	(492,763)
Net loss	\$ (3,169,018)	\$ (2,522,343)
Weighted average shares outstanding	6,031,685	2,000,000
Loss per share	\$ (0.53)	\$ (1.26)

*The accompanying notes are an integral part of these consolidated financial statements*

**SMART FOR LIFE, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	Preferred Shares	Stock Amount	Common Stock		Additional Paid-In Capital	Non- Controlling Interest	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Capital	Interest	Deficit	Total
Balance, December 31, 2018	—	\$ —	2,000,000	\$ 200	\$ —	\$ 111,387	\$ (1,557,716)	\$ (1,446,129)
Net loss	—	—	—	—	—	(492,763)	(2,522,343)	(3,015,106)
Purchase of non- controlling interest in consolidated subsidiary	—	—	—	—	—	381,376	—	381,376
Balance, December 31, 2019	—	—	2,000,000	200	—	—	(4,080,059)	(4,079,859)
Stock issued for services	—	—	11,805,000	1,181	121,870	—	—	123,051
Net loss	—	—	—	—	—	—	(3,169,018)	(3,169,018)
Balance, December 31, 2020	—	\$ —	13,805,000	\$ 1,381	\$ 121,870	\$ —	\$ (7,249,077)	\$ (7,125,826)

*The accompanying notes are an integral part of these consolidated financial statements*

**SMART FOR LIFE, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	December 31, 2020	December 31, 2019
Cash flows from operating activities:		
Net loss	\$ (3,169,018)	\$ (2,522,343)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expense	10,346	82,378
Depreciation expense	108,760	111,213
Amortization expense	57,853	58,167
Stock-based compensation	663	—
Stock-issued for services	122,388	—
Change in operating assets and liabilities:		
Accounts receivable	(46,015)	24,438
Related party receivable	13,355	22,349
Inventory	507,970	212,441
Prepaid expenses and other current assets	(500)	161,740
Deposits and other assets	(37,197)	—
Accounts payable	(15,796)	81,228
Related party payable	25,368	99,187
Accrued expenses	476,372	317,675
Deferred revenue	31,190	(393,987)
Net cash provided used in activities	<u>(1,941,839)</u>	<u>(1,745,514)</u>
Cash flows from investing activities:		
Additions to property and equipment	(32,966)	—
Net cash used in investing activities	<u>(32,966)</u>	<u>—</u>
Cash flows from financing activities:		
Right of use asset and lease liability	63,880	(85,765)
Proceeds from issuance of note payable	2,555,749	2,230,000
Repayments on notes payable	(490,100)	(385,000)
Paycheck protection program loan proceeds	318,013	—
Net cash provided by financing activities	<u>2,447,542</u>	<u>1,759,235</u>
Net increase in cash	472,737	13,721
Cash, beginning of year	12,212	(1,509)
Cash, end of year	<u>\$ 484,949</u>	<u>\$ 12,212</u>



<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	\$ 85,307	\$ 95,076

*The accompanying notes are an integral part of these consolidated financial statements*

**SMART FOR LIFE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**Note 1 — Description of Business**

Bonne Santé Group, Inc., is a Delaware corporation which was formed on February 7, 2017. The Company is engaged in the development, marketing, manufacturing, acquisition, operation and sale of a broad spectrum of nutraceutical and related products with an emphasis on Health & Wellness. Structured as a global holding company. On August 4, 2021 the Company changed its name to Smart for Life, Inc. (“SFL”)

On March 8, 2018, our Company acquired 51% of Millenium Natural Manufacturing Corp. and Millenium Natural Health Products, Inc., which we refer to collectively as Millenium. Based in Doral, Florida, Millenium operates a 22,000 square-foot FDA-certified manufacturing facility. Millenium manufactures nutritional products for a significant number of customers. Millenium was rebranded “Bonne Santé Natural Manufacturing” (“BSNM”)

On October 8, 2019, our Company entered into an agreement to acquire the remaining 49% of BSNM, subject to certain conditions which were subsequently met for \$100,000. The Company recorded the increase in ownership interests as a transaction within stockholders’ deficit. As a result of this transaction, noncontrolling interests were reduced by \$381,376 reflecting the carrying value of the interest.

**Note 2 — Summary of Significant Accounting Policies**

***Principles of Consolidation***

The consolidated financial statements reflect the consolidated operations of SFL and its wholly owned subsidiary BSNM, (collectively the “Company”) from the effective date of formation and are prepared in the United States Dollars in accordance with generally accepted accounting principles in the United States of America (“GAAP”). Intercompany balances and transactions have been eliminated.

***Liquidity, Capital Resources and Going Concern***

At December 31, 2020 the Company had liabilities in excess of assets in the amount of approximately \$7.1 million. During 2020, the Company received approximately \$2.6 million from the proceeds from the issuance of indebtedness but sustained a net loss of approximately \$3.1 million and had consumed cash in operating activities of approximately \$1.9 million during the year.

To date the Company has satisfied its capital needs with the net proceeds from its issuance of notes payable and bank debt. Company management expects to continue to incur net losses and have significant cash outflows for at least the next 12 months.

Subsequent to December 31, 2020, the Company completed a series of transactions, including an \$11.0 million equity and debt financing (see Note 13). These events served to mitigate the conditions that historically raised substantial doubt about the Company’s ability to continue as a going concern. Based on this analysis the Company concluded it has the ability to continue as a going concern for at least the next 12 months.

***Use of Estimates***

The preparation of the consolidated financial statements in conformity with GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. These estimates include, among other items, assessing the collectability of receivables, the realization of deferred taxes, useful lives and recoverability of tangible and intangible assets, assumptions used in the valuation of options, the computation of revenue based on the proportional delivery of services, and accruals for commitments and contingencies. Some of these estimates can be subjective and complex and, consequently, actual results could differ materially from those estimates.



**SMART FOR LIFE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**Note 2 — Summary of Significant Accounting Policies (cont.)**

***Cash Equivalents***

The Company considers all highly liquid investments purchased with an original maturity of three (3) months or less to be cash equivalents. At December 31, 2020 and 2019, there were no cash equivalents.

***Accounts Receivable and Allowance for Doubtful Accounts***

The Company's allowance for doubtful accounts represents the Company's estimate for uncollectible receivables based on a review of specific accounts and the Company's historical collection experience. The Company writes off specific accounts based on an ongoing review of collectability, as well as management's past experience with the customers. Accounts receivable are presented net of an allowance for doubtful accounts of \$12,915 and \$2,569 at December 31, 2020 and 2019, respectively.

***Inventory, net***

Inventory consists of raw materials, work in progress, and finished goods and is valued at the lower of cost (first-in, first-out) (replacement cost or net realizable value). An allowance for inventory obsolescence is provided for slow moving or obsolete inventory to write down historical cost to net realizable value. The Company primarily performs their manufacturing for nutraceuticals in the form of powders, tablets and capsules.

The allowance for obsolescence is an estimate established through charges to cost of goods sold. Management's judgment in determining the adequacy of the allowance is based upon several factors which include, but are not limited to, analysis of slow moving inventory, analysis of the selling price of inventory, the predetermined shelf life of the product, and management's judgment with respect to current economic conditions. Given the nature of the inventory, it is reasonably possible the Company's estimate of the allowance for obsolescence will change in the near term.

***Property and Equipment***

Property and equipment are recorded at cost. Expenditures for major betterments and additions are charged to the asset accounts, while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are charged to expense as incurred. The Company provides for depreciation and amortization over the estimated useful lives of various assets using the straight-line method ranging from 3-15 years.

***Intangible Assets***

Intangible assets consist of customer relationships acquired in 2018 with the acquisition of 51% of BSNM. The Company amortizes intangible assets with finite lives on a straight-line basis over their estimated useful lives which is 8 years.

***Long-Lived Assets***

The Company assesses potential impairments to its long-lived assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. An impairment loss is recognized when the undiscounted cash flows expected to be generated by an asset (or group of assets) is less than its carrying amount. Any required impairment loss is measured as the amount by which the asset's carrying value exceeds its fair value and is recorded as a reduction in the carrying value of the related asset and a charge to operating results. The Company had no impairment of long-lived assets at December 31, 2020 and 2019.

### ***Lease Right-of-Use Asset***

The Company records a right-of-use (“ROU”) asset and lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified either as finance or operating with the classification affecting the pattern of expense recognition.

**SMART FOR LIFE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**Note 2 — Summary of Significant Accounting Policies (cont.)**

Lease liabilities are recognized based on the present value of the remaining lease payments and are discounted using the most reasonable incremental borrowing rate. The Company uses the implicit rate when it is readily determinable. Since the Company's lease does not provide an implicit rate, to determine the present value of lease payments, management uses the Company's incremental borrowing rate based on the information available at lease commencement. Leases with a term of 12 months or less at inception are not recorded on our balance sheet and are expensed on a straight- line basis over the lease term.

***Debt Issuance Cost***

In accordance with ASC 835-30 Other Presentation Matters, the Company has reported debt issuance cost as a deduction from the carrying amount of line of credit and will amortize these costs using the effective interest method over the term of the debt as interest expense.

***Revenue Recognition***

**Impact of the initial adoption of Accounting Standards Codification ("ASC") 606**

Effective January 1, 2019, the Company now evaluates revenue recognition based on the criteria set forth in ASC 606, Revenue from Contracts with Customers. The Company adopted the new revenue recognition standard using the modified retrospective method to undelivered performance obligations on existing contracts which resulted in no impact to retained earnings.

The Company evaluates and recognize revenue by:

- identifying the contract(s) with the customer,
- identifying the performance obligations in the contract,
- determining the transaction price,
- allocating the transaction price to performance obligations in the contract; and
- recognizing revenue as each performance obligation is satisfied through the transfer of a promised good or service to a customer (i.e., "transfer of control").

The Company primarily generates revenues by manufacturing and packaging of nutraceutical products as a contract manufacturer for customers. The majority of the Company's revenue is recognized when it satisfies a single performance obligation by transferring control of its products to a customer. Control is generally transferred when the Company's products are either shipped or delivered based on the terms contained within the underlying contracts or agreements. The Company's general payment terms are short-term in duration. The Company does not have significant financing components or payment terms. The Company did not have any material unsatisfied performance obligations at December 31, 2020 or 2019.

Distribution expenses to transport the Company's products, where applicable, and warehousing expense after manufacture are accounted for within operating expenses.

***Freight***

For the years ended December 31, 2020 and 2019, freight costs amounted to \$84,229 and \$59,593, respectively and have been recorded in cost of goods sold in the accompanying Consolidated Statement of Income.

**SMART FOR LIFE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**Note 2 — Summary of Significant Accounting Policies (cont.)**

***Advertising***

Advertising costs are expensed as incurred. Advertising costs for the years ended December 31, 2020 and 2019 were \$36,593 and \$28,306, respectively.

***Paycheck Protection Program***

The Company records Paycheck Protection Program (“PPP”) loan proceeds in accordance with the Financial Accounting Standards Board (“FASB”) ASC 470, Debt. Debt is extinguished when either the debtor pays the creditor or the debtor is legally released from being the primary obligor, either judicially or by the creditor.

***Stock-based Compensation***

The Company recognizes expense for stock options and warrants granted over the vesting period based on the fair value of the award at the grant date, are valued using a Black-Scholes option pricing model to determine the fair market value of the stock options. The Company calculates the amount of tax benefit available by tracking each stock option award on an employee-by-employee basis and on a grant-by-grant basis. The Company then compares the recorded expense to the tax deduction received for each stock option grant.

***Income Taxes***

The Company accounts for income tax under the provisions of ASC 740, Income Taxes. The Company records a liability for uncertain tax positions when it is probable that a loss has been incurred and the amount can be reasonably estimated. At December 31, 2020 and 2019, the Company has no liabilities for uncertain tax positions. The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. The Company’s tax years subject to examination by tax authorities generally remain open for three (3) years from the date of filing. Due to the continued losses full valuation at the end of December 31, 2020 and 2019.

The provision for income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled. The Company records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

***Recent Accounting Standards Issued Not Yet Adopted***

In December 2019, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This standard simplifies the accounting for income taxes by removing certain exceptions to the general principles in ASC 740. The amendments also improve consistent application of and simplify GAAP for areas of ASC 740 by clarifying and amending existing guidance. This standard is effective for the Company on January 1, 2022, with early adoption permitted. Depending on the amendment, adoption may be applied on a retrospective, modified retrospective or prospective basis. The Company is currently evaluating the impact that adoption of this new standard will have on its consolidated financial statements.

**SMART FOR LIFE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**Note 2 — Summary of Significant Accounting Policies (cont.)**

***Accounting Pronouncement Adopted***

The Company has adopted the FASB issued ASU No. 2016-02, Leases (Topic 842), which establishes a right-of-use (“ROU”) model that requires lessees to record an ROU asset and a lease liability on the consolidated balance sheets for all leases with terms longer than 12 months. The Company adopted ASU 2016-02 during 2019, which resulted in the recognition of the right-of-use assets and related obligations on its consolidated financial statements.

**Note 3 — Inventory**

Inventory consisted of the following at December 31:

	2020	2019
Raw materials	\$ 54,797	\$ 274,166
Work in Progress	3,629	23,100
Finished goods	—	269,130
	<u>\$ 58,424</u>	<u>\$ 566,396</u>

**Note 4 — Property and Equipment**

Property and equipment consisted of the following at December 31:

	2020	2019
Furniture and fixtures	\$ 1,090	\$ 1,090
Equipment – Manufacturing	797,760	764,794
Leasehold improvements	10,650	10,650
	809,500	776,534
Less: accumulated depreciation and amortization	(428,326)	(271,194)
Property and equipment, net	<u>\$ 381,174</u>	<u>\$ 505,340</u>

Depreciation and amortization expense for the years ended December 31, 2020 and 2019 totaled \$108,760 and \$111,213, respectively.

**Note 5 — Intangible Assets**

Intangible assets consisted of the following at December 31:

	2020	2019
Customer contracts	\$ 442,262	\$ 442,262
Less: amortization	(156,635)	(101,352)
Intangibles, net	<u>\$ 285,627</u>	<u>\$ 340,910</u>

Amortization (included in depreciation and amortization expense) for the years ended December 31, 2020 and 2019 was \$57,853 and \$58,167, respectively.





**SMART FOR LIFE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**Note 5 — Intangible Assets (cont.)**

The future amortization is as follows:

**Years Ending December 31,**

2021	\$	55,253
2022		55,253
2023		55,253
2024		55,253
2025		55,253
Thereafter		9,362
Total	\$	<u>285,627</u>

**Note 6 — Lease Commitments**

The Company enters into lessee arrangements consisting of operating leases for premises. The Company had four and three operating leases for premises as of December 31, 2020 and 2019, respectively. One new lease commenced during 2020 and one lease agreement is set to expire at the end of 2020.

**Discount Rate Applied to Property Operating Lease**

To determine the present value of minimum future lease payments for its operating lease at January 1, 2019, the Company was required to estimate a rate of interest that it would have to pay to borrow on a collateralized basis over a similar term for an amount equal to the lease payments in a similar economic environment (the “incremental borrowing rate” or “IBR”).

The lease asset and liability were calculated utilizing a discount rate of 12%, according to the Company’s elected policy.

**Right of Use Asset and Liability**

The right of use asset and liability is included in the accompanying consolidated balance sheets as follows at December 31:

	<b>2020</b>	<b>2019</b>
<b><u>Asset</u></b>		
Right of use asset	\$ 495,154	\$ 772,267
<b><u>Liability</u></b>		
Right of use liability, current portion	\$ 249,284	\$ 213,232
Right of use liability, net of current portion	223,985	473,270
Total lease liability	<u>\$ 473,269</u>	<u>\$ 686,502</u>

Minimum lease payments under the operating lease are recognized on a straight-line basis over the term of the lease.

**For the Year Ended December 31:**

2021	\$	279,198
2022		250,863
Total payments	\$	530,061
Less: amount representing interest		(56,792)
Lease obligation, net	\$	473,269
Less: current portion		(249,284)
Lease obligation – long-term	\$	223,985

Rent expense for the years ended December 31, 2020 and 2019 was \$277,113 and \$139,395, respectively.

**SMART FOR LIFE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**Note 7 — Debt**

**Notes Payable**

Notes payable consists of the following at December 31:

	2020	2019
The Company has issued various promissory notes with various lenders that are convertible into common stock. These notes accrue interest at rates between 12 – 17%, with various maturity dates and are convertible into common stock at either original principal amount divided by price per initial public offering (“IPO”) at 100% or 200% of the principal if extension is provided by the lender or Regulation A offering price per share at 50% discount.	\$ 3,841,143	\$ 3,552,820
In December 2020, the Company entered into a factoring agreement which was then converted into a \$1,500,000 term loan. The loan matures 18 months from issuance and accrues interest at 17.5% per annum.	1,500,000	—
In June and August 2020, the Company received Economic Injury Disaster Loans from the Small Business Administration. The loans matures in 30 years and bear interest at a rate of 3.75%.	300,000	—
In May and April 2020, the Company received loan proceeds through the Paycheck Protection Program. The loan matures in April and May 2022 and bears interest at a rate of 1%.	239,262	—
	5,880,405	3,552,820
Less: debt issuance costs	(56,250)	—
Less: current portion	(3,971,482)	(3,552,820)
Long term portion	\$ 1,908,923	\$ —

The future maturities of the debt are as follows:

**For the Year Ended December 31:**

2021	\$ 3,971,482
2022	1,608,923
Thereafter	300,000
Total	\$ 5,880,405

**Note 8 — Concentrations of Credit Risks**

**Credit Risks**

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and accounts receivable. The Company maintains bank accounts with several financial institutions. Concentrations of credit risk with respect to accounts receivable are limited to the dispersion of customers across different industries and geographic regions.

**Cash**

The Company places its cash with high credit quality financial institutions. At December 31, 2020 and 2019, the Company had cash balances of \$254,115 and \$0 in excess of the Federal Deposit Insurance Corporation ("FDIC") coverage of \$250,000 per institution. The Company has not experienced any losses in such accounts.

**SMART FOR LIFE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**Note 8 — Concentrations of Credit Risks (cont.)**

**Major Customers**

The Company does not have any suppliers which represent a significant portion of its supply chain. The Company's officers are closely monitoring the relationships with all suppliers.

**Major Vendors**

The Company does not have any suppliers which represent a significant portion of its supply chain. The Company's officers are closely monitoring the relationships with all suppliers.

**Note 9 — Income Taxes**

The Company has evaluated the positive and negative evidence in assessing the realizability of its deferred tax assets. This assessment included the evaluation of scheduled reversals of deferred tax liabilities, estimates of projected future taxable income and tax planning strategies to determine which deferred tax assets are more likely than not to be realized in the future.

The Company records a liability for uncertain tax positions when it is probable that a loss has been incurred and the amount can be reasonably estimated. Interest and penalties related to income tax matters, if any, would be recognized as a component of income tax expense. At December 31, 2020 and 2019, the Company had no liabilities for uncertain tax positions. The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. Currently, the tax years subsequent to 2018 are open and subject to examination by the taxing authorities.

At December 31, 2020, the Company had net operating loss carryforwards for federal income tax purposes of approximately \$6.8 million, which will be available to offset future taxable income.

**Note 10 — Stock Options and Warrants**

In 2020, the Company adopted the Incentive Plan (the "Plan") under which the Company is authorized to issue a total of 2,000,000 qualified stock options and nonqualified stock options to purchase common stock, to be granted to employees, and certain consultants or independent advisors who provide services to the Company. The maximum term of the options is ten (10) years. The Board of Directors has the right to accelerate the vesting period of the options based upon the performance of the employees and other reasons that would benefit the Company.

At December 31, 2020, there were 750,000 stock options available for issuance.

The Company recognized \$1,000 of compensation expense related to the vesting of options during the year ended December 31, 2020.

The following is a summary of options granted, exercised, forfeited and outstanding during the years ended December 31:

	2020 – Stock Options		2020 – Warrants	
	Number of Options	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding at beginning of year	—	\$ —	250,000	\$ —
Granted	1,250,000	0.01	1,292,445	0.01

Exercised	—	—	—	—
Forfeited	—	—	—	—
Outstanding at December 31,	<u>1,250,000</u>	<u>\$ 0</u>	<u>1,542,445</u>	<u>\$ 0</u>
Exercisable at December 31,	<u>1,250,000</u>		<u>1,542,445</u>	
Available for issuance at December 31,	<u>750,000</u>		<u>—</u>	

**SMART FOR LIFE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**Note 10 — Stock Options and Warrants (cont.)**

During 2020, there were 1,250,000 stock options granted. At December 31, 2020, total future compensation costs related to non-vested stock options, less estimated forfeitures are approximately \$4,000 and will be recognized over the next four years.

***Valuation Assumptions for Stock Options and Warrants***

The fair value of each option was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	<b>2020</b>	<b>2019</b>
Risk-free interest rate	0.36%	1.69%
Expected volatility	77%	81%
Expected life (years)	5	5
Dividend yield	0%	0%

The expected life represents the weighted average period of time that options granted are expected to be outstanding giving consideration to vesting schedules and the Company's historical exercise patterns. The risk-free rate is based on the U.S. Treasury yield constant maturity in effect at the time of grant for periods corresponding with the expected life of the option.

**Note 11 — Commitments and Contingencies****COVID-19 Pandemic**

On March 11, 2020, the World Health Organization classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of these consolidated financial statements. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company's consolidated financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its consolidated financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of consolidated financial condition, liquidity or operations for 2020.

**Legal Matters**

From time to time, the Company may become subject to threatened and/or asserted claims arising in the ordinary course of business. Management is not aware of any matters, either individually or in the aggregate, that are reasonably likely to have a material adverse effect on the Company's financial condition, results of operations or liquidity.

**Employment Agreements**

In July 2020 and November, the Company hired a President and Chief Executive Officer for 3-year term. Compensation ranging from \$200,000 to \$350,000. Compensation includes annual bonuses of 10-20% if certain milestones are met. Restricted common stock issuance of 250,000 of which 83,333 at 1 year anniversary and remaining amount over last 2 years of the agreement.



**Note 12 — Related Party Transaction**

The Company has a management services agreement with a company controlled by the Company's Chairman for \$12,000 per month through June 30, 2021.

**SMART FOR LIFE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**Note 13 — Subsequent Event**

In January 2021, the Company issued term loans with various individuals for \$78,000, bearing interest at 15%.

In January 2021, the Company hired a Chief Financial Officer for a 3-year term. Compensation is the following for each year ending in 2023: \$175,000, \$200,000, and \$250,000. Compensation includes annual bonus of 10% - 20% if certain milestones are met. Restricted common stock of 15,000 are issued at inception and 15,000 at 1 year anniversary.

In February 2021, the Company issued an unsecured convertible note for \$500,000, bearing interest at 15% with a maturity date of March 2023.

In April 2021, the Company issued 65,000 shares of common stock to employees as part of their employment agreements.

In June 2021, the Company issued a promissory note for \$25,000, bearing interest at 15%, due on demand.

In July 2021, the Company acquired Doctors Scientific Organica, LLC. Concurrent with the acquisition, the Company completed an equity and debt financing that totaled \$11,000,000, with four funds providing the equity financing of \$8,000,000 and a commercial lender providing senior secured debt of \$3,000,000. The purchase price consists of \$6,000,000 cash, \$3,000,000 convertible debt, and a \$3,000,000 promissory note.

In July 2021, the Company executed a securities purchase agreement with Nexus Offers, Inc.

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**NEXUS OFFERS, INC.**  
**UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

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**NEXUS OFFERS, INC.**  
**BALANCE SHEETS**  
**SEPTEMBER 30, 2021 AND DECEMBER 31, 2020**

	September 30, 2021	December 31, 2020
	(unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash	\$ 44,330	\$ 36,189
Accounts receivable, net	124,756	146,845
Total current assets	169,086	183,033
Total assets	\$ 169,086	\$ 183,033
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Commissions payable	\$ 101,628	\$ 129,923
Accrued expenses	1,768	26,569
Notes payable	—	59,900
Total current liabilities	103,396	216,392
Total liabilities	103,396	216,392
Commitments and contingencies		
Stockholders' deficit		
Capital stock	100	100
Retained earnings (accumulated deficit)	65,590	(33,459)
Total stockholders' equity (deficit)	65,690	(33,359)
Total liabilities and stockholders' equity (deficit)	\$ 169,086	\$ 183,033

*The accompanying notes are an integral part of these unaudited financial statements*

**NEXUS OFFERS, INC.**  
**STATEMENTS OF OPERATIONS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**  
**(UNAUDITED)**

	September 30, 2021	September 30, 2020
Net sales	\$ 4,238,330	\$ 3,876,096
Cost of services	3,221,539	2,844,462
Gross profit	<u>1,016,791</u>	<u>1,031,634</u>
Operating expenses:		
General and administrative	914,690	848,474
Total operating expenses	<u>914,690</u>	<u>848,474</u>
Operating income	102,101	183,160
Income before income taxes	102,101	183,160
Income tax expense	3,052	—
Net income	<u>\$ 99,049</u>	<u>\$ 183,160</u>
Weighted average shares outstanding	100	100
Earnings per share	<u>\$ 990.49</u>	<u>\$ 1,831.60</u>

*The accompanying notes are an integral part of these unaudited financial statements*

**NEXUS OFFERS, INC.**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**  
**(UNAUDITED)**

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total
	Shares	Amount			
Balance, December 31, 2019	100	\$ 100	\$ —	\$ 87,741	\$ 87,841
Net income	—	—	—	183,160	183,160
Balance, September 30, 2020	100	\$ 100	\$ —	\$ 270,901	\$ 271,001
Balance, December 31, 2020	100	\$ 100	\$ —	\$ (33,459)	\$ (33,359)
Net income	—	—	—	99,049	99,049
Balance, September 30, 2021	100	\$ 100	\$ —	\$ 65,590	\$ 65,690

*The accompanying notes are an integral part of these unaudited financial statements*

**NEXUS OFFERS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**  
**(UNAUDITED)**

	September 30, 2021	September 30, 2020
Cash flows from operating activities:		
Net income	\$ 99,049	\$ 183,160
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Change in operating assets and liabilities:		
Accounts receivable	22,089	(207,342)
Commissions payable	(28,295)	156,761
Accrued expenses	(24,801)	(19,536)
Net cash provided by operating activities	<u>68,042</u>	<u>113,043</u>
Cash flows from investing activities:		
Net cash used in investing activities	<u>—</u>	<u>—</u>
Cash flows from financing activities:		
Proceeds from economic injury disaster loan	<u>—</u>	59,900
Repayment of economic injury disaster loan	<u>(59,900)</u>	<u>—</u>
Net cash provided by financing activities	<u>(59,900)</u>	59,900
Net increase in cash	8,142	172,943
Cash, beginning of period	<u>36,188</u>	<u>54,917</u>
Cash, end of period	<u><u>\$ 44,330</u></u>	<u><u>\$ 227,860</u></u>
Supplemental disclosure of cash flow information:		
Interest paid	<u><u>\$ 3,053</u></u>	<u><u>\$ —</u></u>

*The accompanying notes are an integral part of these unaudited financial statements*

**NEXUS OFFERS, INC.**  
**NOTES TO UNAUDITED FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

**Note 1 — Description of Business**

Nexus Offers, Inc. (the “Company”) is a Florida corporation which was formed on October 10, 2016. The Company operates a cost per action/cost per acquisition network. This network consists of hundreds of digital marketers who stand ready to market products introduced to the Company’s network. The cost per action/cost per acquisition model is where digital marketers are paid for an action that is taken as a direct result of their marketing efforts. Through the digital marketer’s method of marketing, the digital marketer sends traffic to one of the product vendor’s offers listed on the network.

The Company has relationships with both product vendors and digital marketers. A product vendor is a customer that has products, whether digital or physical, for sale and is looking for increased sales through digital marketing avenues from digital marketers. Digital marketers are contractors that engage in digital marketing. Product vendors come to the Company to acquire sales and digital marketers come to the Company to make sales. When a digital marketer makes a sale, they are then credited with commission. The product vendor pays Nexus and Nexus pays the digital marketer.

**Note 2 — Summary of Significant Accounting Policies**

**Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles in the United States of America (“GAAP”) 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 periods. These estimates include, among other items, assessing the collectability of receivables, the realization of deferred taxes, the computation of revenue based on the proportional delivery of services, and accruals for commitments and contingencies. Some of these estimates can be subjective and complex and, consequently, actual results could differ materially from those estimates.

**Cash Equivalents**

The Company considers all highly liquid investments purchased with an original maturity of three (3) months or less to be cash equivalents. At September 30, 2021 and December 31, 2020, there were no cash equivalents.

**Accounts Receivable and Allowance for Doubtful Accounts**

The Company’s allowance for doubtful accounts represents the Company’s estimate for uncollectible receivables based on a review of specific accounts and the Company’s historical collection experience. The Company writes off specific accounts based on an ongoing review of collectability, as well as management’s past experience with the customers. There was no allowance at September 30, 2021 and December 31, 2020, respectively.

**Revenue Recognition**

**Impact of the initial adoption of Accounting Standards Codification (“ASC”) 606**

Effective January 1, 2019, the Company now evaluates revenue recognition based on the criteria set forth in ASC 606, *Revenue from Contracts with Customers*. The Company adopted the new revenue recognition standard using the modified retrospective method to undelivered performance obligations on existing contracts which resulted in no impact to retained earnings.



**NEXUS OFFERS, INC.**  
**NOTES TO UNAUDITED FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

**Note 2 — Summary of Significant Accounting Policies** (cont.)

The Company evaluates and recognize revenue by:

- identifying the contract(s) with the customer,
- identifying the performance obligations in the contract,
- determining the transaction price,
- allocating the transaction price to performance obligations in the contract; and
- recognizing revenue as each performance obligation is satisfied through the transfer of a promised good or service to a customer (i.e., “transfer of control”).

The Company generates revenues when sales of listed products are sold by product vendors through its network as a result of the marketing efforts of digital marketers. The products on the network come from several different customers, which pay the Company a specific amount per sale, the amount of which is dictated by the customer. The revenue is recognized upon the sale of a product by the customer, net of fraudulent traffic or disputed transactions. A portion of the specific amount received by the Company for that sale is paid out to the digital marketer as a commission, which is recorded in cost of sales. To illustrate the revenue process, a digital marketer logs onto the platform and selects an offer to promote for the day. The platform generates a unique link which the digital marketer distributes either via email or a banner ad. As the link is distributed to the consumer via the marketing efforts of the digital marketer, the consumer visits that link to make a purchase from the customer’s website, and when such purchase is complete, revenue is recognized by the Company and the sale is credited to the digital marketer’s Nexus account. The benefit to the digital marketer operating on the Company’s network is that the digital marketer receives a commission without the possibility of a claw back or refund. The customer benefits through increased sales of its products as a result of the marketing efforts of the digital marketers. The Company’s platform acts as the transaction ledger, keeping track of clicks, sales and commissions.

The Company’s general payment terms are short-term in duration. Insertion orders are utilized between the Company and the customer for each campaign related to a particular product being marketed. The insertion order remains in effect until the customer or the Company terminates the order, and either party may terminate the order at any time upon 14 days’ written notice. The customer is billed weekly for the sales digital marketers have generated for the week. The Company does not have significant financing components or payment terms. The Company did not have any material unsatisfied performance obligations at September 30, 2021 or December 31, 2020.

**Advertising**

Advertising costs are expensed as incurred. Advertising costs for the nine months ended September 30, 2021 and 2020 were \$38,944 and \$34,422, respectively.

**Income Taxes**

The Company accounts for income tax under the provisions of ASC 740, *Income Taxes*. The Company records a liability for uncertain tax positions when it is probable that a loss has been incurred and the amount can be reasonably estimated. At September 30, 2021 and December 31, 2020, the Company has no liabilities for uncertain tax positions. The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. The Company’s tax years subject to examination by tax authorities generally remain open for three (3) years from the date of filing.

The provision for income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carry forwards.

Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled. The Company records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

**NEXUS OFFERS, INC.**  
**NOTES TO UNAUDITED FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

**Note 2 — Summary of Significant Accounting Policies** (cont.)

**Recent Accounting Standards Issued Not Yet Adopted**

In December 2019, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. This standard simplifies the accounting for income taxes by removing certain exceptions to the general principles in ASC 740. The amendments also improve consistent application of and simplify GAAP for areas of ASC 740 by clarifying and amending existing guidance. This standard is effective for the Company on January 1, 2022, with early adoption permitted. Depending on the amendment, adoption may be applied on a retrospective, modified retrospective or prospective basis. The Company is currently evaluating the impact that adoption of this new standard will have on its financial statements.

**Note 3 — Debt**

In June 2020, the Company received Economic Injury Disaster Loans (“EIDL”) from the Small Business Administration in the amount of \$59,900. The loans mature in 30 years and bear interest at a rate of 3.75%. The EIDL may be prepaid at any time prior to maturity with no prepayment penalties. Funds from the EIDL may only be used as working capital to alleviate economic injury caused by disaster occurring in the month of January 2020, and continuing thereafter, and to pay Uniform Commercial Code lien filing fees. The Company intends to use the funds from the EIDL for qualifying expenses. These amounts were fully repaid in September 2021 and were therefore listed as short-term.

Notes payable consists of the following at September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
EIDL Loan	\$ —	\$ 59,900
Less: current portion	—	—
Long term portion	\$ —	\$ 59,900

**Note 4 — Concentrations of Credit Risks**

**Credit Risks**

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and accounts receivable. The Company maintains bank accounts with a single financial institution. Concentrations of credit risk with respect to accounts receivable are limited to the dispersion of customers across different industries and geographic regions.

**Cash**

The Company places its cash with high credit quality financial institutions. At September 30, 2021 and December 31, 2020, the Company had no cash balances in excess of the Federal Deposit Insurance Corporation coverage of \$250,000 per institution. The Company has not experienced any losses in such accounts.

**Major Customers and Vendors**

The Company had three (3) and three (3) significant customers representing a total of 43% and 64% of revenues for the nine months ended September 30, 2021, and 2020, respectively. These customers represented 8% and 31% of customer accounts receivable at September 30, 2020 and 2021, respectively.

The Company contracts with digital marketers which market customer products and are paid a commission based on sales of those products. This activity is captured and payable on a weekly basis. At September 30, 2021 and 2020, one digital marketer accounted for approximately 11% and 10% of total purchases, respectively. This digital marketer represented 20% and none of outstanding commissions payable at September 30, 2020 and 2021, respectively.

**NEXUS OFFERS, INC.**  
**NOTES TO UNAUDITED FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

**Note 5 — Commitments and Contingencies**

**COVID-19 Pandemic**

On March 11, 2020, the World Health Organization (“WHO”) classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of these financial statements. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company’s financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of financial condition, liquidity or operations for 2021.

**Legal Matters**

From time to time, the Company may become subject to threatened and/or asserted claims arising in the ordinary course of business. Management is not aware of any matters, either individually or in the aggregate, that are reasonably likely to have a material adverse effect on the Company’s financial condition, results of operations or liquidity.

**Note 6 — Subsequent Events**

On November 8, 2021, the Company was acquired by Smart for Life, Inc.

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**NEXUS OFFERS, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of  
Nexus Offers, Inc.

### ***Opinion on the Financial Statements***

We have audited the accompanying balance sheets of Nexus Offers, Inc. (the “Company”) as of December 31, 2020, and 2019, and the related to the statements of operations and changes in stockholders’ (deficit) equity, and cash flows for each of the years ended in the two-year period ended December 31, 2020, and 2019, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and 2019, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2020, and 2019, in conformity with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, 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.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Daszkal Bolton LLP

We have served as the Company’s auditor since 2021

Sunrise, Florida

December 15, 2021

**NEXUS OFFERS, INC.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**

	December 31, 2020	December 31, 2019
<b>ASSETS</b>		
Current assets:		
Cash	\$ 36,188	\$ 54,917
Accounts receivable, net	146,845	116,609
Total current assets	183,033	171,526
Total assets	\$ 183,033	\$ 171,526
<b>LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY</b>		
Current liabilities:		
Commissions payable	\$ 129,923	\$ 64,149
Accrued expenses	26,569	19,536
Notes payable	59,900	—
Total current liabilities	216,392	83,685
Total liabilities	216,392	83,685
Commitments and contingencies		
Stockholders' (deficit) equity:		
Capital stock	100	100
(Accumulated deficit) retained earnings	(33,459)	87,741
Total stockholders' (deficit) equity	(33,359)	87,841
Total liabilities and stockholders' (deficit) equity	\$ 183,033	\$ 171,526

*The accompanying notes are an integral part of these financial statements*



**NEXUS OFFERS, INC.**  
**STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	December 31, 2020	December 31, 2019
Net sales	\$ 5,674,946	\$ 3,634,159
Cost of services	4,353,573	3,109,566
Gross profit	<u>1,321,373</u>	<u>524,593</u>
Operating expenses:		
General and administrative	1,436,710	437,741
Total operating expenses	<u>1,436,710</u>	<u>437,741</u>
Operating (loss) income	(115,337)	86,852
(Loss) income before income taxes	(115,337)	86,852
Income tax expense	5,863	—
Net (loss) income	<u>\$ (121,200)</u>	<u>\$ 86,852</u>
Weighted average shares outstanding	100	100
(Loss) earnings per share	<u>\$ (1,212.00)</u>	<u>\$ 868.52</u>

*The accompanying notes are an integral part of these financial statements*

**NEXUS OFFERS, INC.**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	Common Stock		Additional Paid-In Capital	Accumulated (Deficit) Equity	Total
	Shares	Amount			
Balance, December 31, 2018	100	\$ 100	\$ —	\$ 889	\$ 989
Net income	—	—	—	86,852	86,852
Balance, December 31, 2019	100	\$ 100	\$ —	\$ 87,741	\$ 87,841
Net loss	—	—	—	(121,200)	(121,200)
Balance, December 31, 2020	100	\$ 100	\$ —	\$ (33,459)	\$ (33,359)

*The accompanying notes are an integral part of these financial statements*

**NEXUS OFFERS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	December 31, 2020	December 31, 2019
Cash flows from operating activities:		
Net (loss) income	\$ (121,200)	\$ 86,852
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Change in operating assets and liabilities:		
Accounts receivable	(30,236)	(116,609)
Commissions payable	65,774	64,149
Accrued expenses	7,033	1,808
Net cash (used in) provided by operating activities	(78,629)	36,200
Cash flows from investing activities:		
Net cash used in investing activities	—	—
Cash flows from financing activities:		
Proceeds from economic injury disaster loan	59,900	—
Net cash provided by financing activities	59,900	—
Net (decrease) increase in cash	(18,729)	36,200
Cash, beginning of period	54,917	18,717
Cash, end of period	\$ 36,188	\$ 54,917
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	\$ —	\$ 1,787

*The accompanying notes are an integral part of these financial statements*

**NEXUS OFFERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**Note 1 — Description of Business**

Nexus Offers, Inc. (the “Company”) is a Florida corporation which was formed on October 10, 2016. The Company operates a cost per action/cost per acquisition network. This network consists of hundreds of digital marketers who stand ready to market products introduced to the Company’s network. The cost per action/cost per acquisition model is where digital marketers are paid for an action that is taken as a direct result of their marketing efforts. Through the digital marketer’s method of marketing, the digital marketer sends traffic to one of the product vendor’s offers listed on the network.

The Company has relationships with both product vendors and digital marketers. A product vendor is a customer that has products, whether digital or physical, for sale and is looking for increased sales through digital marketing avenues from digital marketers. Digital marketers are contractors that engage in digital marketing. Product vendors come to the Company to acquire sales and digital marketers come to the Company to make sales. When a digital marketer makes a sale, they are then credited with commission. The product vendor pays Nexus and Nexus pays the digital marketer.

**Note 2 — Summary of Significant Accounting Policies**

**Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles in the United States of America (“GAAP”) 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 periods. These estimates include, among other items, assessing the collectability of receivables, the realization of deferred taxes, the computation of revenue based on the proportional delivery of services, and accruals for commitments and contingencies. Some of these estimates can be subjective and complex and, consequently, actual results could differ materially from those estimates.

**Cash Equivalents**

The Company considers all highly liquid investments purchased with an original maturity of three-months or less to be cash equivalents. There were no cash equivalents at December 31, 2020 and 2019.

**Accounts Receivable and Allowance for Doubtful Accounts**

The Company’s allowance for doubtful accounts represents the Company’s estimate for uncollectible receivables based on a review of specific accounts and the Company’s historical collection experience. The Company writes off specific accounts based on an ongoing review of collectability, as well as management’s past experience with the customers. There was no allowance at December 31, 2020 and 2019, respectively.

**Revenue Recognition**

**Impact of the initial adoption of Accounting Standards Codification (“ASC”) 606**

Effective January 1, 2019, the Company now evaluates revenue recognition based on the criteria set forth in ASC 606, *Revenue from Contracts with Customers*. The Company adopted the new revenue recognition standard using the modified retrospective method to undelivered performance obligations on existing contracts which resulted in no impact to retained earnings.

The Company evaluates and recognize revenue by:

- identifying the contract(s) with the customer,

- identifying the performance obligations in the contract,

**NEXUS OFFERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**Note 2 — Summary of Significant Accounting Policies (cont.)**

- determining the transaction price,
- allocating the transaction price to performance obligations in the contract; and
- recognizing revenue as each performance obligation is satisfied through the transfer of a promised good or service to a customer (i.e., “transfer of control”).

The Company generates revenues when sales of listed products are sold by product vendors through its network as a result of the marketing efforts of digital marketers. The products on the network come from several different customers, which pay the Company a specific amount per sale, the amount of which is dictated by the customer. The revenue is recognized upon the sale of a product by the customer, net of fraudulent traffic or disputed transactions. A portion of the specific amount received by the Company for that sale is paid out to the digital marketer as a commission, which is recorded in cost of sales. To illustrate the revenue process, a digital marketer logs onto the platform and selects an offer to promote for the day. The platform generates a unique link which the digital marketer distributes either via email or a banner ad. As the link is distributed to the consumer via the marketing efforts of the digital marketer, the consumer visits that link to make a purchase from the customer’s website, and when such purchase is complete, revenue is recognized by the Company and the sale is credited to the digital marketer’s Nexus account. The benefit to the digital marketer operating on the Company’s network is that the digital marketer receives a commission without the possibility of a claw back or refund. The customer benefits through increased sales of its products as a result of the marketing efforts of the digital marketers. The Company’s platform acts as the transaction ledger, keeping track of clicks, sales and commissions.

The Company’s general payment terms are short-term in duration. Insertion orders are utilized between the Company and the customer for each campaign related to a particular product being marketed. The insertion order remains in effect until the customer or the Company terminates the order, and either party may terminate the order at any time upon 14 days’ written notice. The customer is billed weekly for the sales digital marketers have generated for the week. The Company does not have significant financing components or payment terms. The Company did not have any material unsatisfied performance obligations at December 31, 2020 or 2019.

***Advertising***

Advertising costs are expensed as incurred. Advertising costs for the years ended December 31, 2021 and 2020 were \$60,744 and \$21,422, respectively.

***Income Taxes***

The Company accounts for income tax under the provisions of ASC 740, *Income Taxes*. The Company records a liability for uncertain tax positions when it is probable that a loss has been incurred and the amount can be reasonably estimated. At December 31, 2020 and 2019, the Company has no liabilities for uncertain tax positions. The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. The Company’s tax years subject to examination by tax authorities generally remain open for three (3) years from the date of filing. Due to the continued losses full valuation at the end of December 31, 2020 and 2019.

The provision for income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled. The Company records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized.



**NEXUS OFFERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**Note 2 — Summary of Significant Accounting Policies (cont.)**

**Recent Accounting Standards Issued Not Yet Adopted**

In December 2019, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This standard simplifies the accounting for income taxes by removing certain exceptions to the general principles in ASC 740. The amendments also improve consistent application of and simplify GAAP for areas of ASC 740 by clarifying and amending existing guidance. This standard is effective for the Company on January 1, 2022, with early adoption permitted. Depending on the amendment, adoption may be applied on a retrospective, modified retrospective or prospective basis. The Company is currently evaluating the impact that adoption of this new standard will have on its financial statements.

**Note 3 — Debt**

**Note Payable — Economic Injury Disaster Loan**

In June 2020, the Company was granted a disaster loan from the U.S. Small Business Administration (“SBA”), pursuant to the Economic Injury Disaster Loan (“EIDL”) program under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act, in the amount of \$59,900. The EIDL, which was in the form of a note dated June 19, 2020, bears interest of 3.75% per annum, payable monthly for \$2,437 commencing in June of 2021.

The EIDL may be prepaid at any time prior to maturity with no prepayment penalties. Funds from the EIDL may only be used as working capital to alleviate economic injury caused by disaster occurring in the month of January 2020, and continuing thereafter, and to pay Uniform Commercial Code lien filing fees. The Company intends to use the funds from the EIDL for qualifying expenses. These amounts were fully repaid in September 2021 and therefore listed as short-term.

**Note 4 — Concentrations of Credit Risks**

**Credit Risks**

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and accounts receivable. The Company maintains bank accounts with a single financial institution. Concentrations of credit risk with respect to accounts receivable are limited to the dispersion of customers across different industries and geographic regions.

**Cash**

The Company places its cash with high credit quality financial institutions. At December 31, 2020 and 2019, the Company had cash balances of \$0 and \$0 in excess of the Federal Deposit Insurance Corporation coverage of \$250,000 per institution.

**Major Customers and Vendors**

The Company had four (4) and two (2) significant customers representing a total of 54% and 21% of revenues for the years ended December 31, 2020 and 2019, respectively.

The Company contracts with digital marketers which market customer products and are paid a commission based on sales of those products. This activity is captured and payable on a weekly basis. At December 31, 2020 and



2019, one digital marketer accounted for approximately 12% and none of total purchases, respectively. This digital marketer represented 25% and none of outstanding commissions payable at December 31, 2020 and 2019, respectively.

**NEXUS OFFERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**Note 5 — Income Taxes**

The Company has evaluated the positive and negative evidence in assessing the realizability of its deferred tax assets. This assessment included the evaluation of scheduled reversals of deferred tax liabilities, estimates of projected future taxable income and tax planning strategies to determine which deferred tax assets are more likely than not to be realized in the future.

The Company records a liability for uncertain tax positions when it is probable that a loss has been incurred and the amount can be reasonably estimated. Interest and penalties related to income tax matters, if any, would be recognized as a component of income tax expense. At December 31, 2020 and 2019, the Company had no liabilities for uncertain tax positions. The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. Currently, the tax years subsequent to 2018 are open and subject to examination by the taxing authorities.

At December 31, 2020, the Company had net operating loss carryforwards for federal income tax purposes of \$39,209, which will be available to offset future taxable income.

**Note 6 — Commitments and Contingencies**

**COVID-19 Pandemic**

On March 11, 2020, the World Health Organization (“WHO”) classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of these financial statements. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company’s financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of financial condition, liquidity or operations for 2020.

**Legal Matters**

From time to time, the Company may become subject to threatened and/or asserted claims arising in the ordinary course of business. Management is not aware of any matters, either individually or in the aggregate, that are reasonably likely to have a material adverse effect on the Company’s financial condition, results of operations or liquidity.

**Note 7 — Subsequent Events**

On September 23, 2021, the Company paid off its loan from SBA in the full amount of \$59,900.

On November 8, 2021, the Company was acquired by Smart for Life, Inc. Smart for Life, Inc. is formally known as Bonne Santé Group, Inc.

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**DOCTORS SCIENTIFIC ORGANICA, LLC**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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**DOCTORS SCIENTIFIC ORGANICA, LLC**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**AS OF JUNE 30, 2021 AND DECEMBER 31, 2020**

	June 30, 2021	December 31, 2020
<b>ASSETS</b>		
Current assets:		
Cash	\$ —	\$ —
Accounts receivable, net	391,229	510,065
Inventory	2,197,472	1,618,002
Prepaid expenses and other current assets	—	26,624
Total current assets	<u>2,588,701</u>	<u>2,154,691</u>
Property and equipment, net	346,462	312,453
Other assets:		
Operating lease right of use asset	562,358	672,741
Total assets	<u><u>\$ 3,497,521</u></u>	<u><u>\$ 3,139,885</u></u>
<b>LIABILITIES AND MEMBER'S EQUITY</b>		
Current liabilities:		
Accounts payable and cash overdraft	\$ 530,824	\$ 588,900
Accrued expenses	8,885	86,722
Due to related party	—	118,375
Operating lease obligations, current	272,192	227,557
Line of credit	740,127	739,657
Paycheck protection program loan	—	352,750
Note payable	337,542	46,370
Total current liabilities	<u>1,889,570</u>	<u>2,160,331</u>
Long-term liabilities:		
Operating lease obligations, noncurrent	290,166	445,184
Total liabilities	<u>2,179,736</u>	<u>2,605,515</u>
Commitments and contingencies		
Member's equity	1,317,785	534,370
Total liabilities and member's equity	<u><u>\$ 3,497,521</u></u>	<u><u>\$ 3,139,885</u></u>

*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements*

**DOCTORS SCIENTIFIC ORGANICA, LLC**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND CHANGES IN MEMBER'S**  
**EQUITY**  
**(DEFICIT)**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020**

	June 30, 2021	June 30, 2020
Net sales	\$ 4,772,565	\$ 5,164,515
Cost of goods sold	2,042,966	2,111,502
Gross profit	<u>2,729,599</u>	<u>3,053,013</u>
Operating expenses:		
General and administrative	2,214,741	2,270,329
Depreciation	<u>82,786</u>	<u>41,352</u>
Total operating expenses	<u>2,297,527</u>	<u>2,311,681</u>
Operating income	432,072	741,332
Other income (expense)		
Gain on debt extinguishment	842,477	11,871
Other income	7,903	75,305
Interest expense	<u>(25,810)</u>	<u>(31,880)</u>
Total other income	<u>824,570</u>	<u>55,296</u>
Net income	1,256,642	796,628
Member's equity (deficit), beginning of year	534,370	(38,604)
Distributions to member	<u>(473,227)</u>	<u>(1,042,049)</u>
Member's equity (deficit), June 30	<u>\$ 1,317,785</u>	<u>\$ (284,025)</u>

*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements*

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**DOCTORS SCIENTIFIC ORGANICA, LLC**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020**

	June 30, 2021	June 30, 2020
Cash flows from operating activities:		
Net income	\$ 1,256,642	\$ 796,628
Adjustments to reconcile net income to net cash provided by operating activities:		
Bad debt expense	2,129	—
Paycheck protection program loan forgiveness	(709,189)	—
Depreciation	21,994	25,539
Change in operating assets and liabilities:		
Accounts receivable	116,707	124,153
Inventory	(579,470)	(670,200)
Prepaid expenses and other current assets	26,624	49,098
Accounts payable and cash overdraft	(50,076)	101,367
Related party payables	(118,375)	242
Accrued expenses	(77,837)	(174,573)
Net cash provided by operating activities	(118,851)	252,254
Cash flows from investing activities:		
Purchases of property and equipment	(56,003)	—
Net cash used in investing activities	(56,003)	—
Cash flows from financing activities:		
Distributions to member	(473,227)	(544,995)
Paycheck protection program loan proceeds	356,439	352,750
Term loan funded	291,642	298,416
Repayments on term loan	—	(342,026)
Net cash used in financing activities	174,854	(235,855)
Net increase in cash	—	16,399
Cash, beginning of year	—	82,513
Cash, June 30	\$ —	\$ 98,912
Supplemental disclosure of cash flow information:		
Interest paid	\$ 25,810	\$ 31,880

*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements*

**DOCTORS SCIENTIFIC ORGANICA, LLC**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 30, 2021 AND 2020**

**Note 1 — Description of Business**

Doctors Scientific Organica, LLC and its consolidated companies (collectively the “Company”) operates in Riviera Beach, Florida, and is primarily engaged in the development, marketing, manufacturing, and sale of a broad spectrum of weight management and related products.

Doctors Scientific Organica, LLC (“DSO”) was originally incorporated in the State of Nevada on February 16, 2006. On September 28, 2015, it converted to a Florida company. DSO owns 100% of Oyster Management Services, Ltd. (“Oyster”), Lawee Enterprises, L.L.C. (“Lawee”) and U.S. Medical Care Holdings, L.L.C. (“U.S. Medical”). Oyster was organized as a limited partnership in the State of Florida on April 1, 2003. Lawee Enterprises, L.L.C. was organized as a limited liability company in the State of Florida on January 3, 2005. U.S. Medical was organized as a limited liability company in the State of Florida on April 1, 2003.

Each wholly owned subsidiary services customers in different sales markets. Based in Riviera Beach, Florida, DSO operates a 35,000 square-foot FDA-certified manufacturing facility.

**Note 2 — Summary of Significant Accounting Policies**

**Principles of Consolidation**

The consolidated financial statements reflect the consolidated operations of DSO and its wholly owned subsidiaries from the effective date of formation and are prepared in the United States Dollars in accordance with generally accepted accounting principles in the United States of America (“GAAP”). Intercompany balances and transactions have been eliminated.

**Use of Estimates**

The preparation of the consolidated financial statements in conformity with GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. These estimates include, among other items, assessing the collectability of receivables, the realization of deferred taxes, useful lives and recoverability of tangible and intangible assets, assumptions used in the valuation of options, the computation of revenue based on the proportional delivery of services, and accruals for commitments and contingencies. Some of these estimates can be subjective and complex and, consequently, actual results could differ materially from those estimates.

**Cash Equivalents**

The Company considers all highly liquid investments purchased with an original maturity of three (3) months or less to be cash equivalents. At June 30, 2021 and December 31, 2020, there were no cash equivalents.

**Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable are presented net of an allowance for doubtful accounts of \$0 and \$35,016 at June 30, 2021 and December 31, 2020, respectively. The Company’s allowance for doubtful accounts represents the Company’s estimate for uncollectible receivables based on a review of specific accounts and the Company’s historical collection experience. The Company writes off specific accounts based on an ongoing review of collectability, as well as management’s past experience with the customers.



**Inventory, net**

Inventory consists of raw materials, work in progress, and finished goods and is valued at the lower of cost (first-in, first-out) (replacement cost or net realizable value). An allowance for inventory obsolescence is provided for slow moving or obsolete inventory to write down historical cost to net realizable value. The Company primarily performs their manufacturing for nutraceuticals in the form of powders, tablets and capsules.

**DOCTORS SCIENTIFIC ORGANICA, LLC**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 30, 2021 AND 2020**

**Note 2 — Summary of Significant Accounting Policies** (cont.)

The allowance for obsolescence is an estimate established through charges to cost of goods sold. Management's judgment in determining the adequacy of the allowance is based upon several factors which include, but are not limited to, analysis of slow moving inventory, analysis of the selling price of inventory, the predetermined shelf life of the product, and management's judgment with respect to current economic conditions. Given the nature of the inventory, it is reasonably possible the Company's estimate of the allowance for obsolescence will change in the near term.

**Property and Equipment**

Property and equipment are recorded at cost. Expenditures for major betterments and additions are charged to the asset accounts, while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are charged to expense as incurred. The Company provides for depreciation and amortization over the estimated useful lives of various assets using the straight-line method ranging from 3-7 years.

**Long-Lived Assets**

The Company assesses potential impairments to its long-lived assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. An impairment loss is recognized when the undiscounted cash flows expected to be generated by an asset (or group of assets) is less than its carrying amount. Any required impairment loss is measured as the amount by which the asset's carrying value exceeds its fair value and is recorded as a reduction in the carrying value of the related asset and a charge to operating results. The Company had no impairment of long-lived assets at June 30, 2021 and December 31, 2020.

**Lease Right-of-Use Asset**

The Company records a right-of-use ("ROU") asset and lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified either as finance or operating with the classification affecting the pattern of expense recognition.

Lease liabilities are recognized based on the present value of the remaining lease payments and are discounted using the most reasonable incremental borrowing rate. The Company uses the implicit rate when it is readily determinable. Since the Company's lease does not provide an implicit rate, to determine the present value of lease payments, management uses the Company's incremental borrowing rate based on the information available at lease commencement. Leases with a term of 12 months or less at inception are not recorded on our balance sheet and are expensed on a straight-line basis over the lease term.

**Revenue Recognition**

**Impact of the initial adoption of Accounting Standards Codification ("ASC") 606**

Effective January 1, 2019, the Company now evaluates revenue recognition based on the criteria set forth in ASC 606, *Revenue from Contracts with Customers*. The Company adopted the new revenue recognition standard using the modified retrospective method to undelivered performance obligations on existing contracts which resulted in no impact to retained earnings.

The Company evaluates and recognize revenue by:

- identifying the contract(s) with the customer,
- identifying the performance obligations in the contract,

- determining the transaction price,

**DOCTORS SCIENTIFIC ORGANICA, LLC**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 30, 2021 AND 2020**

**Note 2 — Summary of Significant Accounting Policies** (cont.)

- allocating the transaction price to performance obligations in the contract; and
- recognizing revenue as each performance obligation is satisfied through the transfer of a promised good or service to a customer (i.e., “transfer of control”).

The Company primarily generates revenues by manufacturing and sales of weight management products under its own brands and as a contract manufacturer for customers. The majority of the Company’s revenue is recognized when it satisfies a single performance obligation by transferring control of its products to a customer. Control is generally transferred when the Company’s products are either shipped or delivered based on the terms contained within the underlying contracts or agreements. The Company’s general payment terms are short-term in duration. The Company does not have significant financing components or payment terms. The Company did not have any material unsatisfied performance obligations at December 31, 2020 or 2019.

Distribution expenses to transport the Company’s products, where applicable, and warehousing expense after manufacture are accounted for within operating expenses.

**Freight**

For the six months ended June 30, 2021 and 2020, freight costs amounted to \$260,718 and \$273,917, respectively and have been recorded in cost of goods sold in the accompanying Consolidated Statement of Income.

**Advertising**

Advertising costs are expensed as incurred. Advertising costs for the six months ended June 30, 2021 and 2020 were \$628,440 and \$462,900, respectively.

**Income Taxes**

The Company operates as a limited liability company whereby all of the tax impacts pass through to the member. Accordingly, no liability or uncertain tax positions has been recognized by the Company.

**Leases**

On January 1, 2019 the Company adopted issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize their operating leases on the balance sheet as right-of-use assets and lease liabilities for leases with lease terms of more than 12 months. All of the Company’s leases are operating leases and the Company recorded a right-of-use asset and lease liability for leases where the lease term is greater than 12 months. Lease liabilities are recognized based on the present value of the remaining lease payments and are discounted using the most reasonable incremental borrowing rate. The Company uses the prime rate as the discount rate, since the only debt the Company has are government issued loans at a minimal borrowing rate. Leases with a term of 12 months or less at inception are not recorded on our balance sheet and are expensed on a straight-line basis over the lease term in our Statement of Operations.

**DOCTORS SCIENTIFIC ORGANICA, LLC**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 30, 2021 AND 2020**

**Note 3 — Inventory**

Inventory consisted of the following at June 30, 2021 and 2020:

	June 30, 2021	December 31, 2020
Raw materials	\$ 2,058,153	\$ 1,491,214
Finished goods	139,319	126,788
	2,197,472	1,618,002
Less: allowance for obsolescence	—	—
	<u>\$ 2,197,472</u>	<u>\$ 1,618,002</u>

**Note 4 — Property and Equipment**

Property and equipment consisted of the following at June 30, 2021 and December 31, 2020:

	Estimated Useful Lives (in Years)	June 30, 2021	December 31, 2020
Furniture and fixtures	7	\$ 28,365	\$ 12,865
Manufacturing equipment	5	1,391,906	1,351,402
Leasehold improvements	3	68,400	68,400
Less: accumulated depreciation and amortization		(1,142,209)	(1,120,214)
Property and equipment, net		<u>\$ 346,462</u>	<u>\$ 312,453</u>

Depreciation expense for the six months ended June 30, 2021 totaled \$21,994.

**Note 5 — Lease Commitments**

The Company enters into lessee arrangements consisting of operating leases for premises. The Company had one operating lease for premises as of June 30, 2021. The following table below provides supplemental information on leases at June 30:

	June 30, 2021	December 31, 2020
<b>Asset</b>		
Right of use asset	\$ 562,358	\$ 672,741
Total lease asset	\$ 562,358	\$ 672,741
<b>Liability</b>		
Right of use liability, current portion	\$ 272,192	\$ 227,557
Right of use liability, net of current portion	290,166	445,184
Total lease liability	<u>\$ 562,358</u>	<u>\$ 672,741</u>



**DOCTORS SCIENTIFIC ORGANICA, LLC**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 30, 2021 AND 2020**

**Note 5 — Lease Commitments** (cont.)

Future minimum lease payments under capital leases and rental payments required under operating leases are presented as follows:

**For the Year Ended June 30:**

2021	\$ 148,020
2022	296,040
2023	197,360
Total payments	\$ 641,420
Less: amount representing interest	(79,062)
Lease obligation, net	\$ 562,358
Less: current portion	(272,192)
Lease obligation – long-term	<u>\$ 290,166</u>

Rent expense for the six months ended June 30, 2021 and 2020 were \$149,220 and \$150,420.

**Note 6 — Debt**

**PPP Loans**

During April 2020, the Company was granted a loan (the “PPP Loan”) pursuant to the PPP under Division A, Title I of the Coronavirus Aid, Relief, and Economic Secures Act (the “CARES Act”) in the amount of \$352,750. The PPP Loan, which was in the form of a note dated April 17, 2020, matures on April 17, 2022 and bears interest at a rate of 1.00% per annum. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act and meet the conditions established by the U.S. Small Business Administration (the “SBA”). In February 2021 and April 2021, the loans were forgiven resulting in gains on debt extinguishment on the accompanying consolidating statements of income.

**Line of Credit**

On June 26, 2020, the Company entered into a revolving line of credit with a bank, which permitted borrowings up to \$750,000 and bears interest at 3.5%. As of June 30, 2021 and December 31, 2020, the balance of the line of credit was \$740,127 and \$739,657, respectively.

**Notes Payable**

On December 6, 2019, the Company entered into a thirteen-month financing agreement (the “2019 Thirteen-Month Financing Agreement”) with a vendor for an amount of \$350,000. The agreement requires monthly payments including interest at 14.72% per annum. As of June 30, 2021 and December 31, 2020, the balance due for this loan was \$0 and \$31,882, respectively.

On March 6, 2020, the Company entered into a one-year financing agreement (the “2020 Financing Agreement”) with a vendor for an amount of \$41,000. The agreement requires monthly payments including interest at 9.72% per annum. As of June 30, 2021 and December 31, 2020, the balance due for this loan was \$0 and \$14,488, respectively.

**DOCTORS SCIENTIFIC ORGANICA, LLC**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 30, 2021 AND 2020**

**Note 6 — Debt** (cont.)

Notes payable consists of the following at June 30, 2021 and December 31, 2020:

	June 30, 2021	December 31, 2020
2019 Thirteen-Month Financing Agreement	\$ —	\$ 31,882
2019 One-Year Financing Agreement	—	—
2013 Equipment Loan	—	—
2020 Financing Agreement	337,542	14,488
Total	<u>\$ 337,542</u>	<u>\$ 46,370</u>

**Collateral and Guarantor**

The notes payable and line of credit are collateralized by certain assets of the Company and guaranteed by the sole member of the Company (the “Member”).

**Note 7 — Concentrations of Credit Risks**

**Credit Risks**

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash, accounts receivable and unbilled receivables. The Company maintains bank accounts with several financial institutions. Concentrations of credit risk with respect to accounts receivable are limited to the dispersion of customers across different industries and geographic regions.

**Cash**

The Company places its cash with high credit quality financial institutions. At June 30, 2021 and December 31, 2020, the Company had a cash balance of \$0 and \$0 in excess of the Federal Deposit Insurance Corporation (“FDIC”) coverage of \$250,000 per institution. The Company has not experienced any losses in such accounts.

**Major Vendors**

The Company does not have any suppliers which represent a significant portion of its supply chain. The Company’s officers are closely monitoring the relationships with all suppliers.

**Note 8 — Commitments and Contingencies**

**COVID-19 Pandemic**

On March 11, 2020, the World Health Organization (“WHO”) classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of these consolidated financial statements. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company’s consolidated financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its consolidated financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of consolidated financial condition, liquidity or operations for 2020.





**DOCTORS SCIENTIFIC ORGANICA, LLC**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 30, 2021 AND 2020**

**Note 8 — Commitments and Contingencies (cont.)**

**Commercial Matters**

From time to time, the Company may become subject to threatened and/or asserted claims arising in the ordinary course of business. Management is not aware of any matters, either individually or in the aggregate, that are reasonably likely to have a material adverse effect on the Company's financial condition, results of operations or liquidity.

**Note 9 — Related Party Transaction**

The Company rents its operating facility from a non-consolidating company owned by the member. Rent expense paid to the related party for the six months ended June 30, 2021 and 2020 were \$148,020 and \$148,020, respectively.

Doctor Scientific Organica has provided advances to, and received advances from, its prior sole member and entities related to its prior sole member. These advances are non-interest bearing with no fixed maturity and are expected to be repaid in the near term. At June 30, 2021 and December 31, 2020, the net balance due to related parties was \$0 and \$118,375, respectively.

**Note 10 — Subsequent Event**

In July 2021, the Company was sold to Smart for Life, Inc. for approximately \$12,000,000.

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**DOCTORS SCIENTIFIC ORGANICA, LLC**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**Report of Independent Registered Public Accounting Firm**

To the Management and Board of Directors Doctors Scientific Organica, LLC  
Doral, Florida

***Opinion on the Consolidated Financial Statements***

We have audited the accompanying consolidated balance sheets of Doctors Scientific Organica, LLC (the “Company”) at December 31, 2020, and 2019, and the related consolidated statements of income and changes in member’s equity (deficit), and cash flows for each of the years ended December 31, 2020 and 2019, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years then ended December 31, 2020 and 2019, in conformity with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, 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.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Daszkal Bolton LLP

We have served as the Company’s auditor since 2021

Sunrise, Florida

August 5, 2021

**DOCTORS SCIENTIFIC ORGANICA, LLC**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**

	December 31, 2020	December 31, 2019
<b>ASSETS</b>		
Current assets:		
Cash	\$ —	\$ 82,513
Accounts receivable, net	510,065	464,817
Inventory	1,618,002	971,060
Prepaid expenses and other current assets	26,624	49,598
Total current assets	<u>2,154,691</u>	<u>1,567,988</u>
Property and equipment, net	312,453	380,136
Other assets:		
Operating lease right-of-use asset	672,741	874,686
Total other assets	985,194	1,254,822
Total assets	<u><u>\$ 3,139,885</u></u>	<u><u>\$ 2,822,810</u></u>
<b>LIABILITIES AND MEMBER'S EQUITY (DEFICIT)</b>		
Current liabilities:		
Accounts payable and cash overdraft	\$ 588,900	\$ 687,932
Accrued expenses	86,722	306,585
Due to related party	118,375	19,758
Operating lease obligation, current portion	227,557	201,945
Line of credit	739,657	—
Paycheck protection program loan	352,750	—
Notes payable	46,370	972,453
Total current liabilities	<u>2,160,331</u>	<u>2,188,673</u>
Long-term liabilities:		
Operating lease obligation, net of current portion	445,184	672,741
Total long-term liabilities	<u>445,184</u>	<u>672,741</u>
Total liabilities	<u>2,605,515</u>	<u>2,861,414</u>
Commitments and contingencies		
Member's equity (deficit)	534,370	(38,604)
Total liabilities and member's equity	<u><u>\$ 3,139,885</u></u>	<u><u>\$ 2,822,810</u></u>

*The accompanying notes are an integral part of these consolidated financial statements*

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**DOCTORS SCIENTIFIC ORGANICA, LLC**  
**CONSOLIDATED STATEMENTS OF INCOME AND MEMBER'S EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	December 31, 2020	December 31, 2019
Net sales	\$ 10,782,192	\$ 10,048,642
Cost of goods sold	4,436,389	4,777,392
Gross profit	<u>6,345,803</u>	<u>5,271,250</u>
Operating expenses:		
General and administrative	4,608,331	3,875,983
Depreciation	<u>82,786</u>	<u>97,160</u>
Total operating expenses	<u>4,691,117</u>	<u>3,973,143</u>
Operating income	1,654,686	1,298,107
Other income (expense):		
Other income	—	410,500
Interest expense	<u>(85,307)</u>	<u>(95,076)</u>
Total other (expense) income	<u>(85,307)</u>	<u>315,424</u>
Net income	1,569,379	1,613,531
Member's (deficit), beginning of year	(38,604)	(803,103)
Contributions from member	2,995,090	4,574,513
Distributions to member	<u>(3,991,495)</u>	<u>(5,423,545)</u>
Member's equity (deficit), end of year	<u>\$ 534,370</u>	<u>\$ (38,604)</u>

*The accompanying notes are an integral part of these consolidated financial statements*

**DOCTORS SCIENTIFIC ORGANICA, LLC**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	December 31, 2020	December 31, 2019
Cash flows from operating activities:		
Net income	\$ 1,569,379	\$ 1,613,531
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for bad debt	92,860	16,714
Depreciation	82,786	97,160
(Increase) decrease in operating assets:		
Accounts receivable	(138,108)	27,460
Inventory	(646,942)	(154,183)
Prepaid expenses and other current assets	22,974	(49,598)
(Decrease) increase in operating liabilities:		
Accounts payable and cash overdraft	(99,032)	(394,503)
Accrued expenses	(219,863)	173,381
Due to related party	98,617	(99,042)
Net cash provided by operating activities	<u>762,671</u>	<u>1,230,920</u>
Cash flows from investing activities:		
Purchases of property and equipment	(15,103)	(110,923)
Net cash used in investing activities	<u>(15,103)</u>	<u>(110,923)</u>
Cash flows from financing activities:		
Distributions to member	(3,991,495)	(5,423,545)
Contributions from member	2,407,076	4,374,513
Proceeds from line of credit	1,937,397	—
Repayments on line of credit	(1,197,740)	—
Principal repayments on notes payable	(379,069)	(659,452)
Proceeds from note payable	41,000	671,000
Paycheck protection program loan proceeds	352,750	—
Net cash used in financing activities	<u>(830,081)</u>	<u>(1,037,484)</u>
Net (decrease) increase in cash	(82,513)	82,513
Cash, beginning of year	82,513	—
Cash, end of year	<u><u>\$ —</u></u>	<u><u>\$ 82,513</u></u>



**Supplemental disclosure of cash flow information:**

Interest paid	\$ 85,307	\$ 95,076
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**Supplemental disclosure of non-cash flow information:**

Non cash deemed contributions from member via assumption of liabilities	\$ 588,014	\$ 200,000
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*The accompanying notes are an integral part of these consolidated financial statements*

**DOCTORS SCIENTIFIC ORGANICA, LLC  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**Note 1 — Description of Business**

Doctors Scientific Organica, LLC and its consolidated companies (collectively the “Company”) operates in Riviera Beach, Florida, and is primarily engaged in the development, marketing, manufacturing, and sale of a broad spectrum of weight management and related products.

Doctors Scientific Organica, LLC (“DSO”) was originally incorporated in the State of Nevada on February 16, 2006. On September 28, 2015, it converted to a Florida company. DSO owns 100% of Oyster Management Services, Ltd. (“Oyster”), Lawee Enterprises, L.L.C. (“Lawee”) and U.S. Medical Care Holdings, L.L.C. (“U.S. Medical”). Oyster was organized as a limited partnership in the State of Florida on April 1, 2003. Lawee Enterprises, L.L.C. was organized as a limited liability company in the State of Florida on January 3, 2005. U.S. Medical was organized as a limited liability company in the State of Florida on April 1, 2003.

Each wholly owned subsidiary services customers in different sales markets. Based in Riviera Beach, Florida, DSO operates a 35,000 square-foot FDA-certified manufacturing facility.

**Note 2 — Summary of Significant Accounting Policies**

**Principles of Consolidation**

The accompanying consolidated financial statements reflect the consolidated operations of DSO and its wholly owned subsidiaries Oyster, Lawee and U.S. Medical. Intercompany balances and transactions have been eliminated.

**Use of Estimates**

The accompanying consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (“GAAP”). The preparation of the consolidated financial statements 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. These estimates include, among other items, assessing the collectability of receivables, useful lives and recoverability of tangible assets, and accruals for commitments and contingencies. Some of these estimates can be subjective and complex and, consequently, actual results could differ materially from those estimates.

**Cash and Cash Equivalents**

The Company considers all highly liquid investments purchased with an original maturity of three (3) months or less to be cash equivalents. The Company had no cash equivalents at December 31, 2020 and 2019.

**Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable are uncollateralized customer obligations due under normal trade terms. The Company does not accrue finance or interest charges. The Company uses an allowance method to account for uncollectible accounts receivable. The Company’s allowance for doubtful accounts represents the Company’s best estimate for uncollectible receivables based on a review of specific accounts and the Company’s historical collection experience. The Company writes off specific accounts based on an ongoing review of collectability, as well as management’s past experience with the customers. Allowance for doubtful accounts were \$90,731 and \$35,016 at December 31, 2020 and 2019, respectively.

### **Inventory**

Inventory consists of raw materials and finished goods and is valued at the lower of cost or net realizable value. An allowance for inventory obsolescence is provided for slow moving or obsolete inventory to write down historical cost to net realizable value. The Company primarily performs its manufacturing for nutraceuticals in the form of powders, tablets, and capsules.

**DOCTORS SCIENTIFIC ORGANICA, LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**Note 2 — Summary of Significant Accounting Policies** (cont.)

The allowance for obsolescence is an estimate established through charges to cost of goods sold. Management's judgment in determining the adequacy of the allowance is based upon several factors which include, but are not limited to, analysis of slow-moving inventory, analysis of the selling price of inventory, the predetermined shelf life of the product, and management's judgment with respect to current economic conditions. Given the nature of the inventory, it is reasonably possible the Company's estimate of the allowance for obsolescence will change in the near term. At December 31, 2020 and 2019, there was no allowance for inventory obsolescence.

**Property and Equipment**

Property and equipment are recorded at cost and depreciated over the estimated useful lives of the related assets. Expenditures for major betterments and additions are charged to the asset accounts, while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are charged to expense as incurred. Depreciation is computed on the straight-line method over the estimated useful lives of the respective assets, which range from five (5) to seven (7) years.

**Long-Lived Assets**

The Company assesses potential impairments to its long-lived assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. An impairment loss is recognized when the undiscounted cash flows expected to be generated by an asset (or group of assets) is less than its carrying amount. Any required impairment loss is measured as the amount by which the asset's carrying value exceeds its fair value and is recorded as a reduction in the carrying value of the related asset and a charge to operating results. The Company had no impairment of long-lived assets at December 31, 2020 and 2019.

**Lease Right-of-Use Asset**

The Company records a right-of-use ("ROU") asset and lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified either as finance or operating with the classification affecting the pattern of expense recognition.

Lease liabilities are recognized based on the present value of the remaining lease payments and are discounted using the most reasonable incremental borrowing rate. The Company uses the implicit rate when it is readily determinable. Since the Company's lease does not provide an implicit rate, to determine the present value of lease payments, management uses the Company's incremental borrowing rate based on the information available at lease commencement. Leases with a term of 12 months or less at inception are not recorded on our balance sheet and are expensed on a straight-line basis over the lease term.

**Revenue Recognition**

The Company evaluates revenue recognition based on the criteria set forth in ASC 606, *Revenue from Contracts with Customers*.

The Company evaluates and recognize revenue by:

- identifying the contract(s) with the customer,
- identifying the performance obligations in the contract,
- determining the transaction price,
- allocating the transaction price to performance obligations in the contract; and

- recognizing revenue as each performance obligation is satisfied through the transfer of a promised good or service to a customer (i.e., “transfer of control”).

**DOCTORS SCIENTIFIC ORGANICA, LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**Note 2 — Summary of Significant Accounting Policies** (cont.)

The Company primarily generates revenues by manufacturing and sales of weight management products under its own brands and as a contract manufacturer for customers. The majority of the Company's revenue is recognized when it satisfies a single performance obligation by transferring control of its products to a customer. Control is generally transferred when the Company's products are either shipped or delivered based on the terms contained within the underlying contracts or agreements. The Company's general payment terms are short-term in duration. The Company does not have significant financing components or payment terms. The Company did not have any material unsatisfied performance obligations at December 31, 2020 or 2019.

Distribution expenses to transport the Company's products, where applicable, and warehousing expense after manufacture are accounted for within operating expenses.

**Freight**

The Company charges its customers a flat rate for shipping and handling. Freight costs are included in cost of goods sold in the accompanying consolidated statements of income. For the years ended December 31, 2020 and 2019, freight costs amounted to \$484,503 and \$599,174, respectively.

**Advertising**

Advertising costs are expensed as incurred. During the years ended December 31, 2020 and 2019 the Company incurred advertising costs of \$1,018,570 and \$374,511, respectively.

**Paycheck Protection Program**

The Company records Paycheck Protection Program ("PPP") loan proceeds in accordance with the Financial Accounting Standards Board ("FASB") ASC 470, *Debt*. Debt is extinguished when either the debtor pays the creditor or the debtor is legally released from being the primary obligor, either judicially or by the creditor.

**Income Taxes**

DSO, Lawee and U.S. Medical are limited liability companies that have elected to be taxed as an S Corporation. Oyster is a limited partnership. As a result, income tax liabilities are passed through to the individual member. Accordingly, no provision for income taxes is reflected in the consolidated financial statements.

The Company records a liability for uncertain tax positions when it is probable that a loss has been incurred and the amount can be reasonably estimated. Interest and penalties related to income tax matters, if any, would be recognized as a component of income tax expense. At December 31, 2020, the Company had no liabilities for uncertain tax positions. The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. The Company's tax years subject to examinations by the U.S. federal, state and local non-U.S. tax authorities generally remain open for three years from the date of filing.

**Accounting Pronouncement Adopted**

The Company has adopted the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which establishes a right-of-use ("ROU") model that requires lessees to record an ROU asset and a lease liability on the consolidated balance sheets for all leases with terms longer than 12 months. The Company adopted ASU 2016-02 during 2019, which resulted in the recognition of the right-of-use assets and related obligations on its consolidated financial statements.

**Note 3 — Fair Value Disclosures**

The Company's financial instruments consist mainly of cash, accounts receivable, accounts payable, accrued expenses, and term loans. The Company believes that the carrying amounts of these financial instruments approximate its fair values due to their short-term nature or market interest rates. The term loans approximate fair value due to the current rate of interest charged.

**DOCTORS SCIENTIFIC ORGANICA, LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**Note 4 — Inventory**

Inventory consisted of the following at December 31:

	2020	2019
Raw materials	\$ 1,491,214	\$ 896,381
Finished goods	126,788	74,679
	<u>\$ 1,618,002</u>	<u>\$ 971,060</u>

**Note 5 — Property and Equipment**

Property and equipment consisted of the following at December 31:

	Estimated Useful Lives (in Years)	2020	2019
Furniture and fixtures	7	\$ 12,865	\$ 12,865
Equipment – Manufacturing	7	1,351,402	1,336,300
Leasehold improvements	5 – 7	68,400	68,400
		1,432,667	1,417,565
Less: accumulated depreciation		(1,120,214)	(1,037,429)
Property and equipment, net		<u>\$ 312,453</u>	<u>\$ 380,136</u>

Depreciation expense for the years ended December 31, 2020 and 2019 totaled \$82,786 and \$97,160, respectively.

**Note 6 — Debt****PPP Loan**

During April 2020, the Company was granted a loan (the “PPP Loan”) pursuant to the PPP under Division A, Title I of the Coronavirus Aid, Relief, and Economic Secures Act (the “CARES Act”) in the amount of \$352,750. The PPP Loan, which was in the form of a note dated April 17, 2020, matures on April 17, 2022 and bears interest at a rate of 1.00% per annum. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act and meet the conditions established by the U.S. Small Business Administration (the “SBA”). See *Subsequent Events* note.

**Line of Credit**

On June 26, 2020, the Company entered into a revolving line of credit with a bank, which permitted borrowings up to \$750,000 and bears interest at 3.5%. As of December 31, 2020, the balance of the line of credit was \$739,657. The line of credit matured on June 26, 2021.



### **Notes Payable**

On April 16, 2010, the Company entered into a twenty-year loan (the “Loan”) with a financial institution for an amount of \$570,682. The loan required monthly payments including interest at 7.49% per annum. The note was assumed by a related party during 2020.

During 2019, the Company entered into a one-year financing agreement (the “2019 One-Year Financing Agreement”) with a vendor for an amount of \$41,000. The agreement requires monthly payments including interest at 9.72% per annum. The balance was fully paid during 2020.

**DOCTORS SCIENTIFIC ORGANICA, LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**Note 6 — Debt** (cont.)

On December 6, 2019, the Company entered into a thirteen-month financing agreement (the “2019 Thirteen-Month Financing Agreement”) with a vendor for an amount of \$350,000. The agreement requires monthly payments including interest at 14.72% per annum.

On June 17, 2013, the Company entered into an equipment loan (the “2013 Equipment Loan”) with a financial institution for an amount of \$210,000 bearing an interest rate of 1.96%. The equipment loan was fully paid during 2020.

On January 26, 2012, the Company entered into an equipment loan (the “2012 Equipment Loan”) with a financial institution for an amount of \$259,150 bearing an interest rate of 5.25%. The equipment loan was fully paid during 2020.

On March 6, 2020, the Company entered into a one-year financing agreement (the “2020 Financing Agreement”) with a vendor for an amount of \$41,000. The agreement requires monthly payments including interest at 9.72% per annum.

Notes payable consists of the following at December 31:

	<b>2020</b>	<b>2019</b>
Loan	\$ —	\$ 427,388
2019 One-Year Financing Agreement	—	34,439
2019 Thirteen-Month Financing Agreement	31,882	350,000
2013 Equipment Loan	—	79,958
2012 Equipment Loan	—	80,668
2020 Financing Agreement	14,488	—
Total	<u>\$ 46,370</u>	<u>\$ 972,453</u>

**Collateral and Guarantor**

The notes payable and line of credit are collateralized by certain assets of the Company and guaranteed by the sole member of the Company (the “Member”).

**Note 7 — Member’s Equity**

DSO, U.S. Medical, and Oyster are limited liability companies, governed by individual operating agreements. Each company maintains separate capital accounts for the Member, who is credited for capital contributions and profits, and is debited for distributions and losses. The liability of the Member is limited to the Member’s total capital contributions.

**Note 8 — Operating Lease**

On September 1, 2018, the Company entered into an operating lease with an initial 5 year term with a related party for its warehouse space in Riviera Beach, Florida. The lease term is used for the amortization/depreciation life of lease assets. The lease agreement does not contain any material residual value guarantees or material restrictive covenants.

On January 1, 2019, the Company adopted ASC 842 using the modified retrospective method applied to the lease that was in place at January 1, 2019.

**Discount Rate Applied to Property Operating Lease**

To determine the present value of minimum future lease payments for its operating lease at January 1, 2019, the Company was required to estimate a rate of interest that it would have to pay to borrow on a collateralized basis over a similar term for an amount equal to the lease payments in a similar economic environment (the “incremental borrowing rate” or “IBR”).

The lease asset and liability were calculated utilizing a discount rate of 12%, according to the Company’s elected policy.

**DOCTORS SCIENTIFIC ORGANICA, LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**Note 8 — Operating Lease** (cont.)**Right of Use Asset and Liability**

The right of use asset and liability is included in the accompanying consolidated balance sheets as follows at December 31:

	2020	2019
<b><i>Non-current assets:</i></b>		
Right of use asset	\$ 672,741	\$ 874,686
<b><i>Liability:</i></b>		
Right of use liability, current portion	\$ 227,557	\$ 201,945
Right of use liability, net of current portion	445,184	672,741
Total lease liability	<u>\$ 672,741</u>	<u>\$ 874,686</u>

Minimum lease payments under the operating lease are recognized on a straight-line basis over the term of the lease.

**Years ending December 31:**

2021	\$ 296,040
2022	296,040
2023	<u>197,360</u>
Total payments	789,440
Less: amount representing interest	<u>(116,699)</u>
Lease obligation, net	672,741
Less: current portion	<u>(227,557)</u>
Lease obligation – long-term	<u>\$ 445,184</u>

Rent expense for the years ended December 31, 2020 and 2019 was \$303,757 and \$299,967, respectively.

**Note 9 — Concentrations of Credit Risks****Credit Risks**

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash, accounts receivable and unbilled receivables. The Company maintains bank accounts with several financial institutions. Concentrations of credit risk with respect to accounts receivable are limited to the dispersion of customers across different industries and geographic regions.

### **Cash**

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution per entity. The Company did not have cash balances in excess of the FDIC coverage at December 31, 2020 and 2019. The Company has not experienced any losses in such accounts.

**DOCTORS SCIENTIFIC ORGANICA, LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**Note 9 — Concentrations of Credit Risks** (cont.)

**Sales and Accounts Receivable**

The following is a summary of customer concentration in sales and accounts receivable at:

December 31, 2020			December 31, 2019		
Customer	% of Sales	% of Accounts Receivable	Customer	% of Sales	% of Accounts Receivable
A	4%	11%	A	37%	62%
B	27%	12%	B	15%	1%
C	5%	15%	C	13%	0%
D	9%	30%			
E	1%	23%			
F	25%	<1%			

**Purchases**

The following is a summary of vendor concentrations in purchases and accounts payable at:

December 31, 2020			December 31, 2019		
Vendor	% of Purchases	% of Accounts Payable	Vendor	% of Purchases	% of Accounts Payable
A	3%	17%	A	5%	14%
B	14%	0%	B	1%	14%
C	12%	0%	C	17%	0%

**Note 10 — Commitments and Contingencies**

**COVID-19 Pandemic**

On March 11, 2020, the World Health Organization (“WHO”) classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of these consolidated financial statements. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company’s consolidated financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its consolidated financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of consolidated financial condition, liquidity, or operations for 2021.

**Litigation**

From time to time, the Company may become subject to threatened and/or asserted claims arising in the ordinary course of business. Management is not aware of any matters, either individually or in the aggregate, that are reasonably likely to have a material adverse effect on the Company’s financial condition, results of operations or liquidity.

**Insurance Settlement**

During 2019, the Company received \$400,000 as a settlement from an insurance claim for hurricane damages, which is included in other income in the accompanying consolidated statements of income.

**DOCTORS SCIENTIFIC ORGANICA, LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**Note 11 — Related Party Transactions**

The Company rents its operating facility from a non-consolidating company owned by the Member. Rent expense paid to the related party for the years ended December 31, 2020 and 2019 was \$302,040 and 298,449, respectively.

The Company has provided advances to, and received advances from, the Member and entities related to the Member of the Company. These advances are non-interest bearing with no fixed maturity and are expected to be repaid in the near term. At December 31, 2020 and 2019, the net balance due to related parties was \$118,375 and \$19,758, respectively.

The Company sells its products to companies that are considered related parties due to common ownership by the Member. During the years ended December 31, 2020 and 2019, sales to related parties were \$561,041 and \$76,305, respectively. At December 31, 2020 and 2019, accounts receivable due from related parties was \$0 and \$111,218, respectively.

**Note 12 — Subsequent Events**

**Paycheck Protection Program Loan Forgiveness**

The Company used the funds of its PPP Loan for qualifying costs, and as such, received full loan forgiveness in the amount of \$352,750 from the SBA in February 2021.

**Paycheck Protection Program Loan**

On February 10, 2021, the Company was granted an additional loan (the “Second PPP Loan”) from City National Bank of Florida, N.A pursuant to the PPP under Division A, Title I of the CARES Act in the amount of \$356,438. The Second PPP Loan, which was in the form of a Note dated February 10, 2021, was set to mature on February 10, 2023. The Company used the funds of its PPP Loan for qualifying costs, and as such, received full loan forgiveness in the amount of \$356,438 from the SBA in June 2021.

**Acquisition**

During July 2021, the Company was sold to a third party, resulting in a change in ownership.



**1,800,000 Units consisting of:**

**Common Stock  
Series A Warrants  
Series B Warrants**



**Smart for Life, Inc.**

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**PROSPECTUS**

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**DAWSON JAMES SECURITIES, INC.**

**, 2022**

Through and including \_\_\_\_\_, 2022 (the 25<sup>th</sup> day after the date of this offering), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

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**[Alternate Page for Resale Prospectus]**

**The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting offers to buy these securities in any state where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED FEBRUARY 2, 2022**



**Smart for Life, Inc.**

**53,151,992 Shares of  
Common Stock**

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This prospectus relates to 53,151,992 shares of common stock, par value \$0.0001 per share, of Smart for Life, Inc. that may be sold from time to time by the selling stockholders named in this prospectus, which includes:

- 11,999,404 shares of common stock issuable upon the conversion of series A convertible preferred stock issued to the selling stockholders;
- 11,999,404 shares of common stock issuable upon the exercise of warrants issued to the selling stockholders at an exercise price per share that is equal to 125% of the initial public offering price for our initial public offering;
- 2,250,000 shares of common stock issuable upon the conversion of debentures issued to the selling stockholders;
- up to an additional 26,248,808 shares of common stock that may be issuable to the selling stockholders upon the occurrence of certain adjustments to the conversion/exercise price of the series A convertible preferred stock, warrants and/or debentures; and
- 654,376 shares of common stock issuable to the selling stockholders under future equity agreements.

We will not receive any proceeds from the sales of outstanding common stock by the selling stockholders, but we will receive funds from the exercise of the warrants held by the selling stockholders.

Currently, no public market exists for our common stock. We have applied to list our common stock on the Nasdaq Capital Market, or Nasdaq, under the symbol "SMFL". There can be no assurance that we will be able to meet Nasdaq's initial listing requirements or that we will otherwise be approved for listing.

We are an "emerging growth company," as that term is used in the Jumpstart Our Business Startups Act of 2012, and as such, have elected to comply with certain reduced public company reporting requirements for this prospectus and future filings. See "*Prospectus Summary — Implications of Being an Emerging Growth Company*" and "*Risk Factors — Risks Related to this Offering and Ownership of Our Common Stock*."

The selling stockholders may offer and sell the common stock being offered by this prospectus from time to time in public or private transactions, or both. These sales will occur at a fixed price of \$5.00 per share until our common stock is quoted on the OTCQB or OTCQX marketplace, or listed on a national securities exchange. Thereafter, these sales will occur at fixed prices, at market prices prevailing at the time of sale, at prices related to prevailing market prices, or at negotiated prices. The selling stockholders may sell shares to or through underwriters, broker-dealers or agents, who may receive compensation in the form of discounts, concessions or commissions from the selling stockholders, the purchasers of the shares, or both. Any participating broker-dealers

and any selling stockholders who are affiliates of broker-dealers may be deemed to be “underwriters” within the meaning of the Securities Act of 1933, as amended, and any commissions or discounts given to any such broker-dealer or affiliates of a broker-dealer may be regarded as underwriting commissions or discounts under the Securities Act of 1933, as amended. The selling stockholders have informed us that they do not have any agreement or understanding, directly or indirectly, with any person to distribute their common stock. See “*Plan of Distribution*” for a more complete description of the ways in which the shares may be sold.

**Investing in our securities is highly speculative and involves a significant degree of risk. See “*Risk Factors*” beginning on page 24 of this prospectus for a discussion of information that should be considered before making a decision to purchase our securities.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The date of this prospectus is \_\_\_\_\_, 2022.

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**[Alternate Page for Resale Prospectus]**

**THE OFFERING**

Common stock offered by the selling stockholders:

This prospectus relates to 53,151,992 shares of common stock that may be sold from time to time by the selling stockholders named in this prospectus, which includes:

- 11,999,404 shares of common stock issuable upon the conversion of series A convertible preferred stock issued to the selling stockholders;
- 11,999,404 shares of common stock issuable upon the exercise of warrants issued to the selling stockholders at an exercise price per share that is equal to 125% of the initial public offering price for our initial public offering;
- 2,250,000 shares of common stock issuable upon the conversion of debentures issued to the selling stockholders;
- up to an additional 26,248,808 shares of common stock that may be issuable to the selling stockholders upon the occurrence of certain adjustments to the conversion/exercise price of the series A convertible preferred stock, warrants and/or debentures; and
- 654,376 shares of common stock issuable to the selling stockholders under future equity agreements.

Shares outstanding:

20,566,124 shares of common stock (or 20,836,124 shares if the underwriters exercise the over-allotment option in full).

Use of proceeds:

We will not receive any proceeds from the sales of outstanding common stock by the selling stockholders, but we will receive funds from the exercise of the warrants held by the selling stockholders.

Risk factors:

Investing in our securities involves a high degree of risk. As an investor, you should be able to bear a complete loss of your investment. You should carefully consider the information set forth in the “*Risk Factors*” section beginning on page 24.

Trading market and symbol:

We have applied to list our common stock on Nasdaq under the symbol “SMFL.” There can be no assurance that we will be able to meet Nasdaq’s initial listing requirements or that we will otherwise be approved for listing.

The number of shares of common stock outstanding assumes the issuance by us of units pursuant to the Public Offering Prospectus filed contemporaneously herewith and includes the following shares to be issued upon closing of the initial public offering described therein (assuming an initial public offering price of \$10.00 per unit, which is the midpoint of the estimated range of the initial public offering price shown on the cover page of the Public Offering Prospectus):

- 200,000 shares of common stock issuable upon the conversion of a convertible promissory note in the principal amount of \$500,000 that will convert concurrent with the closing of the offering at a conversion price equal to 50% of the effective initial public offering price;
- 600,000 shares of common stock issuable upon the conversion of a convertible promissory note in the principal amount of \$3,000,000 that will convert concurrent with the closing of the offering at a conversion price equal to the effective initial public offering price;

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**[Alternate Page for Resale Prospectus]**

- 380,000 shares of common stock issuable upon the conversion of a convertible promissory note in the principal amount of \$1,900,000 that will convert concurrent with the closing of the offering at a conversion price equal to the effective initial public offering price;
- 3,365,151 shares of common stock to be issued concurrent with the closing of the offering under future equity agreements that we entered into with certain lenders, pursuant to which we agreed to issue to such lenders a number of shares of common stock equal to the stated value described in the future equity agreement, which may be the principal amount of the loan or the principal amount of the loan plus a premium, divided by the effective initial public offering price, which total stated value, in the aggregate, is \$16,825,751;
- 251,250 shares of common stock to be issued concurrent with the closing of the offering under a future equity agreement that we entered into with a lender, pursuant to which we agreed to issue to such lender a number of shares of common stock equal to 75% of all funds advanced by such lender (\$1,675,000) divided by the effective initial public offering price; and
- 42,500 shares of common stock that we have agreed to issue to the former shareholders of GSP Nutrition pursuant to the terms of the contribution and exchange agreement.

The number of shares of common stock outstanding does not including the following:

- 1,450,000 shares of common stock issuable upon the exercise of outstanding options issued under our 2020 Stock Incentive Plan at an exercise price of \$0.01 per share;
- up to 550,000 additional shares of common stock that are reserved for issuance under our 2020 Stock Incentive Plan;
- up to 2,000,000 shares of common stock that are reserved for issuance under our 2022 Equity Incentive Plan;
- 11,999,404 shares of common stock issuable upon the conversion of our outstanding series A convertible preferred stock;
- 12,119,404 shares of common stock issuable upon the exercise of outstanding warrants at an exercise price per share that is equal to 125% of the initial public offering price for the offering;
- 2,496,614 shares of common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of \$0.32 per share;
- up to 2,250,000 shares of common stock issuable upon the conversion of 12% unsecured subordinated convertible debentures in the aggregate principal amount of \$2,250,000 that are convertible at the option of the holders into shares of common stock at a conversion price that is equal to 50% of the effective initial public offering price (as described in the debentures); provided that after date on which the registration statement of which this prospectus forms a part is declared effective, the conversion price shall be reduced to the lower of such price and the lowest volume weighted average price during the 10 trading days immediately following the such date; and provided further, that the conversion price shall not be less than \$1.00;
- shares of common stock issuable upon the conversion of a convertible promissory note in the principal amount of \$73,727.01 that is convertible at the option of the holder into shares of common stock at a conversion price that is equal to forty percent (40%) of either (i) the price per share paid by investors in our next priced equity financing, including the offering, or (ii) the volume weighted average price of the common stock for the five trading days from and including the date that the conversion notice is given;
- shares of common stock issuable upon the exercise of the warrants issued in connection with the offering; and

- shares of common stock issuable upon the conversion of any shares of series B convertible preferred stock issued in connection with the offering.

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**[Alternate Page for Resale Prospectus]**

**USE OF PROCEEDS**

We will not receive any proceeds from the sale of common stock by the selling stockholders. We may, however, receive up to \$            from the exercise of warrants held by the selling stockholders.

We have no specific plan for such proceeds except to generate funds for working capital and general corporate purposes. We will have broad discretion in the way that we use these proceeds.

The selling stockholders will pay any underwriting discounts and commissions and expenses incurred by them for brokerage, accounting, tax or legal services or any other expenses incurred by them in disposing of the shares. We will bear all other costs, fees and expenses incurred in effecting the registration of the shares covered by this prospectus, including, without limitation, all registration and filing fees and fees and expenses of our counsel and our accountants.

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**[Alternate Page for Resale Prospectus]****SELLING STOCKHOLDERS**

The common stock being offered by the selling stockholders are those issuable to the selling stockholders upon the conversion or exercise of series A convertible preferred stock, warrants and debentures held by the selling stockholders. For additional information regarding the issuances of those securities, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations — Recent Developments*” above. We are registering the shares of common stock in order to permit the selling stockholders to offer the shares for resale from time to time. Except for the ownership of these securities, the selling stockholders have not had any material relationship with us within the past three years and based on the information provided to us by the selling stockholders, no selling stockholder is a broker-dealer or an affiliate of a broker-dealer.

The table below lists the selling stockholders and other information regarding the beneficial ownership of the shares of common stock by each of the selling stockholders. The second column lists the number of shares of common stock beneficially owned by each selling stockholder, based on its ownership of the shares of series A convertible preferred stock, warrants and debentures as of \_\_\_\_\_, 2022, assuming the conversion of the series A convertible preferred stock, the exercise of the warrants and the conversion of the debentures held by the selling stockholders on that date, without regard to any limitations on conversions and exercises.

The third column lists the shares of common stock being offered by this prospectus by the selling stockholders.

In accordance with the terms of a registration rights agreement with the selling stockholders, this prospectus generally covers the resale of the sum of the maximum number of shares of common stock issuable upon the conversion of all shares of series A convertible preferred stock, the exercise of all warrants and the conversion of all debentures held by the selling stockholders, each as of the trading day immediately preceding the date of this prospectus and all subject to adjustment as provided in the registration right agreement, without regard to any limitations on the conversion or exercise of these securities. The fourth column assumes the sale of all of the shares offered by the selling stockholders pursuant to this prospectus.

Under the terms of the series A convertible preferred stock, the warrants and the debentures, a selling stockholder may not convert the series A convertible preferred stock, exercise the warrants or convert the debentures to the extent such conversion or exercise would cause such selling stockholder, together with its affiliates, to beneficially own a number of shares of common stock which would exceed 4.99% of our then outstanding common stock following such conversion or exercise. This limitation may be waived (up to a maximum of 9.99%) by the selling stockholder and in its sole discretion, upon not less than sixty-one (61) days’ prior notice to us. The number of shares in the table below do not reflect this limitation. The selling stockholders may sell all, some or none of their shares in this offering. See “*Plan of Distribution.*”

Name of Selling Stockholder	Common Stock Beneficially Owned Prior to this Offering	Number of Shares Being Offered	Common Stock Beneficially Owned After this Offering	
			Shares	Percent <sup>(1)</sup>
Anson East Master Fund LP <sup>(2)</sup>	3,281,102	3,281,102	—	—
Anson Investments Master Fund LP <sup>(3)</sup>	9,843,302	9,843,302	—	—
District 2 Capital Fund LP <sup>(4)</sup>	13,124,404	13,124,404	—	—
Ionic Ventures, LLC <sup>(5)</sup>	13,415,238	13,415,238	—	—
Sabby Volatility Warrant Master Fund, Ltd. <sup>(6)</sup>	13,124,404	13,124,404	—	—
Brendan O’Neil <sup>(7)</sup>	363,542	363,542	—	—

- (1) Applicable percentage ownership after to this offering is based on            shares of common stock and 8,000 shares of series A convertible preferred stock deemed to be outstanding as of           , 2022. As noted above, for purposes of computing percentage ownership after this offering, we have assumed that all series A convertible preferred stock, warrants and debentures held by the selling stockholders will be converted to common stock and sold in this offering.
- (2) Consists of (i) 749,963 shares of common stock issuable upon the conversion of series A convertible preferred stock, (ii) 749,963 shares of common stock issuable upon the exercise of warrants, (iii) 140,625 shares of common stock issuable upon the conversion of debentures and (iv) up to an additional 1,640,551 shares of common stock that may be issuable upon the occurrence of certain adjustments to the conversion/exercise price of the series A convertible preferred stock, warrants and/or debentures. Anson Advisors Inc. and Anson Funds Management LP, the Co-Investment Advisers of Anson East Master Fund LP,

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**[Alternate Page for Resale Prospectus]**

hold voting and dispositive power over the shares held by Anson East Master Fund LP. Bruce Winson is the managing member of Anson Management GP LLC, which is the general partner of Anson Funds Management LP. Moez Kassam and Amin Nathoo are directors of Anson Advisors Inc. Mr. Winson, Mr. Kassam and Mr. Nathoo each disclaim beneficial ownership of these shares except to the extent of their pecuniary interest therein.

- (3) Consists of (i) 2,249,888 shares of common stock issuable upon the conversion of series A convertible preferred stock, (ii) 2,249,888 shares of common stock issuable upon the exercise of warrants, (iii) 421,875 shares of common stock issuable upon the conversion of debentures and (iv) up to an additional 4,921,651 shares of common stock that may be issuable upon the occurrence of certain adjustments to the conversion/exercise price of the series A convertible preferred stock, warrants and/or debentures. Anson Advisors Inc. and Anson Funds Management LP, the Co-Investment Advisers of Anson Investments Master Fund LP, hold voting and dispositive power over the shares held by Anson Investments Master Fund LP. Bruce Winson is the managing member of Anson Management GP LLC, which is the general partner of Anson Funds Management LP. Moez Kassam and Amin Nathoo are directors of Anson Advisors Inc. Mr. Winson, Mr. Kassam and Mr. Nathoo each disclaim beneficial ownership of these shares except to the extent of their pecuniary interest therein.
- (4) Consists of (i) 2,999,851 shares of common stock issuable upon the conversion of series A convertible preferred stock, (ii) 2,999,851 shares of common stock issuable upon the exercise of warrants, (iii) 562,500 shares of common stock issuable upon the conversion of debentures and (iv) up to an additional 6,562,202 shares of common stock that may be issuable upon the occurrence of certain adjustments to the conversion/exercise price of the series A convertible preferred stock, warrants and/or debentures. Michael Bigger is the Managing Member of District 2 GP LLC, the General Partner of District 2 Capital Fund LP, and has voting and dispositive power over the shares held by it. Mr. Bigger disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.
- (5) Consists of (i) 2,999,851 shares of common stock issuable upon the conversion of series A convertible preferred stock, (ii) 2,999,851 shares of common stock issuable upon the exercise of warrants, (iii) 562,500 shares of common stock issuable upon the conversion of debentures, (iv) up to an additional 6,562,202 shares of common stock that may be issuable upon the occurrence of certain adjustments to the conversion/exercise price of the series A convertible preferred stock, warrants and/or debentures and (iv) up to 290,834 shares of common stock to be issued under a future equity agreement that we entered into with Ionic Ventures, LLC, pursuant to which we agreed to issue to Ionic Ventures, LLC a number of shares of common stock equal to \$1,163,333, divided by the initial public offering price allocated to the common stock comprising a part of the unit sold in our initial public offering that is occurring at or about the effective date of the registration statement of which this prospectus forms a part; provided that such initial offering price shall not be less than \$4.00. Brendan O'Neil and Keith Coulston are the principals of Ionic Ventures, LLC and hold voting and dispositive power over the shares held by it. Mr. O'Neil and Mr. Coulston each disclaim beneficial ownership of these shares except to the extent of their pecuniary interest therein.
- (6) Consists of (i) 2,999,851 shares of common stock issuable upon the conversion of series A convertible preferred stock, (ii) 2,999,851 shares of common stock issuable upon the exercise of warrants, (iii) 562,500 shares of common stock issuable upon the conversion of debentures and (iv) up to an additional 6,562,202 shares of common stock that may be issuable upon the occurrence of certain adjustments to the conversion/exercise price of the series A convertible preferred stock, warrants and/or debentures. Sabby Management, LLC, the investment manager of Sabby Volatility Warrant Master Fund, Ltd., and Hal Mintz, manager of Sabby Management, LLC, may be deemed to share voting and dispositive power with respect to these securities. Each of Sabby Management, LLC and Hal Mintz disclaims beneficial ownership over the securities listed except to the extent of their pecuniary interest therein.
- (7) Consists of up to 363,542 shares of common stock to be issued under a future equity agreements that we entered into with Brendan O'Neil, pursuant to which we agreed to issue to Mr. O'Neil a number of shares of common stock equal to \$1,454,167 divided by the initial public offering price allocated to the common stock comprising a part of the unit sold in our initial public offering that is occurring at or about the effective date of the registration statement of which this prospectus forms a part; provided that such initial offering price shall not be less than \$4.00.

**[Alternate Page for Resale Prospectus]**

**PLAN OF DISTRIBUTION**

Each selling stockholder and any of their pledgees, assignees and successors-in-interest may, from time to time, sell any or all of their securities covered hereby on any stock exchange, market or trading facility on which the securities are traded or in private transactions. These sales will occur at a fixed price of \$5.00 per share until our common stock is quoted on the OTCQB or OTCQX marketplace, or listed on a national securities exchange. Thereafter, these sales will occur at fixed prices, at market prices prevailing at the time of sale, at prices related to prevailing market prices, or at negotiated prices. A selling stockholder may use any one or more of the following methods when selling securities:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the securities as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- settlement of short sales;
- in transactions through broker-dealers that agree with the selling stockholders to sell a specified number of such securities at a stipulated price per security;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;
- a combination of any such methods of sale; or
- any other method permitted pursuant to applicable law.

The selling stockholders may also sell securities under Rule 144 or any other exemption from registration under the Securities Act, if available, rather than under this prospectus.

Broker-dealers engaged by the selling stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling stockholders (or, if any broker-dealer acts as agent for the purchaser of securities, from the purchaser) in amounts to be negotiated, but, except as set forth in a supplement to this prospectus, in the case of an agency transaction not in excess of a customary brokerage commission in compliance with FINRA Rule 2121; and in the case of a principal transaction a markup or markdown in compliance with FINRA Rule 2121.

In connection with the sale of the securities or interests therein, the selling stockholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the securities in the course of hedging the positions they assume. The selling stockholders may also sell securities short and deliver these securities to close out their short positions, or loan or pledge the securities to broker-dealers that in turn may sell these securities. The selling stockholders may also enter into option or other transactions with broker-dealers or other financial institutions or create one or more derivative securities which require the delivery to such broker-dealer or other financial institution of securities offered by this prospectus, which securities such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The selling stockholders and any broker-dealers or agents that are involved in selling the securities may be deemed to be “underwriters” within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the securities

purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. Each selling stockholder has informed us that it does not have any written or oral agreement or understanding, directly or indirectly, with any person to distribute the securities.

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**[Alternate Page for Resale Prospectus]**

We are required to pay certain fees and expenses incurred by us incident to the registration of the securities. We have agreed to indemnify the selling stockholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

We agreed to keep this prospectus effective until the earlier of (i) the date on which the securities may be resold by the selling stockholders without registration and without regard to any volume or manner-of-sale limitations by reason of Rule 144, without the requirement for us to be in compliance with the current public information under Rule 144 under the Securities Act or any other rule of similar effect or (ii) all of the securities have been sold pursuant to this prospectus or Rule 144 under the Securities Act or any other rule of similar effect. The resale securities will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states, the resale securities covered hereby may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

Under applicable rules and regulations under the Exchange Act, any person engaged in the distribution of the resale securities may not simultaneously engage in market making activities with respect to the common stock for the applicable restricted period, as defined in Regulation M, prior to the commencement of the distribution. In addition, the selling stockholders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including Regulation M, which may limit the timing of purchases and sales of the common stock by the selling stockholders or any other person. We will make copies of this prospectus available to the selling stockholders and have informed them of the need to deliver a copy of this prospectus to each purchaser at or prior to the time of the sale (including by compliance with Rule 172 under the Securities Act).

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**LEGAL MATTERS**

The validity of the common stock covered by this prospectus will be passed upon by Bevilacqua PLLC.

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**PART II**  
**INFORMATION NOT REQUIRED IN THE PROSPECTUS**

**Item 13. Other Expenses of Issuance and Distribution**

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by us in connection with the sale of common shares being registered. All amounts, other than the SEC registration fee, Nasdaq listing fee and FINRA filing fee, are estimates. We will pay all these expenses.

	<b>Amount</b>
SEC registration fee	\$ 29,433.18
Nasdaq listing fee	75,000.00
FINRA filing fee	28,439.89
Accounting fees and expenses	15,000.00
Legal fees and expenses	232,500.00
Transfer agent fees and expenses	10,000.00
Printing and related fees and expenses	10,000.00
Miscellaneous fees and expenses	10,262.88
<b>Total</b>	<b>\$ 410,635.95</b>

**Item 14. Indemnification of Directors and Officers**

Section 145 of the General Corporation Law of the State of Delaware provides that a corporation may indemnify directors and officers as well as other employees and individuals against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement in connection with specified actions, suits and proceedings whether civil, criminal, administrative, or investigative, other than a derivative action by or in the right of the corporation, if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe their conduct was unlawful. A similar standard is applicable in the case of derivative actions, except that indemnification extends only to expenses, including attorneys' fees, incurred in connection with the defense or settlement of such action and the statute requires court approval before there can be any indemnification where the person seeking indemnification has been found liable to the corporation. The statute provides that it is not exclusive of other indemnification that may be granted by a corporation's certificate of incorporation, bylaws, disinterested director vote, stockholder vote, agreement or otherwise.

Our certificate of incorporation and bylaws provide for indemnification of directors and officers to the fullest extent permitted by law, including payment of expenses in advance of resolution of any such matter.

We intend to enter into separate indemnification agreements with our directors and officers. Each indemnification agreement will provide, among other things, for indemnification to the fullest extent permitted by law and our amended and restated certificate of incorporation and bylaws against any and all expenses, judgments, fines, penalties and amounts paid in settlement of any claim. The indemnification agreements will provide for the advancement or payment of all expenses to the indemnitee and for reimbursement to us if it is found that such indemnitee is not entitled to such indemnification under applicable law and our amended and restated certificate of incorporation and bylaws.

We are in the process of obtaining standard policies of insurance under which coverage is provided (a) to our directors and officers against loss rising from claims made by reason of breach of duty or other wrongful act, and (b) to us with respect to payments which we may make to such officers and directors pursuant to the above indemnification provision or otherwise as a matter of law.



The underwriting agreement, filed as Exhibit 1.1 to this registration statement, will provide for indemnification, under certain circumstances, by the underwriter of us and our officers and directors for certain liabilities arising under the Securities Act or otherwise.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us under the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

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### **Item 15. Recent Sales of Unregistered Securities**

During the past three years, we issued the following securities, which were not registered under the Securities Act.

During the period from June 15, 2020 through April 13, 2021, we issued a total of 13,370,000 shares of our common stock to our employees and consultants in consideration for services rendered to our company. The issuance of these securities was made in reliance upon an exemption from the registration requirements of Section 4(a)(2) of the Securities Act.

During the period from March 8, 2018 through January 20, 2021, we issued promissory notes to accredited investors in a series of private placements. The aggregate principal amount of the notes is \$4,519,500. The issuance of these securities was made in reliance upon an exemption from the registration requirements of Section 4(a)(2) of the Securities Act.

During the period from September 14, 2020 through April 13, 2021, we granted options to purchase a total of 1,450,000 shares of our common stock to officers and directors of our company. The issuance of these securities was made in reliance upon an exemption from the registration requirements of Section 4(a)(2) of the Securities Act.

On December 18, 2020, we entered into a future equity agreement with Peah Capital, LLC, pursuant to which we have agreed to issue to Peah Capital, LLC concurrent with the closing of this offering a number of shares of our common stock equal to 75% of all funds loaned to us by it divided by the initial public offering price. The aggregate amount loaned to us by Peah Capital, LLC is \$1,675,000. We also issued a warrant for the purchase of 1,292,445 shares of common stock to Peah Capital, LLC. This warrant is exercisable for the period commencing on January 31, 2022 and ending on December 18, 2027; provided that, the warrant will automatically expire and terminate in the event a registration statement covering the resale of all shares issued pursuant the future equity agreement has been declared effective by the SEC. The exercise price of this warrant is \$0.0001, subject to standard adjustments for stock splits, stock combinations, stock dividends, reclassifications and similar transactions. In addition, in the event that the number of our outstanding shares of common stock is increased prior to the 18-month anniversary of the warrant, the number of shares issuable upon exercise of the warrant shall be automatically increased to represent that number which is 9.9% of the then total outstanding capitalization. The issuance of these securities was made in reliance upon an exemption from the registration requirements of Section 4(a)(2) of the Securities Act.

On February 25, 2021, we issued a convertible promissory note in the principal amount of \$500,000 to East West Capital LLC. This note accrues interest at 15% per annum and matures on March 31, 2023. This note will automatically convert into shares of common stock concurrent with the closing of this offering at a conversion price equal to 50% of the initial public offering price. The issuance of these securities was made in reliance upon an exemption from the registration requirements of Section 4(a)(2) of the Securities Act.

On May 10, 2021, we issued a convertible promissory note in the principal amount of \$73,727.01 to Bevilacqua PLLC, our outside securities counsel. This note accrues interest at 15% per annum and matures on May 10, 2022. The note is convertible at the option of the holder into shares of common stock at a conversion price that is equal to forty percent (40%) of either (i) the price per share paid by investors in our next priced equity financing, including this offering, or (ii) the volume weighted average price of the common stock for the five trading days from and including the date that the conversion notice is given. The issuance of these securities was made in reliance upon an exemption from the registration requirements of Section 4(a)(2) of the Securities Act.

On July 1, 2021, we issued a convertible promissory note in the principal amount of \$3,000,000 to Sasson E. Moulavi in connection with the acquisition of Doctors Scientific Organica. This note accrues interest at 6% per annum and matures on July 1, 2024. This note will automatically convert into shares of common stock concurrent with the closing of this offering at a conversion price equal to the initial public offering price. The issuance of these securities was made in reliance upon an exemption from the registration requirements of Section 4(a)(2) of the Securities Act.

On July 1, 2021, we completed a private placement in which we sold an aggregate of 6,000 shares of series A convertible preferred stock and warrants for the purchase of an aggregate of 8,999,552 shares of common

stock to certain investors for gross proceeds of \$6,000,000. On August 18, 2021, we completed an additional closing of this private placement in which we sold 2,000 shares of series A convertible preferred stock and warrants for the purchase of 2,999,852 shares of common stock for gross proceeds of \$2,000,000. Please see “*Description of Securities*” for a description of the series A convertible preferred stock and warrants issued in this private placement. The issuance of these securities was made in reliance upon an exemption from the registration requirements of Section 4(a)(2) of the Securities Act.

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On July 1, 2021, we issued warrants for the purchase of an aggregate of 1,078,173 shares of common stock to Dawson James Securities, Inc., the representative of the underwriters for this offering, as partial compensation for services rendered in connection with the private placement of series A convertible preferred stock and loan from Diamond Creek Capital, LLC that were completed on July 1, 2021. These warrants are exercisable for a period of five years at an exercise price of \$0.6667 per share, subject to standard adjustments for stock splits, stock combinations, stock dividends, reclassifications, mergers, consolidations, reorganizations and similar transactions, and may be exercised on a cashless basis. The issuance of these securities was made in reliance upon an exemption from the registration requirements of Section 4(a)(2) of the Securities Act.

On November 5, 2021, we completed a private placement in which we sold 12% unsecured subordinated convertible debentures in the aggregate principal amount of \$2,250,000 to certain investors for gross proceeds of \$2,250,000. At any time after the sixth month anniversary of the IPO date, the holders may convert the principal amount of the debentures into shares of common stock at a conversion price that is equal to 50% of the effective initial public offering price (as described in the debentures); provided that after the IPO date, the conversion price shall be reduced to the lower of such price and the lowest volume weighted average price during the 10 trading days immediately following the IPO date; provided further, that the conversion price shall not be less than \$1.00. Please see “*Description of Securities*” for a description of the debentures issued in this private placement. The issuance of these securities was made in reliance upon an exemption from the registration requirements of Section 4(a)(2) of the Securities Act.

On November 5, 2021, we issued a warrant for the purchase of 36,000 shares of common stock to Dawson James Securities, Inc., the representative of the underwriters for this offering, as partial compensation for services rendered in connection with the foregoing private placement. Half of these shares, or 36,000 shares, were subsequently forfeited by Dawson James Securities, Inc. This warrant is exercisable for a period of five years at an exercise price of \$2.50 per share, subject to standard adjustments for stock splits, stock combinations, stock dividends, reclassifications, mergers, consolidations, reorganizations and similar transactions, and may be exercised on a cashless basis. The issuance of these securities was made in reliance upon an exemption from the registration requirements of Section 4(a)(2) of the Securities Act.

On November 8, 2021, we issued a convertible promissory note in the principal amount of \$1,900,000 to Justin Francisco and Steven Rubert in connection with the acquisition of Nexus. This note accrues interest at 5% per annum and matures on November 8, 2024. This note will automatically convert into shares of common stock concurrent with the closing of this offering at a conversion price equal to the initial public offering price. The issuance of these securities was made in reliance upon an exemption from the registration requirements of Section 4(a)(2) of the Securities Act.

On December 6, 2021, we issued 42,500 shares of our common stock to the shareholders of GSP Nutrition in connection with the acquisition of GSP Nutrition. In connection with this acquisition, we also issued 14,723 shares of common stock to certain vendors of GSP who agreed to settle accounts payable owed to them into our common stock. The issuance of these securities was made in reliance upon an exemption from the registration requirements of Section 4(a)(2) of the Securities Act.

In December 2021 and January 2022, we entered into note and warrant purchase agreements with certain investors, pursuant to which we sold to such investors (i) original issue discount secured subordinated promissory notes in the aggregate principal amount of \$705,882 and (ii) warrants for the purchase of a number of shares of our common stock that is equal to the investors’ investment amount divided by a price per share that is equal to 100% of the effective initial public offering price, for total gross proceeds of \$250,000. Please see “*Description of Securities*” for a description of the warrants issued in this private placement. The issuance of these securities was made in reliance upon an exemption from the registration requirements of Section 4(a)(2) of the Securities Act.

From May 2017 to December 31, 2021, we entered into future equity agreements with 56 lenders, pursuant to which we have agreed to issue to such lenders concurrent with the closing of this offering a number of shares of our common stock equal to the principal amount loaned to us divided by the initial public offering price. The aggregate principal amount loaned to us by these lenders is \$5,880,405. The issuance of these securities was made in reliance upon an exemption from the registration requirements of Section 4(a)(2) of the Securities Act.

In instances described above where we indicate that we relied upon Section 4(a)(2) of the Securities Act in issuing securities, our reliance was based upon the following factors: (a) the issuance of the securities was an isolated private transaction by us which did not involve a public offering; (b) there were only a limited number of offerees; (c) there were no subsequent or contemporaneous public offerings of the securities by us; (d) the securities were not broken down into smaller denominations; and (e) the negotiations for the sale of the stock took place directly between the offeree and us.

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**Item 16. Exhibits.**

(a) Exhibits.

<b>Exhibit No.</b>	<b>Description</b>
1.1*	<a href="#">Form of Underwriting Agreement</a>
3.1**	<a href="#">Certificate of Incorporation of Smart for Life, Inc., as amended</a>
3.2**	<a href="#">Certificate of Designation of Series A Convertible Preferred Stock</a>
3.3**	<a href="#">Form of Certificate of Designation of Series B Convertible Preferred Stock</a>
3.4**	<a href="#">Bylaws of Smart for Life, Inc.</a>
4.1**	<a href="#">Form of Warrant Agent Agreement</a>
4.2**	<a href="#">Form of Series A Warrant (included in Exhibit 4.1)</a>
4.3**	<a href="#">Form of Series B Warrant (included in Exhibit 4.1)</a>
4.4**	<a href="#">Common Stock Purchase Warrant issued by Smart for Life, Inc. to Anson East Master Fund LP on August 18, 2021</a>
4.5**	<a href="#">Common Stock Purchase Warrant issued by Smart for Life, Inc. to Anson Investments Master Fund LP on August 18, 2021</a>
4.6**	<a href="#">Common Stock Purchase Warrant issued by Smart for Life, Inc. to District 2 Capital Fund LP on August 18, 2021</a>
4.7**	<a href="#">Common Stock Purchase Warrant issued by Smart for Life, Inc. to Ionic Ventures, LLC on August 18, 2021</a>
4.8**	<a href="#">Common Stock Purchase Warrant issued by Smart for Life, Inc. to Sabby Volatility Warrant Master Fund, Ltd. on August 18, 2021</a>
4.9**	<a href="#">Common Stock Purchase Warrant issued by Smart for Life, Inc. to Anson East Master Fund LP on July 1, 2021</a>
4.10**	<a href="#">Common Stock Purchase Warrant issued by Smart for Life, Inc. to Anson Investments Master Fund LP on July 1, 2021</a>
4.11**	<a href="#">Common Stock Purchase Warrant issued by Smart for Life, Inc. to District 2 Capital Fund LP on July 1, 2021</a>
4.12**	<a href="#">Common Stock Purchase Warrant issued by Smart for Life, Inc. to Ionic Ventures, LLC on July 1, 2021</a>
4.13**	<a href="#">Common Stock Purchase Warrant issued by Smart for Life, Inc. to Sabby Volatility Warrant Master Fund, Ltd. on July 1, 2021</a>
4.14**	<a href="#">Common Stock Purchase Warrant issued by Smart for Life, Inc. to Peah Capital, LLC on December 18, 2020</a>
4.15**	<a href="#">Amendment No 1 to Common Stock Purchase Warrant, dated June 30, 2021, between Smart for Life, Inc. and Peah Capital, LLC</a>
4.16**	<a href="#">Common Stock Purchase Warrant issued by Smart for Life, Inc. to Leonite Capital LLC on May 18, 2017</a>
4.17**	<a href="#">Warrant issued by Smart for Life, Inc. to Ryan Hazel on December 23, 2021</a>
4.18**	<a href="#">Warrant issued by Smart for Life, Inc. to Thomas L Calkins II and Diane M Calkins JTIC on December 27, 2021</a>
4.19**	<a href="#">Warrant issued by Smart for Life, Inc. to Robert Rein on January 3, 2022</a>
4.20**	<a href="#">Warrant issued by Smart for Life, Inc. to Laurie Rosenthal on January 7, 2022</a>
4.21**	<a href="#">Warrant issued by Smart for Life, Inc. to Joseph Xiras on January 13, 2022</a>
4.22**	<a href="#">Warrant issued by Smart for Life, Inc. to Leonite Fund I, LP on January 13, 2022</a>

4.23*	<a href="#"><u>Warrant issued by Smart for Life, Inc. to Dawson James Securities, Inc. on July 1, 2021</u></a>
4.24*	<a href="#"><u>Warrant issued by Smart for Life, Inc. to Dawson James Securities, Inc. on July 1, 2021</u></a>
4.25*	<a href="#"><u>Amended and Restated Warrant issued by Smart for Life, Inc. to Dawson James Securities, Inc. on February 1, 2022</u></a>
5.1**	<a href="#"><u>Opinion of Bevilacqua PLLC as to the legality of the shares</u></a>
10.1**	<a href="#"><u>Securities Purchase Agreement, dated November 5, 2021, among Smart for Life, Inc. and the purchasers named therein</u></a>
10.2**	<a href="#"><u>Subsidiary Guarantee, dated November 5, 2021, by Smart for Life, Inc., Bonne Sante Natural Manufacturing, Inc., Doctors Scientific Organica, LLC, Oyster Management Services, Ltd., Lawee Enterprises, L.L.C., U.S. Medical Care Holdings, L.L.C. and Nexus Offers, Inc.</u></a>

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Exhibit No.	Description
10.3**	<a href="#">12% Unsecured Subordinated Convertible Debenture due November 30, 2022 issued by Smart for Life, Inc. to Anson East Master Fund LP on November 5, 2021</a>
10.4**	<a href="#">12% Unsecured Subordinated Convertible Debenture due November 30, 2022 issued by Smart for Life, Inc. to Anson Investments Master Fund LP on August 18, 2021</a>
10.5**	<a href="#">12% Unsecured Subordinated Convertible Debenture due November 30, 2022 issued by Smart for Life, Inc. to District 2 Capital Fund LP on November 5, 2021</a>
10.6**	<a href="#">12% Unsecured Subordinated Convertible Debenture due November 30, 2022 issued by Smart for Life, Inc. to Ionic Ventures, LLC on November 5, 2021</a>
10.7**	<a href="#">12% Unsecured Subordinated Convertible Debenture due November 30, 2022 issued by Smart for Life, Inc. to Sabby Volatility Warrant Master Fund, Ltd. on November 5, 2021</a>
10.8**	<a href="#">Securities Purchase Agreement, dated July 1, 2021, among Smart for Life, Inc. and the purchasers named therein</a>
10.9**	<a href="#">Registration Rights Agreement, dated July 1, 2021, among Smart for Life, Inc. and the purchasers named therein</a>
10.10**	<a href="#">Contribution and Exchange Agreement, dated November 29, 2021, among GSP Nutrition Inc., the shareholders of GSP Nutrition Inc. and Smart for Life, Inc.</a>
10.11**	<a href="#">Securities Purchase Agreement, dated July 21, 2021, among Smart for Life, Inc., Nexus Offers, Inc., Justin Francisco and Steven Rubert</a>
10.12**	<a href="#">Amendment No. 1 to Securities Purchase Agreement, dated November 8, 2021, among Smart for Life, Inc., Nexus Offers, Inc., Justin Francisco and Steven Rubert</a>
10.13**	<a href="#">5% Secured Subordinated Convertible Promissory Note issued by Smart for Life, Inc. to Justin Francisco and Steven Rubert on November 8, 2021</a>
10.14**	<a href="#">5% Secured Subordinated Promissory Note issued by Smart for Life, Inc. to Justin Francisco and Steven Rubert on November 8, 2021</a>
10.15**	<a href="#">Securities Purchase Agreement, dated February 11, 2020, among Smart for Life, Inc., Doctors Scientific Organica, LLC, Oyster Management Services, Ltd., Lawee Enterprises, L.L.C., U.S. Medical Care Holdings, L.L.C. and Sasson E. Moulavi</a>
10.16**	<a href="#">First Amendment to Securities Purchase Agreement, dated July 7, 2020, among Smart for Life, Inc., Doctors Scientific Organica, LLC, Oyster Management Services, Ltd., Lawee Enterprises, L.L.C., U.S. Medical Care Holdings, L.L.C. and Sasson E. Moulavi</a>
10.17**	<a href="#">Second Amendment to Securities Purchase Agreement, dated June 4, 2021, among Smart for Life, Inc., Doctors Scientific Organica, LLC, Oyster Management Services, Ltd., Lawee Enterprises, L.L.C., U.S. Medical Care Holdings, L.L.C. and Sasson E. Moulavi</a>
10.18**	<a href="#">Third Amendment to Securities Purchase Agreement, dated July 1, 2021, among Smart for Life, Inc., Doctors Scientific Organica, LLC, Oyster Management Services, Ltd., Lawee Enterprises, L.L.C., U.S. Medical Care Holdings, L.L.C. and Sasson E. Moulavi</a>
10.19**	<a href="#">6% Secured Subordinated Convertible Promissory Note issued by Smart for Life, Inc. to Sasson E. Moulavi on July 1, 2021</a>
10.20**	<a href="#">6% Secured Subordinated Promissory Note issued by Smart for Life, Inc. to Sasson E. Moulavi on July 1, 2021</a>
10.21**	<a href="#">Loan Agreement, dated July 1, 2021, among Smart for Life, Inc., Bonne Sante Natural Manufacturing, Inc., Doctors Scientific Organica, LLC and Diamond Creek Capital, LLC</a>
10.22**	<a href="#">Term Loan Promissory Note issued by Smart for Life, Inc., Bonne Sante Natural Manufacturing, Inc. and Doctors Scientific Organica, LLC to Diamond Creek Capital, LLC on July 1, 2021</a>
10.23**	<a href="#">Security Agreement, dated July 1, 2021, among Smart for Life, Inc., Bonne Sante Natural Manufacturing, Inc., Doctors Scientific Organica, LLC and Diamond Creek Capital, LLC</a>
10.24**	<a href="#">Loan and Security Agreement, dated December 18, 2020, among Bonne Sante Natural Manufacturing, Inc., Smart for Life, Inc. and Peah Capital, LLC</a>



10.25**	<a href="#"><u>Loan and Security Agreement Amendment, dated April 27, 2021, among Bonne Sante Natural Manufacturing, Inc., Smart for Life, Inc. and Peah Capital, LLC</u></a>
10.26**	<a href="#"><u>Promissory Note issued by Bonne Sante Natural Manufacturing, Inc. and Smart for Life, Inc. to Peah Capital, LLC on December 18, 2020</u></a>
10.27**	<a href="#"><u>First Amended and Restated Promissory Note issued by Bonne Sante Natural Manufacturing, Inc. and Smart for Life, Inc. to Peah Capital, LLC on December 18, 2020</u></a>

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<b>Exhibit No.</b>	<b>Description</b>
10.28**	<a href="#">Seconded Amended and Restated Promissory Note issued by Bonne Sante Natural Manufacturing, Inc. and Smart for Life, Inc. to Peah Capital, LLC on April 27, 2021</a>
10.29**	<a href="#">Pledge and Security Agreement, dated December 18, 2020, among Bonne Sante Natural Manufacturing, Inc., Smart for Life, Inc., Trilogy Capital Group LLC, Mesa Lane LLC, Darren Minton, Alfonso J. Cervantes and Peah Capital, LLC</a>
10.30**	<a href="#">Corporate Guaranty, dated December 18, 2020, between Smart for Life, Inc. and Peah Capital, LLC</a>
10.31**	<a href="#">Corporate Guaranty, dated December 18, 2020, between Bonne Sante Natural Manufacturing, Inc. and Peah Capital, LLC</a>
10.32**	<a href="#">Future Equity Agreement, dated December 18, 2020, between Smart for Life, Inc. and Peah Capital, LLC</a>
10.33**	<a href="#">Lease, dated February 3, 2012, between O &amp; B Properties, Inc. and Bonne Sante Natural Manufacturing, Inc., as amended</a>
10.34**	<a href="#">Business Lease, dated November 20, 2015, between Aqua USA Property Management LLC and Bonne Sante Natural Manufacturing, Inc.</a>
10.35**	<a href="#">Lease, dated September 1, 2018, between Scientific Real Estate Holdings LLC and Doctors Scientific Organica, LLC</a>
10.36**	<a href="#">Memorandum of Agreement of Lease, dated September 30, 2021, between The Linger Corporation and Smart for Life Canada Inc.</a>
10.37**+	<a href="#">License Agreement, dated January 1, 2020, between ABG-SI, LLC and GSP Nutrition Inc.</a>
10.38**†	<a href="#">Employment Agreement, dated July 1, 2020, between Smart for Life, Inc. and Alfonso J. Cervantes</a>
10.39**†	<a href="#">Employment Agreement, dated November 15, 2020, between Smart for Life, Inc. and Ryan Zackon</a>
10.40**†	<a href="#">Employment Agreement, dated July 1, 2020, between Smart for Life, Inc. and Darren C. Minton</a>
10.41**	<a href="#">Form of Independent Director Agreement between Smart for Life, Inc. and each independent director</a>
10.42**	<a href="#">Form of Indemnification Agreement between Smart for Life, Inc. and each independent director</a>
10.43**†	<a href="#">2020 Stock Incentive Plan</a>
10.44**†	<a href="#">Form of Stock Option Agreement for 2020 Stock Incentive Plan</a>
10.45**†	<a href="#">Form of Restricted Stock Award Agreement for 2020 Stock Incentive Plan</a>
10.46**†	<a href="#">2022 Equity Incentive Plan</a>
10.47**†	<a href="#">Form of Stock Option Agreement for 2022 Equity Incentive Plan</a>
10.48**†	<a href="#">Form of Restricted Stock Award Agreement for 2022 Equity Incentive Plan</a>
10.49**†	<a href="#">Form of Restricted Stock Unit Award Agreement for 2022 Equity Incentive Plan</a>
10.50**+	<a href="#">Amendment No. 1 to License Agreement, dated June 1, 2020, between ABG-SI, LLC and GSP Nutrition Inc.</a>
10.51**+	<a href="#">Amendment No. 2 to License Agreement, dated August 1, 2021, between ABG-SI, LLC and GSP Nutrition Inc.</a>
10.52**	<a href="#">Future Equity Agreement, dated March 6, 2018, between Smart for Life, Inc. and Ionic Ventures, LLC</a>
10.53**	<a href="#">Letter Agreement, dated March 8, 2019, between Smart for Life, Inc. and Ionic Ventures, LLC</a>
10.54**	<a href="#">Letter Agreement, dated February 5, 2020, between Smart for Life, Inc. and Ionic Ventures, LLC</a>
10.55**	<a href="#">Future Equity Agreement, dated May 14, 2018, between Smart for Life, Inc. and Brendan O'Neil</a>
10.56**	<a href="#">Letter Agreement, dated March 8, 2019, between Smart for Life, Inc. and Brendan O'Neil</a>
10.57**	<a href="#">Letter Agreement, dated February 5, 2020, between Smart for Life, Inc. and Brendan O'Neil</a>

10.58**	<a href="#"><u>Letter Agreement, dated January 20, 2022, among Smart for Life, Inc., Ionic Ventures, LLC and Brendan O’Neil</u></a>
21.1**	<a href="#"><u>Subsidiaries of Smart for Life, Inc.</u></a>
23.1*	<a href="#"><u>Consent of Daszkal Bolton LLP for Smart for Life, Inc.</u></a>
23.2*	<a href="#"><u>Consent of Daszkal Bolton LLP for Doctors Scientific Organica, LLC</u></a>
23.3*	<a href="#"><u>Consent of Daszkal Bolton LLP for Nexus Offers, Inc.</u></a>
23.4**	<a href="#"><u>Consent of Bevilacqua PLLC (included in Exhibit 5.1)</u></a>
24.1**	<a href="#"><u>Power of Attorney (included on the signature page of this registration statement)</u></a>
99.1**	<a href="#"><u>Consent of Richard M. Cohen (director nominee)</u></a>
99.2**	<a href="#"><u>Consent of Robert S. Rein, Esq. (director nominee)</u></a>

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Exhibit No.	Description
99.3**	<a href="#">Consent of Roger Conley Wood (director nominee)</a>
99.4**	<a href="#">Audit Committee Charter</a>
99.5**	<a href="#">Compensation Committee Charter</a>
99.6**	<a href="#">Nominating and Corporate Governance Committee Charter</a>
107*	<a href="#">Exhibit Filing Fees</a>

\* Filed herewith

\*\* Previously filed

+ Certain confidential information contained these exhibits has been omitted in accordance with Item 6.01(b)(10) because it is both (i) not material and (ii) is the type that we treat as private or confidential because it would be competitively harmful if publicly disclosed

† Executive compensation plan or arrangement

### (b) Financial Statement Schedules.

All financial statement schedules are omitted because the information called for is not required or is shown either in the financial statements or in the notes thereto.

## Item 17. Undertakings

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

- (1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.
- (2) For purposes of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Miami, State of Florida, on February 2, 2022.

### SMART FOR LIFE, INC.

By: /s/ Ryan F. Zackon

\_\_\_\_\_  
Ryan F. Zackon  
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ Ryan F. Zackon	Chief Executive Officer and Director	February 2, 2022
Ryan F. Zackon	(principal executive officer)	
*	Chief Financial Officer	February 2, 2022
Alan B. Bergman	(principal financial and accounting officer)	
*	Executive Chairman of the Board	February 2, 2022
Alfonso J. Cervantes, Jr.		
*	President and Director	February 2, 2022
Darren C. Minton		
*	Director	February 2, 2022
Ronald S. Altbach		
* By: /s/ Ryan F. Zackon		
Ryan F. Zackon		
Attorney-In-Fact		

[ ] SHARES OF COMMON STOCK

AND

[ ] WARRANTS OF

SMART FOR LIFE, INC.

## UNDERWRITING AGREEMENT

[ ], 2022

Dawson James Securities, Inc.  
 As the Representative of the  
 Several underwriters, if any, named in Schedule I hereto  
 c/o Dawson James Securities, Inc.  
 1 North Federal Highway, 5<sup>th</sup> Floor  
 Boca Raton, FL 33432

Ladies and Gentlemen:

The undersigned, Smart for Life, Inc., a company incorporated under the laws of Delaware (the “Company”), hereby confirms its agreement (this “Agreement”) with the several underwriters (such underwriters, including the Representative (as defined below), the “Underwriters” and each an “Underwriter”) named in Schedule I hereto for which Dawson James Securities, Inc. is acting as representative to the several Underwriters (the “Representative” and if there are no Underwriters other than the Representative, references to multiple Underwriters shall be disregarded and the term Representative as used herein shall have the same meaning as Underwriter) on the terms and conditions set forth herein.

It is understood that the several Underwriters are to make a public offering of the Public Securities as soon as the Representative deems it advisable to do so. The Public Securities are to be initially offered to the public at the public offering price set forth in the Prospectus.

It is further understood that you will act as the Representative for the Underwriters in the offering and sale of the Closing Securities and, if any, the Option Securities in accordance with this Agreement.

## ARTICLE I. DEFINITIONS

1.1 Definitions. In addition to the terms defined elsewhere in this Agreement, (a) capitalized terms that are not otherwise defined herein have the meanings given to such terms in the Certificate of Designation (as defined herein) and (b) the following terms have the meanings set forth in this Section 1.1:

“Action” shall have the meaning ascribed to such term in Section 3.1(k). “Affiliate” means with respect to any Person, any other Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with such Person as such terms are used in and construed under Rule 405 under the Securities Act.

“Board of Directors” means the board of directors of the Company.

“Business Day” means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed; provided, however, for clarification, commercial banks shall not be deemed to be authorized or required by law to remain closed due to “stay at home”, “shelter-in-place”, “non-essential employee”

or any other similar orders or restrictions or the closure of any physical branch locations at the direction of any governmental authority so long as the electronic funds transfer systems (including for wire transfers) of commercial banks in The City of New York generally are open for use by customers on such day.

“Certificate of Designation” means the Certificate of Designation to be filed prior to the Closing by the Company with the Secretary of State of Delaware in the form of Exhibit F attached hereto.

“Closing” means the closing of the purchase and sale of the Closing Securities pursuant to Section 2.1.

“Closing Date” means the hour and the date on the Trading Day on which all conditions precedent to (i) the Underwriters’ obligations to pay the Closing Purchase Price and (ii) the Company’s obligations to deliver the Closing Securities, in each case, have been satisfied or waived, but in no event later than 10:00 a.m. (New York City time) on the second (2<sup>nd</sup>) Trading Day following the date hereof or at such earlier time as shall be agreed upon by the Representative and the Company.

“Closing Preferred Shares” shall have the meaning ascribed to such term in Section 2.1(a)(i).

“Closing Purchase Price” shall have the meaning ascribed to such term in Section 2.1(b), which aggregate purchase price shall be net of the underwriting discounts and commissions.

“Closing Securities” shall have the meaning ascribed to such term in Section 2.1(a)(iii).

“Closing Shares” shall have the meaning ascribed to such term in Section 2.1(a)(i).

“Closing Warrants” shall have the meaning ascribed to such term in Section 2.1(a)(iii).

“Combined Purchase Price” shall have the meaning ascribed to such term in Section 2.1(b).

“Commission” means the United States Securities and Exchange Commission.

“Common Stock” means the common stock of the Company, par value \$0.0001 per share, and any other class of securities into which such securities may hereafter be reclassified or changed.

“Common Stock Equivalents” means any securities of the Company which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

“Company Auditor” means Daszkal Bolton LLP, with offices located at [\_\_\_\_\_].

“Company Counsel” means Bevilacqua PLLC, 1050 Connecticut Avenue, NW, Suite 500, Washington, DC 20036.

“Conversion Price” shall have the meaning ascribed to such term in the Certificate of Designation.

“Conversion Shares” shall have the meaning ascribed to such term in the Certificate of Designation.

“Effective Date” shall have the meaning ascribed to such term in Section 3.1(f).

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Execution Date” shall mean the date on which the parties execute and enter into this Agreement.

“Exempt Issuance” means the issuance of (a) shares of Common Stock or options to employees, officers or directors or consultants of the Company pursuant to any stock or option plan duly adopted for such purpose by a majority of the non-employee members of the Board of Directors or a majority of the members of a committee of non-employee directors established for such purpose for services rendered to the Company, (b) securities upon the exercise or exchange of or conversion of any Securities issued hereunder and/or other securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on the date of this Agreement or commitments to issue shares of Common Stock, which commitments are in existence on the date of this Agreement, provided that such securities or such commitments have not been amended since the date of this Agreement to increase the number of such securities or to decrease the exercise price, exchange price or conversion price of such securities (other than in connection with stock splits or combinations) or to extend the term of such securities, (c) securities issued as the consideration for acquisitions or strategic transactions approved by a majority of the disinterested directors of the Company, (d) shares of Common Stock, options or convertible securities issued to banks, equipment lessors or other financial institutions, or to real property lessors, pursuant to a debt financing, equipment leasing or real property leasing transaction approved by a majority of the disinterested directors of the Company, and (e) shares of Common Stock, options or convertible securities issued in connection with sponsored research, collaboration, technology license, development, investor or public relations, marketing or other similar agreements or strategic partnerships approved a majority of the disinterested directors of the Company, provided that, solely with respect to subsections (c) and (e), the recipients of such securities shall sign a Lock-Up Agreement for the period beginning on the date of issuance of such securities and ending on the one (1) year anniversary of the Closing Date.

“FCPA” means the Foreign Corrupt Practices Act of 1977, as amended. “FINRA” means the Financial Industry Regulatory Authority.

“GAAP” shall have the meaning ascribed to such term in Section 3.1(i).

“Indebtedness” means (a) any liabilities for borrowed money or amounts owed in excess of \$50,000 (other than trade accounts payable incurred in the ordinary course of business), (b) all guaranties, endorsements and other contingent obligations in respect of indebtedness of others, whether or not the same are or should be reflected in the Company’s consolidated balance sheet (or the notes thereto), except guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business; and (c) the present value of any lease payments in excess of \$50,000 due under leases required to be capitalized in accordance with GAAP.

“Liens” means a lien, charge, pledge, security interest, encumbrance, right of first refusal, preemptive right or other restriction.

“Lock-Up Agreements” means the lock-up agreements that are delivered on the date hereof by each of the Company’s officers and directors and each holder of more than 5% of the Company’s issued and outstanding Common Stock, in the form of Exhibit E attached hereto.

“Material Adverse Effect” means (i) a material adverse effect on the legality, validity or enforceability of any Transaction Document, (ii) a material adverse effect on the results of operations, assets, business, prospects or condition (financial or otherwise) of the Company and the Subsidiaries, taken as a whole or (iii) a material adverse effect on the Company’s ability to perform in any material respect on a timely basis its obligations under any Transaction Document.

“Offering” shall have the meaning ascribed to such term in Section 2.1(c).

“Option Closing Date” shall have the meaning ascribed to such term in Section 2.2(c).



“Option Closing Purchase Price” shall have the meaning ascribed to such term in Section 2.2(b), which aggregate purchase price shall be net of the underwriting discounts and commissions.

“Option Securities” shall have the meaning ascribed to such term in Section 2.2(a).

“Option Shares” shall have the meaning ascribed to such term in Section 2.2(a).

“Option Warrants” shall have the meaning ascribed to such term in Section 2.2(a).

“Over-Allotment Option” shall have the meaning ascribed to such term in Section 2.2(a).

“Person” means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

“Preferred Stock” means shares of the Company’s Series B Convertible Preferred Stock issued or issuable pursuant to Section 2.1(a)(i) and having the rights, preferences and privileges set forth in the Certificate of Designation.

“Preferred Stock Agency Agreement” means the addendum to the Company’s Transfer Agency and Registrar Services Agreement with the Transfer Agent, pursuant to which the Transfer Agent agrees to act as transfer agent and conversion agent for the Preferred Stock, in the form of Exhibit G attached hereto.

“Preliminary Prospectus” means, if any, any preliminary prospectus relating to the Securities included in the Registration Statement or filed with the Commission pursuant to Rule 424(b).

“Proceeding” means an action, claim, suit, investigation or proceeding (including, without limitation, an informal investigation or partial proceeding, such as a deposition), whether commenced or threatened.

“Prospectus” means the final prospectus filed for the Registration Statement.

“Prospectus Supplement” means, if any, any supplement to the Prospectus complying with Rule 424(b) of the Securities Act that is filed with the Commission.

“Public Securities” means, collectively, the Closing Securities and, if any, the Option Securities.

“Registration Statement” means, collectively, the various parts of the registration statement prepared by the Company on Form S-1 (File No. 333-[ ]) with respect to the Securities, each as amended as of the date hereof, including the Prospectus and Prospectus Supplement, if any, the Preliminary Prospectus, if any, and all exhibits filed with or incorporated by reference into such registration statement, and includes any Rule 462(b) Registration Statement.

“Required Approvals” shall have the meaning ascribed to such term in Section 3.1(e).

“Rule 424” means Rule 424 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

“Rule 462(b) Registration Statement” means any registration statement prepared by the Company registering additional Public Securities, which was filed with the Commission on or prior to the date hereof and became automatically effective pursuant to Rule 462(b) promulgated by the Commission pursuant to the Securities Act.

“Schiff Hardin” means Schiff Hardin LLP, with offices located at 901 K Street, NW Suite 700, Washington, DC 20001.

“Securities” means the Closing Securities, the Option Securities and the Underlying Shares.

“Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“Series A Warrants” means, collectively, the Common Stock purchase warrants delivered to the Underwriters in accordance with Section 2.1(a)(ii) and Section 2.2, which Warrants shall be exercisable immediately and have a term of exercise equal to five (5) years, in the form of Exhibit D-1 attached hereto.

“Series B Warrants” means, collectively, the Common Stock purchase warrants delivered to the Underwriters in accordance with Section 2.1(a)(iii) and Section 2.2, which Warrants shall be exercisable immediately and have a term of exercise equal to five (5) years, in the form of Exhibit D-2 attached hereto.

“Share Purchase Price” shall have the meaning ascribed to such term in Section 2.1(b).

“Shares” means, collectively, the shares of Common Stock (or, at the purchaser’s election, the shares of Preferred Stock) delivered to the Underwriters in accordance with Section 2.1(a)(i) and Section 2.2(a).

“Subsidiary” means any subsidiary of the Company and shall, where applicable, also include any direct or indirect subsidiary of the Company formed or acquired after the date hereof.

“Trading Day” means a day on which the principal Trading Market is open for trading.

“Trading Market” means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market or the New York Stock Exchange (or any successors to any of the foregoing).

“Transaction Documents” means this Agreement, the Warrants, the Warrant Agency Agreement, the Certificate of Designation, the Preferred Stock Agency Agreement, the Lock-Up Agreements, and any other documents or agreements executed in connection with the transactions contemplated hereunder.

“Transfer Agent” means VStock Transfer, LLC with offices at 18 Lafayette Place, Woodmere, NY 11598, and any successor transfer agent of the Company.

“Underlying Shares” means, collectively, the Conversion Shares and the Warrant Shares.

“Underwriters’ Information” means written information furnished to the Company with respect to such Underwriter by or on behalf of such Underwriter expressly for use in the Preliminary Prospectus, if any, the Registration Statement or Prospectus or any amendment or supplement thereto or in any such application.

“Warrant Agency Agreement” means the warrant agency agreement dated on or about the date hereof, among the Company and the Transfer Agent in the form of Exhibit D attached hereto.

“Warrant Purchase Price” shall have the meaning ascribed to such term in Section 2.1(b).

“Warrant Shares” means the shares of Common Stock issuable upon exercise of the Warrants.

“Warrants” means, collectively, the Series A Warrants and the Series B Warrants.

## ARTICLE II. PURCHASE AND SALE

## 2.1 Closing.

(a) Upon the terms and subject to the conditions set forth herein, the Company agrees to sell in the aggregate [ ] shares of Common Stock, no shares of Preferred Stock, [ ] Series A Warrants, and [ ] Series B Warrants, and each Underwriter agrees to purchase, severally and not jointly, at the Closing, the following securities of the Company:

(i) the number of shares of Common Stock (the “Closing Shares”) or the number of shares of Preferred Stock (the “Closing Preferred Shares”) set forth opposite the name of such Underwriter on Schedule I hereof;

(ii) Series A Warrants to purchase up to 100% of the sum of the number of Shares set forth opposite the name of such Underwriter on Schedule I hereof plus the aggregate number of Conversion Shares underlying the Closing Preferred Shares set forth opposite the name of such Underwriter on Schedule I hereof, which Warrants shall have an exercise price of \$[ ]<sup>2</sup>, subject to adjustment as provided therein; and

(iii) Series B Warrants to purchase up to 100% of the sum of the number of Shares set forth opposite the name of such Underwriter on Schedule I hereof plus the aggregate number of Conversion Shares underlying the Closing Preferred Shares set forth opposite the name of such Underwriter on Schedule I hereof (together with the Series A Warrants, the “Closing Warrants” and, collectively with the Closing Shares and the Closing Preferred Shares, the “Closing Securities”), which Warrants shall have an exercise price of \$[ ]<sup>3</sup>, subject to adjustment therein.

(b) The aggregate purchase price for the Closing Securities shall equal the amount set forth opposite the name of such Underwriter on Schedule I hereto (the “Closing Purchase Price”). The combined purchase price for one Share (or one share of Preferred Stock), a Series A Warrant to purchase one Warrant Share, and a Series B Warrant to purchase one Warrant Share shall be \$[ ] (the “Combined Purchase Price”) which shall be allocated as \$[ ] per Share (or share of Preferred Stock) (the “Share Purchase Price”), \$[ ] per Series A Warrant, and \$[ ] per Series B Warrant (the “Warrant Purchase Price”);<sup>1</sup> and

(c) On the Closing Date, each Underwriter shall deliver or cause to be delivered to the Company, via wire transfer, immediately available funds equal to such Underwriter’s Closing Purchase Price and the Company shall deliver to, or as directed by, such Underwriter its respective Closing Securities and the Company shall deliver the other items required pursuant to Section 2.3 deliverable at the Closing. Upon satisfaction of the covenants and conditions set forth in Sections 2.3 and 2.4, the Closing shall occur at the offices of Schiff Hardin or such other location as the Company and Representative shall mutually agree. The Public Securities are to be offered initially to the public at the offering price set forth on the cover page of the Prospectus (the “Offering”).

(d) The Company acknowledges and agrees that, with respect to any Notice(s) of Conversion (as defined in the Certificate of Designation) delivered by a Holder (as defined in the Certificate of Designation) on or prior to 12:00 p.m. (New York City time) on the Closing Date, which Notice(s) of Conversion may be delivered at any time after the time of execution of this Agreement, the Company shall deliver the Conversion Shares (as defined in the Certificate of Designation) subject to such notice(s) to the Holder by 4:00 p.m. (New York City time) on the Closing Date and the Closing Date shall be the Share Delivery Date (as defined in the Certificate of Designation) under the Certificate of Designation. The Company acknowledges and agrees that the Holders are third-party beneficiaries of this covenant of the Company.

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<sup>1</sup> 9% discount from public offering price of each respective security disclosed in the prospectus

<sup>2</sup> SH NO: 91% of 70% of the Unit Offering Price

<sup>3</sup> 100% of the Unit offering price

## 2.2 Over-Allotment Option.

(a) For the purposes of covering any over-allotments in connection with the distribution and sale of the Closing Securities, the Representative is hereby granted an option (the “Over-Allotment Option”) <sup>2</sup> to purchase, in the aggregate, up to [ ] shares of Common Stock or Preferred Stock (the “Option Shares”), Series A Warrants to purchase up to [ ] shares of Common Stock

(the “Series A Option Warrants”), and Series B Warrants to purchase up to [ ] shares of Common Stock (the “Series B Option Warrants” and together with the Series A Option Warrants, the “Option Warrants” and, collectively with the Option Shares, the “Option Securities”) which may be purchased in any combination of Option Shares and/or Option Warrants at the Share Purchase Price and/or Warrant Purchase Price, respectively.

(b) In connection with an exercise of the Over-Allotment Option, (a) the purchase price to be paid for the Option Shares is equal to the product of the Share Purchase Price multiplied by the number of Option Shares to be purchased and (b) the purchase price to be paid for the Option Warrants is equal to the product of the Warrant Purchase Price multiplied by the number of Option Warrants (the aggregate purchase price to be paid on an Option Closing Date, the “Option Closing Purchase Price”).

(c) The Over-Allotment Option granted pursuant to this Section 2.2 may be exercised by the Representative as to all (at any time) or any part (from time to time) of the Option Securities within forty-five (45) days after the Execution Date. An Underwriter will not be under any obligation to purchase any Option Securities prior to the exercise of the Over-Allotment Option by the Representative. The Over-Allotment Option granted hereby may be exercised by the giving of written notice to the Company from the Representative, by overnight mail or facsimile or other electronic transmission setting forth the number of Option Shares and/or Option Warrants to be purchased and the date and time for delivery of and payment for the Option Securities (each, an “Option Closing Date”), which will not be later than two (2) full Business Days after the date of the notice or such other time as shall be agreed upon by the Company and the Representative, at the offices of Schiff Hardin or at such other place (including remotely by facsimile or other electronic transmission) as shall be agreed upon by the Company and the Representative. If such delivery and payment for the Option Securities does not occur on the Closing Date, each Option Closing Date will be as set forth in the notice. Upon exercise of the Over-Allotment Option, the Company will become obligated to convey to the Underwriters, and, subject to the terms and conditions set forth herein, the Underwriters will become obligated to purchase, the number of Option Shares and/or Option Warrants specified in such notice. The Representative may cancel the Over- Allotment Option at any time prior to the expiration of the Over-Allotment Option by written notice to the Company.

2.3 Deliveries. The Company shall deliver or cause to be delivered to each Underwriter (if applicable) the following:

(i) At the Closing Date, the Closing Shares and, as to each Option Closing Date, if any, the applicable Option Shares, which shares shall be delivered via The Depository Trust Company Deposit or Withdrawal at Custodian system for the accounts of the several Underwriters;

<sup>1</sup> 15% over-allotment option coverage.

(ii) At the Closing Date, the Closing Preferred Shares, which shares shall be delivered via The Depository Trust Company Deposit or Withdrawal at Custodian system for the accounts of the several Underwriters;

(iii) At the Closing Date, the Closing Warrants and, as to each Option Closing Date, if any, the applicable Option Warrants via The Depository Trust Company Deposit or Withdrawal at Custodian system for the accounts of the several Underwriters;

(iv) At the Closing Date, the Warrant Agency Agreement duly executed by the parties thereto;

(v) At the Closing Date, the Preferred Stock Agency Agreement duly executed by the parties thereto;

(vi) At the Closing Date, evidence of the filing and acceptance of the Certificate of Designation from the Secretary of State of the State of Delaware;

(vii) At the Closing Date, a legal opinion of Company Counsel addressed to the Underwriters, including, without limitation, a negative assurance letter, substantially in the form of Exhibit A attached hereto and as to each Option Closing Date, if any, a bring-down opinion from Company Counsel in form and substance reasonably satisfactory to the Representative;

(viii) Contemporaneously herewith, a cold comfort letter, addressed to the Underwriters and in form and substance satisfactory in all respects to the Representative from the Company Auditor dated, respectively, as of the date of this Agreement and a bring-down letter dated as of the Closing Date and each Option Closing Date, if any;

(ix) On the Closing Date and on each Option Closing Date, the duly executed and delivered Officer's Certificate, substantially in the form required by Exhibit B attached hereto;

(x) On the Closing Date and on each Option Closing Date, the duly executed and delivered Secretary's Certificate, substantially in the form required by Exhibit C attached hereto; and

(xi) Contemporaneously herewith, the duly executed and delivered Lock-Up Agreements (a) by the Company (for a period twelve months from the Closing Date), and (b) from each of the Company's directors and executive officers (for a period six months from the Closing Date).

**2.4 Closing Conditions.** The respective obligations of each Underwriter hereunder in connection with the Closing and each Option Closing Date are subject to the following conditions being met:

(i) the accuracy in all material respects when made and on the date in question (other than representations and warranties of the Company already qualified by materiality, which shall be true and correct in all respects) of the representations and warranties of the Company contained herein (unless as of a specific date therein);

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(ii) all obligations, covenants and agreements of the Company required to be performed at or prior to the date in question shall have been performed;

(iii) the delivery by the Company of the items set forth in Section 2.3 of this Agreement;

(iv) the Registration Statement shall be effective on the date of this Agreement and at each of the Closing Date and each Option Closing Date, if any, no stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceedings for that purpose shall have been instituted or shall be pending or contemplated by the Commission and any request on the part of the Commission for additional information shall have been complied with to the reasonable satisfaction of the Representative;

(v) by the Execution Date, if required by FINRA, the Underwriters shall have received clearance from FINRA as to the amount of compensation allowable or payable to the Underwriters as described in the Registration Statement;

(vi) the Closing Shares, the Option Shares and the Underlying Shares have been approved for listing on the Trading Market; and

(vii) prior to and on each of the Closing Date and each Option Closing Date, if any: (i) there shall have been no material adverse change or development involving a prospective material adverse change in the condition or prospects or the business activities, financial or otherwise, of the Company from the latest dates as of which such condition is set forth in the Registration Statement and Prospectus; (ii) no action suit or proceeding, at law or in equity, shall have been pending or threatened against the Company or any Affiliate of the Company before or by any court or federal or state commission, board or other administrative agency wherein an unfavorable decision, ruling or finding may materially adversely affect the business, operations, prospects or financial condition or income of the Company, except as set forth in the Registration Statement and Prospectus; (iii) no stop order shall have been issued under the Securities Act and no proceedings therefor shall have been initiated or threatened by the Commission; and (iv) the Registration Statement and the Prospectus and any amendments or supplements thereto shall contain all material statements which are required to be stated therein in accordance with the Securities Act and the rules and regulations thereunder and shall conform in all material respects to the requirements of the Securities Act and the rules and regulations thereunder, and neither the Registration Statement nor the Prospectus nor any amendment or supplement thereto shall contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

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### ARTICLE III.

## REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Company. The Company represents and warrants to the Underwriters as of the Execution Date, as of the Closing Date and as of each Option Closing Date, if any, as follows:

(a) Subsidiaries. All of the direct and indirect Subsidiaries of the Company are set forth in the Registration Statement or the Prospectus. The Company owns, directly or indirectly, all of the capital stock or other equity interests of each Subsidiary free and clear of any Liens, and all of the issued and outstanding shares of capital stock of each Subsidiary are validly issued and are fully paid, non-assessable and free of preemptive and similar rights to subscribe for or purchase securities. If the Company has no Subsidiaries, all other references to the Subsidiaries or any of them in the Transaction Documents shall be disregarded.

(b) Organization and Qualification. The Company and each of the Subsidiaries is an entity duly incorporated or otherwise organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted. Neither the Company nor any Subsidiary is in violation nor default of any of the provisions of its respective certificate or articles of incorporation, bylaws or other organizational or charter documents. Each of the Company and the Subsidiaries is duly qualified to conduct business and is in good standing as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, could not have or reasonably be expected to result in a Material Adverse Effect and no Proceeding has been instituted in any such jurisdiction revoking, limiting or curtailing or seeking to revoke, limit or curtail such power and authority or qualification.

(c) Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement and each of the other Transaction Documents to which the Company is a party and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and each of the other Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Company and no further action is required by the Company, the Board of Directors or the Company's stockholders in connection herewith or therewith other than in connection with the Required Approvals. This Agreement and each other Transaction Document to which the Company is a party has been (or upon delivery will have been) duly executed by the Company and, when delivered in accordance with the terms hereof and thereof, will constitute the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(d) No Conflicts. The execution, delivery and performance by the Company of this Agreement and the other Transaction Documents to which it is a party, the issuance and sale of the Securities and the consummation by it of the transactions contemplated hereby and thereby do not and will not (i) conflict with or violate any provision of the Company's or any Subsidiary's certificate or articles of incorporation, bylaws or other organizational or charter documents, or (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in the creation of any Lien upon any of the properties or assets of the Company or any Subsidiary, or give to others any rights of termination, amendment, anti-dilution or similar adjustments, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing a Company or Subsidiary debt or otherwise) or other understanding to which the Company or any Subsidiary is a party or by which any property or asset of the Company or any Subsidiary is bound or affected, or (iii) subject to the Required Approvals, conflict with or result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Company or a Subsidiary is subject (including federal and state securities laws and regulations), or by which any property or asset of the Company or a Subsidiary is bound or affected; except in the case of each of clauses (ii) and (iii), such as could not have or reasonably be expected to result in a Material Adverse Effect.

(e) Filings, Consents and Approvals. The Company is not required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other Person in connection with the execution, delivery and performance by the Company of the Transaction Documents, other than: (i) the filing with the Commission of the Prospectus, (ii) the filing of the Certificate of Designation with the Secretary of State of the State of Delaware, and (iii) such filings as are required to be made under applicable state securities laws (collectively, the "Required Approvals").



(f) Registration Statement. The Company has filed with the Commission the Registration Statement, including any related Prospectus or Prospectuses, for the registration of the Securities under the Securities Act, which Registration Statement has been prepared by the Company in all material respects in conformity with the requirements of the Securities Act and the rules and regulations of the Commission under the Securities Act. The Registration Statement has been declared effective by the Commission on the date hereof (the “Effective Date”). The Company has filed with the Commission a Form 8-A (File Number 001-[\_\_\_\_]) providing for the registration under the Exchange Act of Closing Shares and the Option Shares. The registration of the Closing Shares and the Option Shares under the Exchange Act has been declared effective by the Commission on the date hereof. All references in this Agreement to financial statements and schedules and other information which is “contained,” “included,” “described,” “referenced,” “set forth” or “stated” in the Registration Statement or the Prospectus (and all other references of like import) shall be deemed to mean and include all such financial statements and schedules and other information, if any, that is or is deemed to be incorporated by reference in the Registration Statement, or the Prospectus, as the case may be. No stop order suspending the effectiveness of the Registration Statement or the use of the Prospectus has been issued, and no proceeding for any such purpose is pending or has been initiated or, to the Company's knowledge, is threatened by the Commission. For purposes of this Agreement, “free writing prospectus” has the meaning set forth in Rule 405 under the Securities Act. The Company will not, without the prior consent of the Representative, prepare, use or refer to, any free writing prospectus.

(g) Issuance of Securities. The Securities are duly authorized and, when issued and paid for in accordance with the applicable Transaction Documents, will be duly and validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company. The Underlying Shares, when issued in accordance with the terms of the Transaction Documents, will be validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company. The Company has reserved from its duly authorized capital stock the maximum number of shares of Common Stock issuable pursuant to this Agreement and the Transaction Documents. The holder of the Securities will not be subject to personal liability by reason of being such holders. The Securities are not and will not be subject to the preemptive rights of any holders of any security of the Company or similar contractual rights granted by the Company. All corporate action required to be taken for the authorization, issuance and sale of the Securities has been duly and validly taken. The Securities conform in all material respects to all statements with respect thereto contained in the Registration Statement.

(h) Capitalization. The capitalization of the Company is as set forth in the Registration Statement or the Prospectus . The Company has not issued any capital stock since its most recently filed periodic report under the Exchange Act, other than pursuant to the exercise of employee stock options under the Company's stock option plans, the issuance of shares of Common Stock to employees pursuant to the Company's employee stock purchase plans and pursuant to the conversion and/or exercise of Common Stock Equivalents outstanding as of the date of the most recently filed periodic report under the Exchange Act. No Person has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by the Transaction Documents. Except as a result of the purchase and sale of the Securities, there are no outstanding options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exercisable or exchangeable for, or giving any Person any right to subscribe for or acquire, any shares of Common Stock or the capital stock of any Subsidiary, or contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to issue additional shares of Common Stock or Common Stock Equivalents or the capital stock of any Subsidiary. The issuance and sale of the Securities will not obligate the Company or any Subsidiary to issue shares of Common Stock or other securities to any Person (other than the Underwriters). There are no outstanding securities or instruments of the Company or any Subsidiary with any provision that adjusts the exercise, conversion, exchange or reset price of such security or instrument upon an issuance of securities by the Company or any Subsidiary. There are no outstanding securities or instruments of the Company or any Subsidiary that contain any redemption or similar provisions, and there are no contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to redeem a security of the Company or such Subsidiary. The Company does not have any stock appreciation rights or “phantom stock” plans or agreements or any similar plan or agreement. All of the outstanding shares of capital stock of the Company are duly authorized, validly issued, fully paid and nonassessable, have been issued in compliance with all federal and state securities laws, and none of such outstanding shares was issued in violation of any preemptive rights or similar rights to subscribe for or purchase securities. The authorized shares of the Company conform in all material respects to all statements relating thereto contained in the Registration Statement and the Prospectus. The offers and sales of the Company's securities were at all relevant times either registered under the Securities Act and the applicable state securities or Blue Sky laws or, based in part on the representations and warranties of the purchasers, exempt from such registration requirements. No further approval or authorization of any stockholder, the Board of Directors or others is required for the issuance and sale of the Securities. There are no stockholders agreements, voting agreements or other similar

agreements with respect to the Company's capital stock to which the Company is a party or, to the knowledge of the Company, between or among any of the Company's stockholders.

(i) SEC Reports; Financial Statements. As of their respective dates, the Registration Statement or the Prospectus complied in all material respects with the requirements of the Securities Act and the Exchange Act, as applicable, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the Registration Statement or the Prospectus comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved ("GAAP"), except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Company and its consolidated Subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments. The agreements and documents described in the Registration Statement, the Prospectus, the Prospectus Supplement conform to the descriptions thereof contained therein and there are no agreements or other documents required by the Securities Act and the rules and regulations thereunder to be described in the Registration Statement, the Prospectus, the Prospectus Supplement or to be filed with the Commission as exhibits to the Registration Statement, that have not been so described or filed. Each agreement or other instrument (however characterized or described) to which the Company is a party or by which it is or may be bound or affected and (i) that is referred to in the Registration Statement, the Prospectus, the Prospectus Supplement or , or (ii) is material to the Company's business, has been duly authorized and validly executed by the Company, is in full force and effect in all material respects and is enforceable against the Company and, to the Company's knowledge, the other parties thereto, in accordance with its terms, except (x) as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally, (y) as enforceability of any indemnification or contribution provision may be limited under the federal and state securities laws, and (z) that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to the equitable defenses and to the discretion of the court before which any proceeding therefore may be brought. None of such agreements or instruments has been assigned by the Company, and neither the Company nor, to the best of the Company's knowledge, any other party is in default thereunder and, to the best of the Company's knowledge, no event has occurred that, with the lapse of time or the giving of notice, or both, would constitute a default thereunder. To the best of the Company's knowledge, performance by the Company of the material provisions of such agreements or instruments will not result in a violation of any existing applicable law, rule, regulation, judgment, order or decree of any governmental agency or court, domestic or foreign, having jurisdiction over the Company or any of its assets or businesses, including, without limitation, those relating to environmental laws and regulations.

(j) Material Changes; Undisclosed Events, Liabilities or Developments. Since the date of the latest audited financial statements included within the Registration Statement or Prospectus, except as specifically disclosed in Registration Statement or Prospectus, (i) there has been no event, occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect, (ii) the Company has not incurred any liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in the Company's financial statements pursuant to GAAP or disclosed in filings made with the Commission, (iii) the Company has not altered its method of accounting, (iv) the Company has not declared or made any dividend or distribution of cash or other property to its stockholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock, (v) the Company has not issued any equity securities to any officer, director or Affiliate, except pursuant to existing Company stock option plans and (vi) no officer or director of the Company has resigned from any position with the Company. The Company does not have pending before the Commission any request for confidential treatment of information. Except for the issuance of the Securities contemplated by this Agreement, no event, liability, fact, circumstance, occurrence or development has occurred or exists or is reasonably expected to occur or exist with respect to the Company or its Subsidiaries or their respective businesses, prospects, properties, operations, assets or financial condition that would be required to be disclosed by the Company under applicable securities laws at the time this representation is made or deemed made that has not been publicly disclosed at least 1 Trading Day prior to the date that this representation is made. Unless otherwise disclosed in an SEC Report filed prior to the date hereof, the Company has not: (i) issued any securities or incurred any liability or obligation, direct or contingent, for borrowed money; or (ii) declared or paid any dividend or made any other distribution on or in respect to its capital stock.



(k) Litigation. There is no action, suit, inquiry, notice of violation, proceeding or investigation pending or, to the knowledge of the Company, threatened against or affecting the Company, any Subsidiary or any of their respective properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) (collectively, an “Action”) which has not been disclosed in the Registration Statement or the Prospectus which (i) adversely affects or challenges the legality, validity or enforceability of any of the Transaction Documents or the Securities or (ii) could, if there were an unfavorable decision, have or reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any Subsidiary, nor any director or officer thereof, is or has been the subject of any Action involving a claim of violation of or liability under federal or state securities laws or a claim of breach of fiduciary duty. There has not been, and to the knowledge of the Company, there is not pending or contemplated, any investigation by the Commission involving the Company or any current or former director or officer of the Company. The Commission has not issued any stop order or other order suspending the effectiveness of any registration statement filed by the Company or any Subsidiary under the Exchange Act or the Securities Act.

(l) Labor Relations. No labor dispute exists or, to the knowledge of the Company, is imminent with respect to any of the employees of the Company, which could reasonably be expected to result in a Material Adverse Effect. None of the Company’s or its Subsidiaries’ employees is a member of a union that relates to such employee’s relationship with the Company or such Subsidiary, and neither the Company nor any of its Subsidiaries is a party to a collective bargaining agreement, and the Company and its Subsidiaries believe that their relationships with their employees are good. To the knowledge of the Company, no executive officer of the Company or any Subsidiary, is, or is now expected to be, in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement or non-competition agreement, or any other contract or agreement or any restrictive covenant in favor of any third party, and the continued employment of each such executive officer does not subject the Company or any of its Subsidiaries to any liability with respect to any of the foregoing matters. The Company and its Subsidiaries are in compliance with all U.S. federal, state, local and foreign laws and regulations relating to employment and employment practices, terms and conditions of employment and wages and hours, except where the failure to be in compliance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(m) Compliance. Neither the Company nor any Subsidiary: (i) is in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Company or any Subsidiary under), nor has the Company or any Subsidiary received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) is in violation of any judgment, decree or order of any court, arbitrator or other governmental authority or (iii) is or has been in violation of any statute, rule, ordinance or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws relating to taxes, environmental protection, occupational health and safety, product quality and safety and employment and labor matters, except in each case as could not have or reasonably be expected to result in a Material Adverse Effect.

(n) Regulatory Permits. The Company and the Subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct their respective businesses as described in the Registration Statement or the Prospectus, except where the failure to possess such permits could not reasonably be expected to result in a Material Adverse Effect (each, a “Material Permit”), and neither the Company nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of any Material Permit. The disclosures in the Registration Statement concerning the effects of Federal, State, local and all foreign regulation on the Company’s business as currently contemplated are correct in all material respects.

(o) Title to Assets. The Company and the Subsidiaries have good and marketable title in fee simple to, or have valid and marketable rights to lease or otherwise use, all real property and all personal property that is material to the business of the Company and the Subsidiaries, in each case free and clear of all Liens, except for (i) Liens as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and the Subsidiaries and (ii) Liens for the payment of federal, state or other taxes, for which appropriate reserves have been made therefor in accordance with GAAP, and the payment of which is neither delinquent nor subject to penalties. Any real property and facilities held under lease by the Company

and the Subsidiaries are held by them under valid, subsisting and enforceable leases with which the Company and the Subsidiaries are in compliance.

(p) Intellectual Property. The Company and the Subsidiaries have, or have rights to use, all patents, patent applications, trademarks, trademark applications, service marks, trade names, trade secrets, inventions, copyrights, licenses and other intellectual property rights and similar rights necessary or required for use in connection with their respective businesses as described in the Registration Statement or the Prospectus and which the failure to do so could have a Material Adverse Effect (collectively, the “Intellectual Property Rights”). None of, and neither the Company nor any Subsidiary has received a notice (written or otherwise) that any of, the Intellectual Property Rights has expired, terminated or been abandoned, or is expected to expire or terminate or be abandoned, within two (2) years from the date of this Agreement. Neither the Company nor any Subsidiary has received, since the date of the latest audited financial statements included within the Registration Statement or the Prospectus, a written notice of a claim or otherwise has any knowledge that the Intellectual Property Rights violate or infringe upon the rights of any Person. To the knowledge of the Company, all such Intellectual Property Rights are enforceable and there is no existing infringement by another Person of any of the Intellectual Property Rights. The Company and its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of all of their intellectual properties, except where failure to do so could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(q) Insurance. The Company and the Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which the Company and the Subsidiaries are engaged, including, but not limited to, directors and officers insurance coverage. Neither the Company nor any Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business without a significant increase in cost.

(r) Transactions With Affiliates and Employees. Except as set forth in the Registration Statement or the Prospectus, none of the officers or directors of the Company or any Subsidiary and, to the knowledge of the Company, none of the employees of the Company or any Subsidiary is presently a party to any transaction with the Company or any Subsidiary (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, providing for the borrowing of money from or lending of money to or otherwise requiring payments to or from, any officer, director or such employee or, to the knowledge of the Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee, stockholder, member or partner, in each case in excess of \$120,000 other than for (i) payment of salary or consulting fees for services rendered, (ii) reimbursement for expenses incurred on behalf of the Company and (iii) other employee benefits, including stock option agreements under any stock option plan of the Company.

(s) Sarbanes-Oxley: Internal Accounting Controls. The Company is in compliance with any and all applicable requirements of the Sarbanes- Oxley Act of 2002 that are effective as of the date hereof, and any and all applicable rules and regulations promulgated by the Commission thereunder that are effective as of the date hereof and as of the Closing Date. The Company maintains a system of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management’s general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management’s general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The Company has established disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and designed such disclosure controls and procedures to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission’s rules and forms.

(t) Certain Fees. Except as set forth in the Registration Statement or Prospectus, no brokerage or finder’s fees or commissions are or will be payable by the Company, any Subsidiary or Affiliate of the Company to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by the

Transaction Documents. To the Company's knowledge, there are no other arrangements, agreements or understandings of the Company or, to the Company's knowledge, any of its stockholders that may affect the Underwriters' compensation, as determined by FINRA. Except as described in the Registration Statement, or the Prospectus, the Company has not made any direct or indirect payments (in cash, securities or otherwise) to: (i) any person, as a finder's fee, consulting fee or otherwise, in consideration of such person raising capital for the Company or introducing to the Company persons who raised or provided capital to the Company; (ii) any FINRA member; or (iii) any person or entity that has any direct or indirect affiliation or association with any FINRA member, within the twelve months prior to the Execution Date. None of the net proceeds of the Offering will be paid by the Company to any participating FINRA member or its affiliates, except as specifically authorized herein.

(u) Investment Company. The Company is not, and is not an Affiliate of, and immediately after receipt of payment for the Securities will not be or be an Affiliate of, an "investment company" within the meaning of the Investment Company Act of 1940, as amended. The Company shall conduct its business in a manner so that it will not become an "investment company" subject to registration under the Investment Company Act of 1940, as amended.

(v) Registration Rights. Except as disclosed in the Registration Statement or Prospectus, no Person has any right to cause the Company or any Subsidiary to effect the registration under the Securities Act of any securities of the Company or any Subsidiary.

(w) Listing and Maintenance Requirements. The Common Stock is registered pursuant to Section 12(b) of the Exchange Act, and the Company has taken no action designed to, or which to its knowledge is likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act nor has the Company received any notification that the Commission is contemplating terminating such registration. The Company has not, in the 12 months preceding the date hereof, received notice from any Trading Market on which the Common Stock is or has been listed or quoted to the effect that the Company is not in compliance with the listing or maintenance requirements of such Trading Market. The Company is, and has no reason to believe that it will not in the foreseeable future continue to be, in compliance with all such listing and maintenance requirements. The Common Stock is currently eligible for electronic transfer through the Depository Trust Company or another established clearing corporation and the Company is current in payment of the fees of the Depository Trust Company (or such other established clearing corporation) in connection with such electronic transfer.

(x) Application of Takeover Protections. The Company and the Board of Directors have taken all necessary action, if any, in order to render inapplicable any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or other similar anti-takeover provision under the Company's certificate of incorporation (or similar charter documents) or the laws of its state of incorporation that is or could become applicable as a result of the Underwriters and the Company fulfilling their obligations or exercising their rights under the Transaction Documents.

(y) Disclosure; 10b-5. Each of the Registration Statement and any post-effective amendment thereto, if any, at the time it became effective, complied in all material respects with the Securities Act and the applicable rules and regulations under the Securities Act and did not and, as amended or supplemented, if applicable, will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading provided, however, that this representation and warranty shall not apply to the Underwriters' Information. The Preliminary Prospectus, Prospectus and the Prospectus Supplement, each as of its respective date, comply in all material respects with the Securities Act and the applicable rules and regulations. Each of the Preliminary Prospectus, Prospectus and the Prospectus Supplement, as amended or supplemented, did not and will not contain as of the date thereof any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading provided, however, that this representation and warranty shall not apply to the Underwriters' Information. No post-effective amendment to the Registration Statement reflecting any facts or events arising after the date thereof which represent, individually or in the aggregate, a fundamental change in the information set forth therein is required to be filed with the Commission. There are no documents required to be filed with the Commission in connection with the transaction contemplated hereby that (x) have not been filed as required pursuant to the Securities Act or (y) will not be filed within the requisite time period. There are no contracts or other documents required to be described in the Preliminary Prospectus, Prospectus or Prospectus Supplement, or to be filed as exhibits or schedules to the Registration Statement, which have not been described or filed as required.

(z) No Integrated Offering. Neither the Company, nor any of its Affiliates, nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would

cause this offering of the Securities to be integrated with prior offerings by the Company for purposes of the Securities Act that would require the registration of any such securities issued in such prior offerings under the Securities Act..

(aa) Solvency. Based on the consolidated financial condition of the Company as of the Closing Date, after giving effect to the receipt by the Company of the proceeds from the sale of the Securities hereunder, (i) the fair saleable value of the Company's assets exceeds the amount that will be required to be paid on or in respect of the Company's existing debts and other liabilities (including known contingent liabilities) as they mature, (ii) the Company's assets do not constitute unreasonably small capital to carry on its business as now conducted and as proposed to be conducted including its capital needs taking into account the particular capital requirements of the business conducted by the Company, consolidated and projected capital requirements and capital availability thereof, and (iii) the current cash flow of the Company, together with the proceeds the Company would receive, were it to liquidate all of its assets, after taking into account all anticipated uses of the cash, would be sufficient to pay all amounts on or in respect of its liabilities when such amounts are required to be paid. The Company does not intend to incur debts beyond its ability to pay such debts as they mature (taking into account the timing and amounts of cash to be payable on or in respect of its debt). The Company has no knowledge of any facts or circumstances which lead it to believe that it will file for reorganization or liquidation under the bankruptcy or reorganization laws of any jurisdiction within one year from the Closing Date. The Registration Statement or the Prospectus sets forth as of the date hereof all material outstanding secured and unsecured Indebtedness of the Company or any Subsidiary, or for which the Company or any Subsidiary has commitments. Neither the Company nor any Subsidiary is in default with respect to any Indebtedness.

(bb) Tax Status. Except for matters that would not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect, the Company and its Subsidiaries each (i) has made or filed all United States federal, state and local income and all foreign income and franchise tax returns, reports and declarations required by any jurisdiction to which it is subject, (ii) has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations and (iii) has set aside on its books provision reasonably adequate for the payment of all material taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company or of any Subsidiary know of no basis for any such claim. The provisions for taxes payable, if any, shown on the financial statements filed with or as part of the Registration Statement are sufficient for all accrued and unpaid taxes, whether or not disputed, and for all periods to and including the dates of such consolidated financial statements. The term "taxes" mean all federal, state, local, foreign, and other net income, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, license, lease, service, service use, withholding, payroll, employment, excise, severance, stamp, occupation, premium, property, windfall profits, customs, duties or other taxes, fees, assessments, or charges of any kind whatsoever, together with any interest and any penalties, additions to tax, or additional amounts with respect thereto. The term "returns" means all returns, declarations, reports, statements, and other documents required to be filed in respect to taxes.

(cc) Foreign Corrupt Practices. Neither the Company nor any Subsidiary, nor to the knowledge of the Company or any Subsidiary, any agent or other person acting on behalf of the Company or any Subsidiary, has (i) directly or indirectly, used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds, (iii) failed to disclose fully any contribution made by the Company or any Subsidiary (or made by any person acting on its behalf of which the Company is aware) which is in violation of law, or (iv) violated in any material respect any provision of FCPA. The Company has taken reasonable steps to ensure that its accounting controls and procedures are sufficient to cause the Company to comply in all material respects with the FCPA.

(dd) Accountants. To the knowledge and belief of the Company, the Company Auditor is an independent registered public accounting firm as required by the Securities Act. The Company Auditor has not, during the periods covered by the financial statements included in the Prospectus, provided to the Company any non-audit services, as such term is used in Section 10A(g) of the Exchange Act.

(ee) FDA. As to each product subject to the jurisdiction of the U.S. Food and Drug Administration ("FDA") under the Federal Food, Drug and Cosmetic Act, as amended, and the regulations thereunder ("FDCA") that is manufactured, packaged, labeled,

tested, distributed, sold, and/or marketed by the Company or any of its Subsidiaries (each such product, a “Pharmaceutical Product”), such Pharmaceutical Product is being manufactured, packaged, labeled, tested, distributed, sold and/or marketed by the Company in compliance with all applicable requirements under FDCA and similar laws, rules and regulations relating to registration, investigational use, premarket clearance, licensure, or application approval, good manufacturing practices, good laboratory practices, good clinical practices, product listing, quotas, labeling, advertising, record keeping and filing of reports, except where the failure to be in compliance would not have a Material Adverse Effect. There is no pending, completed or, to the Company's knowledge, threatened, action (including any lawsuit, arbitration, or legal or administrative or regulatory proceeding, charge, complaint, or investigation) against the Company or any of its Subsidiaries, and none of the Company or any of its Subsidiaries has received any notice, warning letter or other communication from the FDA or any other governmental entity, which (i) contests the premarket clearance, licensure, registration, or approval of, the uses of, the distribution of, the manufacturing or packaging of, the testing of, the sale of, or the labeling and promotion of any Pharmaceutical Product, (ii) withdraws its approval of, requests the recall, suspension, or seizure of, or withdraws or orders the withdrawal of advertising or sales promotional materials relating to, any Pharmaceutical Product, (iii) imposes a clinical hold on any clinical investigation by the Company or any of its Subsidiaries, (iv) enjoins production at any facility of the Company or any of its Subsidiaries, (v) enters or proposes to enter into a consent decree of permanent injunction with the Company or any of its Subsidiaries, or (vi) otherwise alleges any violation of any laws, rules or regulations by the Company or any of its Subsidiaries, and which, either individually or in the aggregate, would have a Material Adverse Effect. The properties, business and operations of the Company have been and are being conducted in all material respects in accordance with all applicable laws, rules and regulations of the FDA. The Company has not been informed by the FDA that the FDA will prohibit the marketing, sale, license or use in the United States of any product proposed to be developed, produced or marketed by the Company nor has the FDA expressed any concern as to approving or clearing for marketing any product being developed or proposed to be developed by the Company.

(ff) Stock Option Plans. Each stock option granted by the Company under the Company's stock option plan was granted (i) in accordance with the terms of the Company's stock option plan and (ii) with an exercise price at least equal to the fair market value of the Common Stock on the date such stock option would be considered granted under GAAP and applicable law. No stock option granted under the Company's stock option plan has been backdated. The Company has not knowingly granted, and there is no and has been no Company policy or practice to knowingly grant, stock options prior to, or otherwise knowingly coordinate the grant of stock options with, the release or other public announcement of material information regarding the Company or its Subsidiaries or their financial results or prospects.

(gg) Office of Foreign Assets Control. Neither the Company nor any Subsidiary nor, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company or any Subsidiary is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department.

(hh) U.S. Real Property Holding Corporation. The Company is not and has never been a U.S. real property holding corporation within the meaning of Section 897 of the Internal Revenue Code of 1986, as amended, and the Company shall so certify upon the Representative's request.

(ii) Bank Holding Company Act. Neither the Company nor any of its Subsidiaries or Affiliates is subject to the Bank Holding Company Act of 1956, as amended (the “BHCA”) and to regulation by the Board of Governors of the Federal Reserve System (the “Federal Reserve”). Neither the Company nor any of its Subsidiaries or Affiliates owns or controls, directly or indirectly, five percent (5%) or more of the outstanding shares of any class of voting securities or twenty-five percent (25%) or more of the total equity of a bank or any entity that is subject to the BHCA and to regulation by the Federal Reserve. Neither the Company nor any of its Subsidiaries or Affiliates exercises a controlling influence over the management or policies of a bank or any entity that is subject to the BHCA and to regulation by the Federal Reserve.

(jj) Money Laundering. The operations of the Company and its Subsidiaries are and have been conducted at all times in compliance with applicable financial record-keeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, applicable money laundering statutes and applicable rules and regulations thereunder (collectively, the “Money Laundering Laws”), and no Action or Proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any Subsidiary with respect to the Money Laundering Laws is pending or, to the knowledge of the Company or any Subsidiary, threatened.



(kk) D&O Questionnaires. To the Company's knowledge, all information contained in the questionnaires completed by each of the Company's directors and officers immediately prior to the Offering and in the Lock-Up Agreement provided to the Underwriters is true and correct in all respects and the Company has not become aware of any information which would cause the information disclosed in such questionnaires become inaccurate and incorrect.

(ll) FINRA Affiliation. No officer, director or any beneficial owner of 5% or more of the Company's unregistered securities has any direct or indirect affiliation or association with any FINRA member (as determined in accordance with the rules and regulations of FINRA) that is participating in the Offering. The Company will advise the Representative and Schiff Hardin if it learns that any officer, director or owner of 5% or more of the Company's outstanding shares of Common Stock or Common Stock Equivalents is or becomes an affiliate or associated person of a FINRA member firm.

(mm) Officers' Certificate. Any certificate signed by any duly authorized officer of the Company and delivered to the Representative or Schiff Hardin shall be deemed a representation and warranty by the Company to the Underwriters as to the matters covered thereby.

(nn) Board of Directors. The Board of Directors is comprised of the persons set forth under the heading of the Prospectus captioned "Management." The qualifications of the persons serving as board members and the overall composition of the Board of Directors comply with the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder applicable to the Company and the rules of the Trading Market. At least one member of the Board of Directors qualifies as a "financial expert" as such term is defined under the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder and the rules of the Trading Market. In addition, at least a majority of the persons serving on the Board of Directors qualify as "independent" as defined under the rules of the Trading Market.

(oo) Environmental Laws. The Company and its Subsidiaries (i) are in compliance with all applicable federal, state, local and foreign laws relating to pollution or protection of human health or the environment (including ambient air, surface water, groundwater, land surface or subsurface strata), including laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants, contaminants, or toxic or hazardous substances or wastes (collectively, "Hazardous Materials") into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, demands, or demand letters, injunctions, judgments, licenses, notices or notice letters, orders, permits, plans or regulations, issued, entered, promulgated or approved thereunder ("Environmental Laws"); (ii) have received all permits licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses; and (iii) are in compliance with all terms and conditions of any such permit, license or approval where in each clause (i), (ii) and (iii), the failure to so comply could be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect.

#### **ARTICLE IV. OTHER AGREEMENTS OF THE PARTIES**

4.1 Amendments to Registration Statement. The Company has delivered, or will as promptly as practicable deliver, to the Underwriters complete conformed copies of the Registration Statement and of each consent and certificate of experts, as applicable, filed as a part thereof, and conformed copies of the Registration Statement (without exhibits), the Prospectus and the Prospectus Supplement, as amended or supplemented, in such quantities and at such places as an Underwriter reasonably requests. Neither the Company nor any of its directors and officers has distributed and none of them will distribute, prior to the Closing Date, any offering material in connection with the offering and sale of the Securities other than the Prospectus, the Prospectus Supplement, the Registration Statement, and copies of the documents incorporated by reference therein. The Company shall not file any such amendment or supplement to which the Representative shall reasonably object in writing.

#### **4.2 Federal Securities Laws.**

(a) Compliance. During the time when a Prospectus is required to be delivered under the Securities Act, the Company will use its best efforts to comply with all requirements imposed upon it by the Securities Act and the rules and regulations thereunder and the Exchange Act and the rules and regulations thereunder, as from time to time in force, so far as necessary to permit the continuance of sales of or dealings in the Securities in accordance with the provisions hereof and the Prospectus. If at any time when a Prospectus relating to the Securities is required to be delivered under the Securities Act, any event shall have occurred as a result of which, in the opinion of counsel for the Company or counsel for the Underwriters, the Prospectus, as then amended or supplemented, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, or if it is necessary at any time to amend the Prospectus to comply with the Securities Act, the Company will notify the Underwriters promptly and prepare and file with the Commission, subject to Section 4.1 hereof, an appropriate amendment or supplement in accordance with Section 10 of the Securities Act.

(b) Filing of Final Prospectus. The Company will file the Prospectus (in form and substance satisfactory to the Representative) with the Commission pursuant to the requirements of Rule 424.

(c) Exchange Act Registration. For a period of three years from the Execution Date, the Company will use its best efforts to maintain the registration of the Common Stock under the Exchange Act. The Company will not deregister the Common Stock under the Exchange Act without the prior written consent of the Representative.

(d) Free Writing Prospectuses. The Company represents and agrees that it has not made and will not make any offer relating to the Securities that would constitute an issuer free writing prospectus, as defined in Rule 433 of the rules and regulations under the Securities Act, without the prior written consent of the Representative. Any such free writing prospectus consented to by the Representative is herein referred to as a “Permitted Free Writing Prospectus.” The Company represents that it will treat each Permitted Free Writing Prospectus as an “issuer free writing prospectus” as defined in rule and regulations under the Securities Act, and has complied and will comply with the applicable requirements of Rule 433 of the Securities Act, including timely Commission filing where required, legending and record keeping.

4.3 Delivery to the Underwriters of Prospectuses. The Company will deliver to the Underwriters, without charge, from time to time during the period when the Prospectus is required to be delivered under the Securities Act or the Exchange Act such number of copies of each Prospectus as the Underwriters may reasonably request and, as soon as the Registration Statement or any amendment or supplement thereto becomes effective, deliver to you two original executed Registration Statements, including exhibits, and all post-effective amendments thereto and copies of all exhibits filed therewith or incorporated therein by reference and all original executed consents of certified experts.

4.4 Effectiveness and Events Requiring Notice to the Underwriters. The Company will use its best efforts to cause the Registration Statement to remain effective with a current prospectus until the later of nine (9) months from the Execution Date and the date on which the Warrants are no longer outstanding, and will notify the Underwriters and holders of the Warrants immediately and confirm the notice in writing: (i) of the effectiveness of the Registration Statement and any amendment thereto; (ii) of the issuance by the Commission of any stop order or of the initiation, or the threatening, of any proceeding for that purpose; (iii) of the issuance by any state securities commission of any proceedings for the suspension of the qualification of the Securities for offering or sale in any jurisdiction or of the initiation, or the threatening, of any proceeding for that purpose; (iv) of the mailing and delivery to the Commission for filing of any amendment or supplement to the Registration Statement or Prospectus; (v) of the receipt of any comments or request for any additional information from the Commission; and (vi) of the happening of any event during the period described in this Section 4.4 that, in the judgment of the Company, makes any statement of a material fact made in the Registration Statement or the Prospectus untrue or that requires the making of any changes in the Registration Statement or the Prospectus in order to make the statements therein, in light of the circumstances under which they were made, not misleading. If the Commission or any state securities commission shall enter a stop order or suspend such qualification at any time, the Company will make every reasonable effort to obtain promptly the lifting of such order.

4.5 Review of Financial Statements. For a period of three (3) years from the Execution Date, the Company, at its expense, shall cause its regularly engaged independent registered public accountants to review (but not audit) the Company’s financial statements for each of the first three fiscal quarters prior to the announcement of quarterly financial information.

4.6 Expenses of the Offering. The Company hereby agrees to pay on each of the Closing Date and each Option Closing Date, if any, to the extent not paid at the Closing Date, all expenses incident to the performance of the obligations of the Company under this Agreement, including, but not limited to: (a) all filing fees and communication expenses relating to the registration of the Securities to be sold in the Offering (including the Option Securities) with the Commission; (b) all FINRA Public Offering Filing System fees associated with the review of the Offering by FINRA; all fees and expenses relating to the listing of such Closing Shares, Option Shares and Underlying Shares on the Trading Market and such other stock exchanges as the Company and the Representative together determine; (c) all fees, expenses and disbursements relating to the registration or qualification of such Securities under the “blue sky” securities laws of such states and other foreign jurisdictions as the Representative may reasonably designate (including, without limitation, all filing and registration fees, and the fees and expenses of Blue Sky counsel, which shall be Schiff Hardin, it being agreed that the Company will make a payment of \$25,000 to such counsel on the Closing Date); (d) the costs of all mailing and printing of the underwriting documents (including, without limitation, the Underwriting Agreement, any Blue Sky Surveys and, if appropriate, any Agreement Among Underwriters, Selected Dealers’ Agreement, Underwriters’ Questionnaire and Power of Attorney), Registration Statements, Prospectuses and all amendments, supplements and exhibits thereto and as many preliminary and final Prospectuses as the Representative may reasonably deem necessary; (e) the costs and expenses of the Company’s public relations firm; (f) the costs of preparing, printing and delivering the Securities; (g) fees and expenses of the Transfer Agent for the Securities (including, without limitation, any fees required for same-day processing of any instruction letter delivered by the Company); (h) stock transfer and/or stamp taxes, if any, payable upon the transfer of securities from the Company to the Underwriters; (i) the fees and expenses of the Company’s accountants; (j) the fees and expenses of the Company’s legal counsel and other agents and representatives; (k) the Underwriters’ costs of mailing prospectuses to prospective investors; (l) the costs associated with advertising the Offering in the national editions of the Wall Street Journal and New York Times after the Closing Date; (m) up to \$145,000 for the Representative’s diligence expenses and the fees and expenses of Schiff Hardin; and (n) up to \$10,000 for the Underwriters’ actual “road show” expenses for the Offering; the costs associated with bound volumes of the public offering materials as well as commemorative mementos and lucite tombstones, each of which the Company or its designee will provide within a reasonable time after the Closing in such quantities as the Underwriters may reasonably request; and (o) the fees, expenses and disbursements relating to background checks of the Company’s officers and directors. The Underwriters may also deduct from the net proceeds of the Offering payable to the Company on the Closing Date, or each Option Closing Date, if any, the expenses set forth herein to be paid by the Company to the Underwriters.

4.7 Application of Net Proceeds. The Company will apply the net proceeds from the Offering received by it in a manner consistent with the application described under the caption “Use of Proceeds” in the Prospectus.

4.8 Delivery of Earnings Statements to Security Holders. The Company will make generally available to its security holders as soon as practicable, but not later than the first day of the fifteenth full calendar month following the Execution Date, an earnings statement (which need not be certified by independent public or independent certified public accountants unless required by the Securities Act or the Rules and Regulations under the Securities Act, but which shall satisfy the provisions of Rule 158(a) under Section 11(a) of the Securities Act) covering a period of at least twelve consecutive months beginning after the Execution Date. If such earnings statement is available on Edgar it shall be deemed to have been delivered to the Representative pursuant to this Section 4.7.

4.9 Stabilization. Neither the Company, nor, to its knowledge, any of its employees, directors or shareholders (without the consent of the Representative) has taken or will take, directly or indirectly, any action designed to or that has constituted or that might reasonably be expected to cause or result in, under the Exchange Act, or otherwise, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

4.10 Internal Controls. The Company will maintain a system of internal accounting controls sufficient to provide reasonable assurances that: (i) transactions are executed in accordance with management’s general or specific authorization; (ii) transactions are recorded as necessary in order to permit preparation of financial statements in accordance with GAAP and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management’s general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

4.11 Accountants. The Company shall continue to retain a nationally recognized independent certified public accounting firm for a period of at least three years after the Execution Date. The Underwriters acknowledge that the Company Auditor is acceptable to the Underwriters.



4.12 FINRA. The Company shall advise the Underwriters (who shall make an appropriate filing with FINRA) if it is aware that any 5% or greater shareholder of the Company becomes an affiliate or associated person of an Underwriter.

4.13 No Fiduciary Duties. The Company acknowledges and agrees that the Underwriters' responsibility to the Company is solely contractual and commercial in nature, based on arms-length negotiations and that neither the Underwriters nor their affiliates or any selected dealer shall be deemed to be acting in a fiduciary capacity, or otherwise owes any fiduciary duty to the Company or any of its affiliates in connection with the Offering and the other transactions contemplated by this Agreement. Notwithstanding anything in this Agreement to the contrary, the Company acknowledges that the Underwriters may have financial interests in the success of the Offering that are not limited to the difference between the price to the public and the purchase price paid to the Company by the Underwriters for the shares and the Underwriters have no obligation to disclose, or account to the Company for, any of such additional financial interests. The Company hereby waives and releases, to the fullest extent permitted by law, any claims that the Company may have against the Underwriters with respect to any breach or alleged breach of fiduciary duty.

4.14 Underlying Shares. If all or any portion of a Warrant is exercised at a time when there is an effective registration statement to cover the issuance of the Warrant Shares or if the Warrant is exercised via cashless exercise, the Warrant Shares issued pursuant to any such exercise shall be issued free of all restrictive legends. If at any time following the date hereof the Registration Statement (or any subsequent registration statement registering the sale or resale of the Warrant Shares) is not effective or is not otherwise available for the sale of the Warrant Shares, the Company shall immediately notify the holders of the Warrants in writing that such registration statement is not then effective and thereafter shall promptly notify such holders when the registration statement is effective again and available for the sale of the Warrant Shares (it being understood and agreed that the foregoing shall not limit the ability of the Company to issue, or any holder thereof to sell, any of the Warrant Shares in compliance with applicable federal and state securities laws).

4.15 Board Composition and Board Designations. The Company shall ensure that: (i) the qualifications of the persons serving as board members and the overall composition of the Board of Directors comply with the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder and with the listing requirements of the Trading Market and (ii) if applicable, at least one member of the Board of Directors qualifies as a "financial expert" as such term is defined under the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder.

4.16 Securities Laws Disclosure; Publicity. At the request of the Representative, by 9:00 a.m. (New York City time) on the date hereof, the Company shall issue a press release disclosing the material terms of the Offering. The Company and the Representative shall consult with each other in issuing any other press releases with respect to the Offering, and neither the Company nor any Underwriter shall issue any such press release nor otherwise make any such public statement without the prior consent of the Company, with respect to any press release of such Underwriter, or without the prior consent of such Underwriter, with respect to any press release of the Company, which consent shall not unreasonably be withheld or delayed, except if such disclosure is required by law, in which case the disclosing party shall promptly provide the other party with prior notice of such public statement or communication. The Company will not issue press releases or engage in any other publicity, without the Representative's prior written consent, for a period ending at 5:00 p.m. (New York City time) on the first business day following the 45th day following the Closing Date, other than normal and customary releases issued in the ordinary course of the Company's business.

4.17 Shareholder Rights Plan. No claim will be made or enforced by the Company or, with the consent of the Company, any other Person, that any Underwriter of the Securities is an "Acquiring Person" under any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or similar anti-takeover plan or arrangement in effect or hereafter adopted by the Company, or that any Underwriter of Securities could be deemed to trigger the provisions of any such plan or arrangement, by virtue of receiving Securities.

4.18 Reservation of Common Stock. As of the date hereof, the Company has reserved and the Company shall continue to reserve and keep available at all times, free of preemptive rights, a sufficient number of shares of Common Stock for the purpose of enabling the Company to issue Option Shares pursuant to the Over-Allotment Option and Warrant Shares pursuant to any exercise of the Warrants.

4.19 Listing of Common Stock. The Company hereby agrees to use best efforts to maintain the listing or quotation of the Common Stock on the Trading Market on which it is currently listed, and concurrently with the Closing, the Company shall apply to list or quote all of the Closing Shares, Option Shares and Underlying Shares on such Trading Market and promptly secure the listing of all of the Closing Shares, Option Shares and Underlying Shares on such Trading Market. The Company further agrees, if the Company applies to have the Common Stock traded on any other Trading Market, it will then include in such application all of the Closing Shares, Option Shares and Underlying Shares, and will take such other action as is necessary to cause all of the Closing Shares, Option Shares and Underlying Shares to be listed or quoted on such other Trading Market as promptly as possible. The Company will then take all action reasonably necessary to continue the listing and trading of its Common Stock on a Trading Market and will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of the Trading Market. The Company agrees to maintain the eligibility of the Common Stock for electronic transfer through the Depository Trust Company or another established clearing corporation, including, without limitation, by timely payment of fees to the Depository Trust Company or such other established clearing corporation in connection with such electronic transfer.

#### 4.20 Subsequent Equity Sales.

(a) From the date hereof until three hundred sixty-five (365) days following the Closing Date, neither the Company nor any Subsidiary shall issue, enter into any agreement to issue or announce the issuance or proposed issuance of any shares of Common Stock or Common Stock Equivalents.

(B) From the date hereof until the one (1) year anniversary of the Closing Date, the Company shall be prohibited from effecting or entering into an agreement to effect any issuance by the Company or any of its Subsidiaries of Common Stock or Common Stock Equivalents (or a combination of units thereof) involving a Variable Rate Transaction. "Variable Rate Transaction" means a transaction in which the Company (i) issues or sells any debt or equity securities that are convertible into, exchangeable or exercisable for, or include the right to receive, additional shares of Common Stock either (A) at a conversion price, exercise price or exchange rate or other price that is based upon, and/or varies with, the trading prices of or quotations for the shares of Common Stock at any time after the initial issuance of such debt or equity securities or (B) with a conversion, exercise or exchange price that is subject to being reset at some future date after the initial issuance of such debt or equity security or upon the occurrence of specified or contingent events directly or indirectly related to the business of the Company or the market for the Common Stock or (ii) enters into, or effects a transaction under, any agreement, including, but not limited to, an equity line of credit, whereby the Company may issue securities at a future determined price. Any Underwriter shall be entitled to obtain injunctive relief against the Company to preclude any such issuance, which remedy shall be in addition to any right to collect damages.

(c) Notwithstanding the foregoing, this Section 4.20 shall not apply in respect of an Exempt Issuance, except that no Variable Rate Transaction shall be an Exempt Issuance.

4.21 Research Independence. The Company acknowledges that each Underwriter's research analysts and research departments, if any, are required to be independent from their respective investment banking divisions and are subject to certain regulations and internal policies, and that such Underwriter's research analysts may hold and make statements or investment recommendations and/or publish research reports with respect to the Company and/or the offering that differ from the views of its investment bankers. The Company hereby waives and releases, to the fullest extent permitted by law, any claims that the Company may have against such Underwriter with respect to any conflict of interest that may arise from the fact that the views expressed by their independent research analysts and research departments may be different from or inconsistent with the views or advice communicated to the Company by such Underwriter's investment banking divisions. The Company acknowledges that the Representative is a full service securities firm and as such from time to time, subject to applicable securities laws, may effect transactions for its own account or the account of its customers and hold long or short position in debt or equity securities of the Company.

### **ARTICLE V. DEFAULT BY UNDERWRITERS**

If on the Closing Date or any Option Closing Date, if any, any Underwriter shall fail to purchase and pay for the portion of the Closing Securities or Option Securities, as the case may be, which such Underwriter has agreed to purchase and pay for on such date (otherwise than by reason of any default on the part of the Company), the Representative, or if the Representative is the defaulting Underwriter, the non-defaulting Underwriters, shall use their reasonable efforts to procure within 36 hours thereafter one or more of the other Underwriters,

or any others, to purchase from the Company such amounts as may be agreed upon and upon the terms set forth herein, the Closing Securities or Option Securities, as the case may be, which the defaulting Underwriter or Underwriters failed to purchase. If during such 36 hours the Representative shall not have procured such other Underwriters, or any others, to purchase the Closing Securities or Option Securities, as the case may be, agreed to be purchased by the defaulting Underwriter or Underwriters, then (a) if the aggregate number of Closing Securities or Option Securities, as the case may be, with respect to which such default shall occur does not exceed 10% of the Closing Securities or Option Securities, as the case may be, covered hereby, the other Underwriters shall be obligated, severally, in proportion to the respective numbers of Closing Securities or Option Securities, as the case may be, which they are obligated to purchase hereunder, to purchase the Closing Securities or Option Securities, as the case may be, which such defaulting Underwriter or Underwriters failed to purchase, or (b) if the aggregate number of Closing Securities or Option Securities, as the case may be, with respect to which such default shall occur exceeds 10% of the Closing Securities or Option Securities, as the case may be, covered hereby, the Company or the Representative will have the right to terminate this Agreement without liability on the part of the non-defaulting Underwriters or of the Company except to the extent provided in Article VI hereof. In the event of a default by any Underwriter or Underwriters, as set forth in this Article V, the applicable Closing Date may be postponed for such period, not exceeding seven days, as the Representative, or if the Representative is the defaulting Underwriter, the non-defaulting Underwriters, may determine in order that the required changes in the Prospectus or in any other documents or arrangements may be effected. The term "Underwriter" includes any Person substituted for a defaulting Underwriter. Any action taken under this Section shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

## ARTICLE VI. INDEMNIFICATION

6.1 Indemnification of the Underwriters. Subject to the conditions set forth below, the Company agrees to indemnify and hold harmless the Underwriters, and each dealer selected by each Underwriter that participates in the offer and sale of the Securities (each a "Selected Dealer") and each of their respective directors, officers and employees and each Person, if any, who controls such Underwriter or any Selected Dealer ("Controlling Person") within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, against any and all loss, liability, claim, damage and expense whatsoever (including but not limited to any and all legal or other expenses reasonably incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever, whether arising out of any action between such Underwriter and the Company or between such Underwriter and any third party or otherwise) to which they or any of them may become subject under the Securities Act, the Exchange Act or any other statute or at common law or otherwise or under the laws of foreign countries, arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in (i) any Preliminary Prospectus, if any, the Registration Statement or the Prospectus (as from time to time each may be amended and supplemented); (ii) any materials or information provided to investors by, or with the approval of, the Company in connection with the marketing of the offering of the Securities, including any "road show" or investor presentations made to investors by the Company (whether in person or electronically); or (iii) any application or other document or written communication (in this Article VI, collectively called "application") executed by the Company or based upon written information furnished by the Company in any jurisdiction in order to qualify the Securities under the securities laws thereof or filed with the Commission, any state securities commission or agency, Trading Market or any securities exchange; or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, unless such statement or omission was made in reliance upon and in conformity with the Underwriters' Information. With respect to any untrue statement or omission or alleged untrue statement or omission made in the Preliminary Prospectus, if any, the indemnity agreement contained in this Section 6.1 shall not inure to the benefit of an Underwriter to the extent that any loss, liability, claim, damage or expense of such Underwriter results from the fact that a copy of the Prospectus was not given or sent to the Person asserting any such loss, liability, claim or damage at or prior to the written confirmation of sale of the Securities to such Person as required by the Securities Act and the rules and regulations thereunder, and if the untrue statement or omission has been corrected in the Prospectus, unless such failure to deliver the Prospectus was a result of non-compliance by the Company with its obligations under this Agreement. The Company agrees promptly to notify each Underwriter of the commencement of any litigation or proceedings against the Company or any of its officers, directors or Controlling Persons in connection with the issue and sale of the Public Securities or in connection with the Registration Statement or Prospectus.

6.2 Procedure. If any action is brought against an Underwriter, a Selected Dealer or a Controlling Person in respect of which indemnity may be sought against the Company pursuant to Section 6.1, such Underwriter, such Selected Dealer or Controlling Person, as the case may be, shall promptly notify the Company in writing of the institution of such action and the Company shall assume the defense of such action, including the employment and fees of counsel (subject to the reasonable approval of such Underwriter or such

Selected Dealer, as the case may be) and payment of actual expenses. Such Underwriter, such Selected Dealer or Controlling Person shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such Underwriter, such Selected Dealer or Controlling Person unless (i) the employment of such counsel at the expense of the Company shall have been authorized in writing by the Company in connection with the defense of such action, or (ii) the Company shall not have employed counsel to have charge of the defense of such action, or (iii) such indemnified party or parties shall have reasonably concluded that there may be defenses available to it or them which are different from or additional to those available to the Company (in which case the Company shall not have the right to direct the defense of such action on behalf of the indemnified party or parties), in any of which events the reasonable fees and expenses of not more than one additional firm of attorneys selected by such Underwriter (in addition to local counsel), Selected Dealer and/or Controlling Person shall be borne by the Company. Notwithstanding anything to the contrary contained herein, if any Underwriter, Selected Dealer or Controlling Person shall assume the defense of such action as provided above, the Company shall have the right to approve the terms of any settlement of such action which approval shall not be unreasonably withheld.

6.3 Indemnification of the Company. Each Underwriter severally and not jointly agrees to indemnify and hold harmless the Company, its directors, officers and employees and agents who control the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act against any and all loss, liability, claim, damage and expense described in the foregoing indemnity from the Company to such Underwriter, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions made in any Preliminary Prospectus, if any, the Registration Statement or Prospectus or any amendment or supplement thereto or in any application, in reliance upon, and in strict conformity with, the Underwriters' Information. In case any action shall be brought against the Company or any other Person so indemnified based on any Preliminary Prospectus, if any, the Registration Statement or Prospectus or any amendment or supplement thereto or any application, and in respect of which indemnity may be sought against such Underwriter, such Underwriter shall have the rights and duties given to the Company, and the Company and each other Person so indemnified shall have the rights and duties given to such Underwriter by the provisions of this Article VI. Notwithstanding the provisions of this Section 6.3, no Underwriter shall be required to indemnify the Company for any amount in excess of the underwriting discounts and commissions applicable to the Securities purchased by such Underwriter. The Underwriters' obligations in this Section 6.3 to indemnify the Company are several in proportion to their respective underwriting obligations and not joint.

6.4 Contribution.

(a) Contribution Rights. In order to provide for just and equitable contribution under the Securities Act in any case in which (i) any Person entitled to indemnification under this Article VI makes a claim for indemnification pursuant hereto but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that this Article VI provides for indemnification in such case, or (ii) contribution under the Securities Act, the Exchange Act or otherwise may be required on the part of any such Person in circumstances for which indemnification is provided under this Article VI, then, and in each such case, the Company and each Underwriter, severally and not jointly, shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by said indemnity agreement incurred by the Company and such Underwriter, as incurred, in such proportions that such Underwriter is responsible for that portion represented by the percentage that the underwriting discount appearing on the cover page of the Prospectus bears to the initial offering price appearing thereon and the Company is responsible for the balance; provided, that, no Person guilty of a fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. For purposes of this Section, each director, officer and employee of such Underwriter or the Company, as applicable, and each Person, if any, who controls such Underwriter or the Company, as applicable, within the meaning of Section 15 of the Securities Act shall have the same rights to contribution as such Underwriter or the Company, as applicable. Notwithstanding the provisions of this Section 6.4, no Underwriter shall be required to contribute any amount in excess of the underwriting discounts and commissions applicable to the Securities purchased by such Underwriter. The Underwriters' obligations in this Section 6.4 to contribute are several in proportion to their respective underwriting obligations and not joint.

(b) Contribution Procedure. Within fifteen days after receipt by any party to this Agreement (or its representative) of notice of the commencement of any action, suit or proceeding, such party will, if a claim for contribution in respect thereof is to be made against another party ("contributing party"), notify the contributing party of the commencement thereof, but the failure to so notify the contributing party will not relieve it from any liability which it may have to any other party other than for contribution hereunder. In case any such action, suit or proceeding is brought against any party, and such party notifies a contributing party or its representative of the

commencement thereof within the aforesaid fifteen days, the contributing party will be entitled to participate therein with the notifying party and any other contributing party similarly notified. Any such contributing party shall not be liable to any party seeking contribution on account of any settlement of any claim, action or proceeding affected by such party seeking contribution without the written consent of such contributing party. The contribution provisions contained in this Section 6.4 are intended to supersede, to the extent permitted by law, any right to contribution under the Securities Act, the Exchange Act or otherwise available.

## **ARTICLE VII. MISCELLANEOUS**

### **7.1 Termination.**

(a) Termination Right. The Representative shall have the right to terminate this Agreement at any time prior to any Closing Date, (i) if any domestic or international event or act or occurrence has materially disrupted, or in its opinion will in the immediate future materially disrupt, general securities markets in the United States; or (ii) if trading on any Trading Market shall have been suspended or materially limited, or minimum or maximum prices for trading shall have been fixed, or maximum ranges for prices for securities shall have been required by FINRA or by order of the Commission or any other government authority having jurisdiction, or (iii) if the United States shall have become involved in a new war or an increase in major hostilities, or (iv) if a banking moratorium has been declared by a New York State or federal authority, or (v) if a moratorium on foreign exchange trading has been declared which materially adversely impacts the United States securities markets, or (vi) if the Company shall have sustained a material loss by fire, flood, accident, hurricane, earthquake, theft, sabotage or other calamity or malicious act which, whether or not such loss shall have been insured, will, in the Representative's opinion, make it inadvisable to proceed with the delivery of the Securities, or (vii) if the Company is in material breach of any of its representations, warranties or covenants hereunder, or (viii) if the Representative shall have become aware after the date hereof of such a material adverse change in the conditions or prospects of the Company, or such adverse material change in general market conditions as in the Representative's judgment would make it impracticable to proceed with the offering, sale and/or delivery of the Securities or to enforce contracts made by the Underwriters for the sale of the Securities.

(b) Expenses. In the event this Agreement shall be terminated pursuant to Section 7.1(a), within the time specified herein or any extensions thereof pursuant to the terms herein, the Company shall be obligated to pay to the Representative its actual and accountable out of pocket expenses related to the transactions contemplated herein then due and payable, including the reasonable fees and disbursements of Schiff Hardin, up to an aggregate of \$175,000 inclusive of any advance for accountable expenses previously paid by the Company to the Representative (the "Advance") (provided, however, that such expense cap in no way limits or impairs the indemnification and contribution provisions of this Agreement). Notwithstanding the foregoing, any advance received by the Representative will be reimbursed to the Company to the extent not actually incurred in compliance with FINRA Rule 5110(f)(2)(C).

(c) Indemnification. Notwithstanding any contrary provision contained in this Agreement, any election hereunder or any termination of this Agreement, and whether or not this Agreement is otherwise carried out, the provisions of Article VI shall not be in any way effected by such election or termination or failure to carry out the terms of this Agreement or any part hereof.

7.2 Entire Agreement. The Transaction Documents, together with the exhibits and schedules thereto, the Prospectus and the Prospectus Supplement, contain the entire understanding of the parties with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into such documents, exhibits and schedules. Notwithstanding anything herein to the contrary, the Engagement Agreement, dated April 9, 2021 ("Engagement Agreement"), as amended, by and between the Company and the Representative, shall continue to be effective and the terms therein, including, without limitation, Section 7 and Section 8 with respect to any future offerings, shall continue to survive and be enforceable by the Representative in accordance with its terms, provided that, in the event of a conflict between the terms of the Engagement Agreement and this Agreement, the terms of this Agreement shall prevail.



7.3 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of: (a) the time of transmission, if such notice or communication is delivered via facsimile at the facsimile number or e-mail attachment at the email address set forth on the signature pages attached hereto at or prior to 5:30 p.m. (New York City time) on a Trading Day, (b) the next Trading Day after the time of transmission, if such notice or communication is delivered via facsimile at the facsimile number or e-mail attachment at the e-mail address as set forth on the signature pages attached hereto on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (c) the second (2<sup>nd</sup>) Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service or (d) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as set forth on the signature pages attached hereto.

7.4 Amendments; Waivers. No provision of this Agreement may be waived, modified, supplemented or amended except in a written instrument signed, in the case of an amendment, by the Company and the Representative. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right.

7.5 Headings. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

7.6 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns.

7.7 Governing Law. All questions concerning the construction, validity, enforcement and interpretation of the Transaction Documents shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all legal Proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement and any other Transaction Documents (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, Borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any Action or Proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such Action or Proceeding is improper or is an inconvenient venue for such Proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such Action or Proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. If either party shall commence an Action or Proceeding to enforce any provisions of the Transaction Documents, then, in addition to the obligations of the Company under Article VI, the prevailing party in such Action or Proceeding shall be reimbursed by the other party for its reasonable attorneys' fees and other costs and expenses incurred with the investigation, preparation and prosecution of such Action or Proceeding.

7.8 Survival. The representations and warranties contained herein shall survive the Closing and the Option Closing, if any, and the delivery of the Securities.

7.9 Execution. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to each other party, it being understood that the parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

7.10 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain

in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

7.11 Remedies. In addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, the Underwriters and the Company will be entitled to specific performance under the Transaction Documents. The parties agree that monetary damages may not be adequate compensation for any loss incurred by reason of any breach of obligations contained in the Transaction Documents and hereby agree to waive and not to assert in any Action for specific performance of any such obligation the defense that a remedy at law would be adequate.

7.12 Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding Business Day.

7.13 Construction. The parties agree that each of them and/or their respective counsel have reviewed and had an opportunity to revise the Transaction Documents and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of the Transaction Documents or any amendments thereto. In addition, each and every reference to share prices and shares of Common Stock in any Transaction Document shall be subject to adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Common Stock that occur after the date of this Agreement.

7.14 **WAIVER OF JURY TRIAL**. IN ANY ACTION, SUIT, OR PROCEEDING IN ANY JURISDICTION BROUGHT BY ANY PARTY AGAINST ANY OTHER PARTY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, THE PARTIES EACH KNOWINGLY AND INTENTIONALLY, TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY AND EXPRESSLY WAIVE FOREVER ANY RIGHT TO TRIAL BY JURY.

*(Signature Pages Follow)*

If the foregoing correctly sets forth the understanding between the Underwriters and the Company, please so indicate in the space provided below for that purpose, whereupon this letter shall constitute a binding agreement among the Company and the several Underwriters in accordance with its terms.

Very truly yours,

**SMART FOR LIFE, INC.**

By: \_\_\_\_\_  
Name:  
Title:

Address for Notice:

[\_\_\_\_\_]   
Copy to:

[\_\_\_\_\_]

Accepted on the date first above written.  
**DAWSON JAMES SECURITIES, INC.**  
As the Representative of the several

Underwriters listed on Schedule I  
By: Dawson James Securities, Inc.

By: \_\_\_\_\_  
Name:  
Title:

Address for Notice:  
Dawson James Securities, Inc.  
101 North Federal Highway, Suite 600 Boca Raton, FL 33432

Copy to:  
Schiff Hardin LLP  
901 K Street, NW Suite 400  
Washington, DC 20001  
Attn: Ralph V. De Martino  
Email: [rdemartino@schiffhardin.com](mailto:rdemartino@schiffhardin.com)

## SCHEDULE I

### SCHEDULE OF UNDERWRITERS

Underwriters	Closing Shares	Closing Preferred Shares	Closing Series A Warrants	Closing Series B Warrants	Closing Purchase Price
Dawson James Securities, Inc.					
Total					



NEITHER THIS SECURITY NOR THE SECURITIES INTO WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

## COMMON STOCK PURCHASE WARRANT

1. Purchase Warrant. THIS CERTIFIES THAT, in consideration of funds duly paid by or on behalf of Dawson James Securities, Inc. (“**Holder**”), as registered owner of this Purchase Warrant, to **Smart for Life, Inc.**, a Delaware corporation (the “**Company**”), Holder is entitled, at any time or from time to time beginning July 1, 2021 (the “**Commencement Date**”), and at or before 5:00 p.m., Eastern time, July 1, 2026 (the “**Expiration Date**”), but not thereafter, to subscribe for, purchase and receive, in whole or in part, up to **719,964** shares of common stock of the Company, par value \$0.0001 per share (the “**Shares**”), subject to adjustment as provided in Section 6 hereof. If the Expiration Date is a day on which banking institutions are authorized by law to close, then this Purchase Warrant may be exercised on the next succeeding day which is not such a day in accordance with the terms herein. During the period ending on the Expiration Date, the Company agrees not to take any action that would terminate this Purchase Warrant. This Purchase Warrant is initially exercisable at **\$0.6667** per Share; provided, however, that upon the occurrence of any of the events specified in Section 6 hereof, the rights granted by this Purchase Warrant, including the exercise price per Share and the number of Shares to be received upon such exercise, shall be adjusted as therein specified. The term “**Exercise Price**” shall mean the initial exercise price or the adjusted exercise price, depending on the context.

### 2. Exercise.

2.1 Exercise Form. In order to exercise this Purchase Warrant, the exercise form attached hereto must be duly executed and completed and delivered to the Company, together with this Purchase Warrant and payment of the Exercise Price for the Shares being purchased payable in cash by wire transfer of immediately available funds to an account designated by the Company or by certified check or official bank check. If the subscription rights represented hereby shall not be exercised at or before 5:00 p.m., Eastern time, on the Expiration Date, this Purchase Warrant shall become and be void without further force or effect, and all rights represented hereby shall cease and expire.

2.2 Cashless Exercise. In lieu of exercising this Purchase Warrant by payment of cash or check payable to the order of the Company pursuant to Section 2.1 above, this Purchase Warrant may also be exercised, in whole or in part, at such time by means of a “cashless exercise” in which the Holder shall be entitled to receive a number of Shares equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

(A) = the FMV of one share of Common Stock;

(B) = the Exercise Price of this Purchase Warrant, as adjusted hereunder; and

(X) = the number of shares of Common Stock underlying the Purchase Warrant that would be issuable upon exercise of this Purchase Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

Notwithstanding anything herein to the contrary, on the Expiration Date, this Purchase Warrant shall be automatically exercised via cashless exercise pursuant to this Section 2.2.

“**FMV**” means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the value shall be deemed to be the highest intra-day or closing price on any trading day on

such Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a trading day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)) during the five trading days preceding the exercise, (b) if OTCQB or OTCQX is not a Trading Market, the value shall be deemed to be the highest intra-day or closing price on any trading day on the OTCQB or OTCQX on which the Common Stock is then quoted as reported by Bloomberg L.P. (based on a trading day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)) during the five trading days preceding the exercise, as applicable, (c) if the Common Stock is not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Common Stock are then reported in the “Pink Sheets” published by OTC Markets Group, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the “OTC Markets Group”, the value shall be deemed to be the highest intra-day or closing price on any trading day on the Pink Sheets on which the Common Stock is then quoted as reported by OTC Markets Group (based on a trading day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)) during the five trading days preceding the exercise, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Holder and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

“**Trading Market**” means the NASDAQ Stock Market LLC, or any of the following other markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE American, the Nasdaq Global Market, the Nasdaq Global Select Market, the Nasdaq Capital Market or the New York Stock Exchange (or any successors to any of the foregoing).

2.3 Legend. Each certificate for the securities purchased under this Purchase Warrant shall bear a legend as follows unless such securities have been registered under the Securities Act of 1933, as amended (the “**Act**”):

“The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended (the “**Act**”), or applicable state law. Neither the securities nor any interest therein may be offered for sale, sold or otherwise transferred except pursuant to an effective registration statement under the Act, or pursuant to an exemption from registration under the Act and applicable state law which, in the opinion of counsel to the Company, is available.”

### 3. Transfer.

3.1 Restrictions Imposed by the Act. The securities evidenced by this Purchase Warrant shall not be transferred unless and until: (i) if required by applicable law, the Company has received the opinion of counsel for the Company that the securities may be transferred pursuant to an exemption from registration under the Act and applicable state securities laws, or (ii) a registration statement or a post-effective amendment to the Registration Statement relating to the offer and sale of such securities has been filed by the Company and declared effective by the U.S. Securities and Exchange Commission (the “**Commission**”) and compliance with applicable state securities law has been established. The Company shall provide Holder with an opinion of counsel for the Company at the Company’s expense.

### 4. Reserved.

### 5. New Purchase Warrants to be Issued.

5.1 Partial Exercise or Transfer. Subject to the restrictions in Section 3 hereof, this Purchase Warrant may be exercised or assigned in whole or in part. In the event of the exercise or assignment hereof in part only, upon surrender of this Purchase Warrant for cancellation, together with the duly executed exercise or assignment form and funds sufficient to pay any Exercise Price and/or transfer tax if exercised pursuant to Section 2.1 hereto, the Company shall cause to be delivered to the Holder without charge a new Purchase Warrant of like tenor to this Purchase Warrant in the name of the Holder evidencing the right of the Holder to purchase the number of Shares purchasable hereunder as to which this Purchase Warrant has not been exercised or assigned.

5.2 Lost Certificate. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of this Purchase Warrant and of reasonably satisfactory indemnification or the posting of a bond, determined in the sole discretion of the Company, the Company shall execute and deliver a new Purchase Warrant of like tenor and date. Any such new Purchase Warrant executed and delivered as a result of such loss, theft, mutilation or destruction shall constitute a substitute contractual obligation on the part of the Company.

### 6. Adjustments.

6.1 Adjustments to Exercise Price and Number of Securities. The Exercise Price and the number of Shares underlying the Purchase Warrant shall be subject to adjustment from time to time as hereinafter set forth:

6.1.1 Share Dividends; Split Ups. If, after the date hereof, and subject to the provisions of Section 6.3 below, the number of outstanding Shares is increased by a stock dividend payable in Shares or by a split up of Shares or other similar event, then, on the effective day thereof, the number of Shares purchasable hereunder shall be increased in proportion to such increase in outstanding Shares, and the Exercise Price shall be proportionately decreased.

6.1.2 Aggregation of Shares. If, after the date hereof, and subject to the provisions of Section 6.3 below, the number of outstanding Shares is decreased by a consolidation, combination or reclassification of Shares or other similar event, then, on the effective date thereof, the number of Shares purchasable hereunder shall be decreased in proportion to such decrease in outstanding Shares, and the Exercise Price shall be proportionately increased.

6.1.3 Replacement of Securities upon Reorganization, etc. In case of any reclassification or reorganization of the outstanding Shares other than a change covered by Section 6.1.1 or 6.1.2 hereof or that solely affects the par value of such Shares, or in the case of any share reconstruction or amalgamation or consolidation or merger of the Company with or into another corporation (other than a consolidation or share reconstruction or amalgamation or merger in which the Company is the continuing corporation and that does not result in any reclassification or reorganization of the outstanding Shares), or in the case of any sale or conveyance to another corporation or entity of the property of the Company as an entirety or substantially as an entirety in connection with which the Company is dissolved, the Holder of this Purchase Warrant shall have the right thereafter (until the expiration of the right of exercise of this Purchase Warrant) to receive upon the exercise hereof, for the same aggregate Exercise Price payable hereunder immediately prior to such event, the kind and amount of shares of stock or other securities or property (including cash) receivable upon such reclassification, reorganization, share reconstruction or amalgamation, or consolidation, or upon a dissolution following any such sale or transfer, by a Holder of the number of Shares of the Company obtainable upon exercise of this Purchase Warrant immediately prior to such event; and if any reclassification also results in a change in Shares covered by Section 6.1.1 or 6.1.2, then such adjustment shall be made pursuant to Sections 6.1.1, 6.1.2 and this Section 6.1.3. The provisions of this Section 6.1.3 shall similarly apply to successive reclassifications, reorganizations, share reconstructions or amalgamations, or consolidations, sales or other transfers.

6.1.4 Changes in Form of Purchase Warrant. This form of Purchase Warrant need not be changed because of any change pursuant to this Section 6.1, and Purchase Warrants issued after such change may state the same Exercise Price and the same number of Shares as are stated in the Purchase Warrants initially issued pursuant to this Agreement. The acceptance by any Holder of the issuance of new Purchase Warrants reflecting a required or permissive change shall not be deemed to waive any rights to an adjustment occurring after the Commencement Date or the computation thereof.

6.2 Substitute Purchase Warrant. In case of any consolidation of the Company with, or share reconstruction or amalgamation or merger of the Company with or into, another corporation (other than a consolidation or share reconstruction or amalgamation or merger which does not result in any reclassification or change of the outstanding Shares), the corporation formed by such consolidation or share reconstruction or amalgamation shall execute and deliver to the Holder a supplemental Purchase Warrant providing that the holder of each Purchase Warrant then outstanding or to be outstanding shall have the right thereafter (until the stated expiration of such Purchase Warrant) to receive, upon exercise of such Purchase Warrant, the kind and amount of shares of stock and other securities and property receivable upon such consolidation or share reconstruction or amalgamation, by a holder of the number of Shares of the Company for which such Purchase Warrant might have been exercised immediately prior to such consolidation, share reconstruction or amalgamation or merger, sale or transfer. Such supplemental Purchase Warrant shall provide for adjustments which shall be identical to the adjustments provided for in this Section 6. The above provision of this Section shall similarly apply to successive consolidations or share reconstructions or amalgamations or mergers.

6.3 Elimination of Fractional Interests. The Company shall not be required to issue certificates representing fractions of Shares upon the exercise of the Purchase Warrant, nor shall it be required to issue scrip or pay cash in lieu of any fractional interests, it being the intent of the parties that all fractional interests shall be eliminated by rounding any fraction up or down, as the case may be, to the nearest whole number of Shares or other securities, properties or rights.

7. Reservation. The Company shall at all times reserve and keep available out of its authorized Shares, solely for the purpose of issuance upon exercise of the Purchase Warrants, such number of Shares or other securities, properties or rights as shall be issuable upon the

exercise thereof. The Company covenants and agrees that, upon exercise of the Purchase Warrants and payment of the Exercise Price therefor, in accordance with the terms hereby, all Shares and other securities issuable upon such exercise shall be duly and validly issued, fully paid and non-assessable and not subject to preemptive rights of any shareholder. The Company further covenants and agrees that upon exercise of the Purchase Warrants and payment of the exercise price therefor (unless cashlessly exercised), all Shares and other securities issuable upon such exercise shall be duly and validly issued, fully paid and non-assessable and not subject to preemptive rights of any shareholder. As long as the Purchase Warrants shall be outstanding, the Company shall use its commercially reasonable efforts to cause all Shares issuable upon exercise of the Purchase Warrants to be listed (subject to official notice of issuance) on all national securities exchanges (or, if applicable, quoted on the OTC Bulletin Board or any successor trading market) on which the Shares issued to the public in the Offering may then be listed and/or quoted.

#### 8. Certain Notice Requirements.

8.1 Holder's Right to Receive Notice. Nothing herein shall be construed as conferring upon the Holders the right to vote or consent or to receive notice as a shareholder for the election of directors or any other matter, or as having any rights whatsoever as a shareholder of the Company. If, however, at any time prior to the expiration of the Purchase Warrants and their exercise, any of the events described in Section 8.2 shall occur, then, in one or more of said events, the Company shall deliver to each Holder a copy of each notice relating to such events given to the other shareholders of the Company at the same time and in the same manner that such notice is given to the shareholders.

8.2 Events Requiring Notice. The Company shall be required to give the notice described in this Section 8 upon one or more of the following events: (i) if the Company shall take a record of the holders of its Shares for the purpose of entitling them to receive a dividend or distribution payable otherwise than in cash, or a cash dividend or distribution payable otherwise than out of retained earnings, as indicated by the accounting treatment of such dividend or distribution on the books of the Company, (ii) the Company shall offer to all the holders of its Shares any additional shares of capital stock of the Company or securities convertible into or exchangeable for shares of capital stock of the Company, or any option, right or warrant to subscribe therefor, or (iii) a dissolution, liquidation or winding up of the Company (other than in connection with a consolidation or share reconstruction or amalgamation) or a sale of all or substantially all of its property, assets and business shall be proposed.

8.3 Notice of Change in Exercise Price. The Company shall, promptly after an event requiring a change in the Exercise Price pursuant to Section 6 hereof, send notice to the Holders of such event and change ("**Price Notice**"). The Price Notice shall describe the event causing the change and the method of calculating same.

8.4 Transmittal of Notices. All notices, requests, consents and other communications under this Purchase Warrant shall be in writing and shall be deemed to have been duly made when hand delivered, or mailed by express mail or private courier service: (i) if to the registered Holder of the Purchase Warrant, to the address of such Holder as shown on the books of the Company, or (ii) if to the Company, to following address or to such other address as the Company may designate by notice to the Holders:

If to the Holder:

Dawson James Securities, Inc.  
1 North Federal Highway – 5th Floor  
Boca Raton, FL 33432  
Attention: Chief Executive Officer

with a copy (which shall not constitute notice) to:

Schiff Hardin LLP  
901 K Street, NW, Suite 700  
Washington, DC 20001  
Attn: Ralph V. De Martino, Esq.  
Fax No.: (202) 778-6460

If to the Company:

Smart for Life, Inc.  
990 Biscayne Blvd., Suite 503  
Miami, Florida 33132  
Attention: Chief Executive Officer

9. Miscellaneous.

9.1 Amendments. All modifications or amendments shall require the written consent of and be signed by (i) the Company and (ii) the Holder.

9.2 Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Purchase Warrant.

9.3. Entire Agreement. This Purchase Warrant (together with the other agreements and documents being delivered pursuant to or in connection with this Purchase Warrant) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings of the parties, oral and written, with respect to the subject matter hereof.

9.4 Binding Effect. This Purchase Warrant shall inure solely to the benefit of and shall be binding upon, the Holder and the Company and their permitted assignees, respective successors, legal representative and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Purchase Warrant or any provisions herein contained.

9.5 Governing Law; Submission to Jurisdiction; Trial by Jury. This Purchase Warrant shall be governed by and construed and enforced in accordance with the laws of the State of New York, without giving effect to conflict of laws principles thereof. The Company hereby agrees that any action, proceeding or claim against it arising out of, or relating in any way to this Purchase Warrant shall be brought and enforced in the New York Supreme Court, County of New York, or in the United States District Court for the Southern District of New York, and irrevocably submits to such jurisdiction, which jurisdiction shall be exclusive. The Company hereby waives any objection to such exclusive jurisdiction and that such courts represent an inconvenient forum. Any process or summons to be served upon the Company may be served by transmitting a copy thereof by registered or certified mail, return receipt requested, postage prepaid, addressed to it at the address set forth in Section 8 hereof. Such mailing shall be deemed personal service and shall be legal and binding upon the Company in any action, proceeding or claim. The Company and the Holder agree that the prevailing party(ies) in any such action shall be entitled to recover from the other party(ies) all of its reasonable attorneys' fees and expenses relating to such action or proceeding and/or incurred in connection with the preparation therefor. The Company (on its behalf and, to the extent permitted by applicable law, on behalf of its stockholders and affiliates) and the Holder hereby irrevocably waive, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

9.6 Waiver, etc. The failure of the Company or the Holder to at any time enforce any of the provisions of this Purchase Warrant shall not be deemed or construed to be a waiver of any such provision, nor to in any way affect the validity of this Purchase Warrant or any provision hereof or the right of the Company or any Holder to thereafter enforce each and every provision of this Purchase Warrant. No waiver of any breach, non-compliance or non-fulfillment of any of the provisions of this Purchase Warrant shall be effective unless set forth in a written instrument executed by the party or parties against whom or which enforcement of such waiver is sought; and no waiver of any such breach, non-compliance or non-fulfillment shall be construed or deemed to be a waiver of any other or subsequent breach, non-compliance or non-fulfillment.

**[Signature Page Follows]**

IN WITNESS WHEREOF, the Company has caused this Purchase Warrant to be signed by its duly authorized officer as of the 1st day of July, 2021.

**Smart for Life, Inc.**

By: /s/ Alfonso J. Cervantes, Jr.  
Name: Alfonso J. Cervantes, Jr.  
Title: Executive Chairman

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*[Form to be used to exercise Purchase Warrant]*

Date: \_\_\_\_\_, 20\_\_

The undersigned hereby elects irrevocably to exercise the Purchase Warrant for \_\_\_\_\_ shares of common stock, par value \$0.0001 per share (the “**Shares**”), of Smart for Life, Inc., a Delaware corporation (the “**Company**”), and hereby makes payment of \$ \_\_\_\_\_ (at the rate of \$ \_\_\_\_\_ per Share) in payment of the Exercise Price pursuant thereto. Please issue the Shares as to which this Purchase Warrant is exercised in accordance with the instructions given below and, if applicable, a new Purchase Warrant representing the number of Shares for which this Purchase Warrant has not been exercised.

or

The undersigned hereby elects irrevocably to convert its right to purchase \_\_\_\_ Shares of the Company under the Purchase Warrant for \_\_\_\_\_ Shares, as determined in accordance with the following formula:

dividing [(A-B) (X)] by (A), where:

(A) = the FMV;

(B) = the Exercise Price of this Purchase Warrant, as adjusted hereunder; and

(X) = the number of shares of Common Stock underlying the Purchase Warrant that would be issuable upon exercise of this Purchase Warrant in accordance with the terms of this Purchase Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

The undersigned agrees and acknowledges that the calculation set forth above is subject to confirmation by the Company.

Please issue the Shares as to which this Purchase Warrant is exercised in accordance with the instructions given below and, if applicable, a new Purchase Warrant representing the number of Shares for which this Purchase Warrant has not been converted.

Signature \_\_\_\_\_

Signature Guaranteed \_\_\_\_\_

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**INSTRUCTIONS FOR REGISTRATION OF SECURITIES**

Name: \_\_\_\_\_  
(Print in Block Letters)

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

NOTICE: The signature to this form must correspond with the name as written upon the face of the Purchase Warrant without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank, other than a savings bank, or by a trust company or by a firm having membership on a registered national securities exchange.

*[Form to be used to assign Purchase Warrant]*

#### ASSIGNMENT

(To be executed by the registered Holder to effect a transfer of the within Purchase Warrant):

FOR VALUE RECEIVED, \_\_\_\_\_ does hereby sell, assign and transfer unto the right to purchase shares of Common Stock, par value \$0.0001 per share, of Smart for Life, Inc., a Delaware corporation (the “**Company**”), evidenced by the Purchase Warrant and does hereby authorize the Company to transfer such right on the books of the Company.

Dated: \_\_\_\_\_, 20\_\_

Signature \_\_\_\_\_

Signature Guaranteed \_\_\_\_\_

NOTICE: The signature to this form must correspond with the name as written upon the face of the within Purchase Warrant without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank, other than a savings bank, or by a trust company or by a firm having membership on a registered national securities exchange.



NEITHER THIS SECURITY NOR THE SECURITIES INTO WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

### COMMON STOCK PURCHASE WARRANT

1. Purchase Warrant. THIS CERTIFIES THAT, in consideration of funds duly paid by or on behalf of Dawson James Securities, Inc. (“**Holder**”), as registered owner of this Purchase Warrant, to **Smart for Life, Inc.**, a Delaware corporation (the “**Company**”), Holder is entitled, at any time or from time to time beginning July 1, 2021 (the “**Commencement Date**”), and at or before 5:00 p.m., Eastern time, July 1, 2026 (the “**Expiration Date**”), but not thereafter, to subscribe for, purchase and receive, in whole or in part, up to **358,209** shares of common stock of the Company, par value \$0.0001 per share (the “**Shares**”), subject to adjustment as provided in Section 6 hereof. If the Expiration Date is a day on which banking institutions are authorized by law to close, then this Purchase Warrant may be exercised on the next succeeding day which is not such a day in accordance with the terms herein. During the period ending on the Expiration Date, the Company agrees not to take any action that would terminate this Purchase Warrant. This Purchase Warrant is initially exercisable at **\$0.6667** per Share; provided, however, that upon the occurrence of any of the events specified in Section 6 hereof, the rights granted by this Purchase Warrant, including the exercise price per Share and the number of Shares to be received upon such exercise, shall be adjusted as therein specified. The term “**Exercise Price**” shall mean the initial exercise price or the adjusted exercise price, depending on the context.

#### 2. Exercise.

2.1 Exercise Form. In order to exercise this Purchase Warrant, the exercise form attached hereto must be duly executed and completed and delivered to the Company, together with this Purchase Warrant and payment of the Exercise Price for the Shares being purchased payable in cash by wire transfer of immediately available funds to an account designated by the Company or by certified check or official bank check. If the subscription rights represented hereby shall not be exercised at or before 5:00 p.m., Eastern time, on the Expiration Date, this Purchase Warrant shall become and be void without further force or effect, and all rights represented hereby shall cease and expire.

2.2 Cashless Exercise. In lieu of exercising this Purchase Warrant by payment of cash or check payable to the order of the Company pursuant to Section 2.1 above, this Purchase Warrant may also be exercised, in whole or in part, at such time by means of a “cashless exercise” in which the Holder shall be entitled to receive a number of Shares equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

(A) = the FMV of one share of Common Stock;

(B) = the Exercise Price of this Purchase Warrant, as adjusted hereunder; and

(X) = the number of shares of Common Stock underlying the Purchase Warrant that would be issuable upon exercise of this Purchase Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

Notwithstanding anything herein to the contrary, on the Expiration Date, this Purchase Warrant shall be automatically exercised via cashless exercise pursuant to this Section 2.2.

“**FMV**” means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the value shall be deemed to be the highest intra-day or closing price on any trading day on such Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a trading day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)) during the five trading days preceding the exercise, (b) if OTCQB or



OTCQX is not a Trading Market, the value shall be deemed to be the highest intra-day or closing price on any trading day on the OTCQB or OTCQX on which the Common Stock is then quoted as reported by Bloomberg L.P. (based on a trading day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)) during the five trading days preceding the exercise, as applicable, (c) if the Common Stock is not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Common Stock are then reported in the “Pink Sheets” published by OTC Markets Group, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the “OTC Markets Group”, the value shall be deemed to be the highest intra-day or closing price on any trading day on the Pink Sheets on which the Common Stock is then quoted as reported by OTC Markets Group (based on a trading day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)) during the five trading days preceding the exercise, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Holder and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

“**Trading Market**” means the NASDAQ Stock Market LLC, or any of the following other markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE American, the Nasdaq Global Market, the Nasdaq Global Select Market, the Nasdaq Capital Market or the New York Stock Exchange (or any successors to any of the foregoing).

2.3 Legend. Each certificate for the securities purchased under this Purchase Warrant shall bear a legend as follows unless such securities have been registered under the Securities Act of 1933, as amended (the “**Act**”):

“The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended (the “**Act**”), or applicable state law. Neither the securities nor any interest therein may be offered for sale, sold or otherwise transferred except pursuant to an effective registration statement under the Act, or pursuant to an exemption from registration under the Act and applicable state law which, in the opinion of counsel to the Company, is available.”

### 3. Transfer.

3.1 Restrictions Imposed by the Act. The securities evidenced by this Purchase Warrant shall not be transferred unless and until: (i) if required by applicable law, the Company has received the opinion of counsel for the Company that the securities may be transferred pursuant to an exemption from registration under the Act and applicable state securities laws, or (ii) a registration statement or a post-effective amendment to the Registration Statement relating to the offer and sale of such securities has been filed by the Company and declared effective by the U.S. Securities and Exchange Commission (the “**Commission**”) and compliance with applicable state securities law has been established. The Company shall provide Holder with an opinion of counsel for the Company at the Company’s expense.

### 4. Reserved.

### 5. New Purchase Warrants to be Issued.

5.1 Partial Exercise or Transfer. Subject to the restrictions in Section 3 hereof, this Purchase Warrant may be exercised or assigned in whole or in part. In the event of the exercise or assignment hereof in part only, upon surrender of this Purchase Warrant for cancellation, together with the duly executed exercise or assignment form and funds sufficient to pay any Exercise Price and/or transfer tax if exercised pursuant to Section 2.1 hereto, the Company shall cause to be delivered to the Holder without charge a new Purchase Warrant of like tenor to this Purchase Warrant in the name of the Holder evidencing the right of the Holder to purchase the number of Shares purchasable hereunder as to which this Purchase Warrant has not been exercised or assigned.

5.2 Lost Certificate. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of this Purchase Warrant and of reasonably satisfactory indemnification or the posting of a bond, determined in the sole discretion of the Company, the Company shall execute and deliver a new Purchase Warrant of like tenor and date. Any such new Purchase Warrant executed and delivered as a result of such loss, theft, mutilation or destruction shall constitute a substitute contractual obligation on the part of the Company.

### 6. Adjustments.

6.1 Adjustments to Exercise Price and Number of Securities. The Exercise Price and the number of Shares underlying the Purchase Warrant shall be subject to adjustment from time to time as hereinafter set forth:

6.1.1 Share Dividends; Split Ups. If, after the date hereof, and subject to the provisions of Section 6.3 below, the number of outstanding Shares is increased by a stock dividend payable in Shares or by a split up of Shares or other similar event, then, on the effective day thereof, the number of Shares purchasable hereunder shall be increased in proportion to such increase in outstanding Shares, and the Exercise Price shall be proportionately decreased.

6.1.2 Aggregation of Shares. If, after the date hereof, and subject to the provisions of Section 6.3 below, the number of outstanding Shares is decreased by a consolidation, combination or reclassification of Shares or other similar event, then, on the effective date thereof, the number of Shares purchasable hereunder shall be decreased in proportion to such decrease in outstanding Shares, and the Exercise Price shall be proportionately increased.

6.1.3 Replacement of Securities upon Reorganization, etc. In case of any reclassification or reorganization of the outstanding Shares other than a change covered by Section 6.1.1 or 6.1.2 hereof or that solely affects the par value of such Shares, or in the case of any share reconstruction or amalgamation or consolidation or merger of the Company with or into another corporation (other than a consolidation or share reconstruction or amalgamation or merger in which the Company is the continuing corporation and that does not result in any reclassification or reorganization of the outstanding Shares), or in the case of any sale or conveyance to another corporation or entity of the property of the Company as an entirety or substantially as an entirety in connection with which the Company is dissolved, the Holder of this Purchase Warrant shall have the right thereafter (until the expiration of the right of exercise of this Purchase Warrant) to receive upon the exercise hereof, for the same aggregate Exercise Price payable hereunder immediately prior to such event, the kind and amount of shares of stock or other securities or property (including cash) receivable upon such reclassification, reorganization, share reconstruction or amalgamation, or consolidation, or upon a dissolution following any such sale or transfer, by a Holder of the number of Shares of the Company obtainable upon exercise of this Purchase Warrant immediately prior to such event; and if any reclassification also results in a change in Shares covered by Section 6.1.1 or 6.1.2, then such adjustment shall be made pursuant to Sections 6.1.1, 6.1.2 and this Section 6.1.3. The provisions of this Section 6.1.3 shall similarly apply to successive reclassifications, reorganizations, share reconstructions or amalgamations, or consolidations, sales or other transfers.

6.1.4 Changes in Form of Purchase Warrant. This form of Purchase Warrant need not be changed because of any change pursuant to this Section 6.1, and Purchase Warrants issued after such change may state the same Exercise Price and the same number of Shares as are stated in the Purchase Warrants initially issued pursuant to this Agreement. The acceptance by any Holder of the issuance of new Purchase Warrants reflecting a required or permissive change shall not be deemed to waive any rights to an adjustment occurring after the Commencement Date or the computation thereof.

6.2 Substitute Purchase Warrant. In case of any consolidation of the Company with, or share reconstruction or amalgamation or merger of the Company with or into, another corporation (other than a consolidation or share reconstruction or amalgamation or merger which does not result in any reclassification or change of the outstanding Shares), the corporation formed by such consolidation or share reconstruction or amalgamation shall execute and deliver to the Holder a supplemental Purchase Warrant providing that the holder of each Purchase Warrant then outstanding or to be outstanding shall have the right thereafter (until the stated expiration of such Purchase Warrant) to receive, upon exercise of such Purchase Warrant, the kind and amount of shares of stock and other securities and property receivable upon such consolidation or share reconstruction or amalgamation, by a holder of the number of Shares of the Company for which such Purchase Warrant might have been exercised immediately prior to such consolidation, share reconstruction or amalgamation or merger, sale or transfer. Such supplemental Purchase Warrant shall provide for adjustments which shall be identical to the adjustments provided for in this Section 6. The above provision of this Section shall similarly apply to successive consolidations or share reconstructions or amalgamations or mergers.

6.3 Elimination of Fractional Interests. The Company shall not be required to issue certificates representing fractions of Shares upon the exercise of the Purchase Warrant, nor shall it be required to issue scrip or pay cash in lieu of any fractional interests, it being the intent of the parties that all fractional interests shall be eliminated by rounding any fraction up or down, as the case may be, to the nearest whole number of Shares or other securities, properties or rights.

7. Reservation. The Company shall at all times reserve and keep available out of its authorized Shares, solely for the purpose of issuance upon exercise of the Purchase Warrants, such number of Shares or other securities, properties or rights as shall be issuable upon the exercise thereof. The Company covenants and agrees that, upon exercise of the Purchase Warrants and payment of the Exercise Price therefor, in accordance with the terms hereby, all Shares and other securities issuable upon such exercise shall be duly and validly issued, fully paid and non-assessable and not subject to preemptive rights of any shareholder. The Company further covenants and agrees that upon exercise of the Purchase Warrants and payment of the exercise price therefor (unless cashlessly exercised), all Shares and other

securities issuable upon such exercise shall be duly and validly issued, fully paid and non-assessable and not subject to preemptive rights of any shareholder. As long as the Purchase Warrants shall be outstanding, the Company shall use its commercially reasonable efforts to cause all Shares issuable upon exercise of the Purchase Warrants to be listed (subject to official notice of issuance) on all national securities exchanges (or, if applicable, quoted on the OTC Bulletin Board or any successor trading market) on which the Shares issued to the public in the Offering may then be listed and/or quoted.

#### 8. Certain Notice Requirements.

8.1 Holder's Right to Receive Notice. Nothing herein shall be construed as conferring upon the Holders the right to vote or consent or to receive notice as a shareholder for the election of directors or any other matter, or as having any rights whatsoever as a shareholder of the Company. If, however, at any time prior to the expiration of the Purchase Warrants and their exercise, any of the events described in Section 8.2 shall occur, then, in one or more of said events, the Company shall deliver to each Holder a copy of each notice relating to such events given to the other shareholders of the Company at the same time and in the same manner that such notice is given to the shareholders.

8.2 Events Requiring Notice. The Company shall be required to give the notice described in this Section 8 upon one or more of the following events: (i) if the Company shall take a record of the holders of its Shares for the purpose of entitling them to receive a dividend or distribution payable otherwise than in cash, or a cash dividend or distribution payable otherwise than out of retained earnings, as indicated by the accounting treatment of such dividend or distribution on the books of the Company, (ii) the Company shall offer to all the holders of its Shares any additional shares of capital stock of the Company or securities convertible into or exchangeable for shares of capital stock of the Company, or any option, right or warrant to subscribe therefor, or (iii) a dissolution, liquidation or winding up of the Company (other than in connection with a consolidation or share reconstruction or amalgamation) or a sale of all or substantially all of its property, assets and business shall be proposed.

8.3 Notice of Change in Exercise Price. The Company shall, promptly after an event requiring a change in the Exercise Price pursuant to Section 6 hereof, send notice to the Holders of such event and change ("**Price Notice**"). The Price Notice shall describe the event causing the change and the method of calculating same.

8.4 Transmittal of Notices. All notices, requests, consents and other communications under this Purchase Warrant shall be in writing and shall be deemed to have been duly made when hand delivered, or mailed by express mail or private courier service: (i) if to the registered Holder of the Purchase Warrant, to the address of such Holder as shown on the books of the Company, or (ii) if to the Company, to following address or to such other address as the Company may designate by notice to the Holders:

If to the Holder:

Dawson James Securities, Inc.  
1 North Federal Highway – 5th Floor  
Boca Raton, FL 33432  
Attention: Chief Executive Officer

with a copy (which shall not constitute notice) to:

Schiff Hardin LLP  
901 K Street, NW, Suite 700  
Washington, DC 20001  
Attn: Ralph V. De Martino, Esq.  
Fax No.: (202) 778-6460

If to the Company:

Smart for Life, Inc.  
990 Biscayne Blvd., Suite 503  
Miami, Florida 33132

Attention: Chief Executive Officer

9. Miscellaneous.

9.1 Amendments. All modifications or amendments shall require the written consent of and be signed by (i) the Company and (ii) the Holder.

9.2 Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Purchase Warrant.

9.3 Entire Agreement. This Purchase Warrant (together with the other agreements and documents being delivered pursuant to or in connection with this Purchase Warrant) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings of the parties, oral and written, with respect to the subject matter hereof.

9.4 Binding Effect. This Purchase Warrant shall inure solely to the benefit of and shall be binding upon, the Holder and the Company and their permitted assignees, respective successors, legal representative and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Purchase Warrant or any provisions herein contained.

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9.5 Governing Law; Submission to Jurisdiction; Trial by Jury. This Purchase Warrant shall be governed by and construed and enforced in accordance with the laws of the State of New York, without giving effect to conflict of laws principles thereof. The Company hereby agrees that any action, proceeding or claim against it arising out of, or relating in any way to this Purchase Warrant shall be brought and enforced in the New York Supreme Court, County of New York, or in the United States District Court for the Southern District of New York, and irrevocably submits to such jurisdiction, which jurisdiction shall be exclusive. The Company hereby waives any objection to such exclusive jurisdiction and that such courts represent an inconvenient forum. Any process or summons to be served upon the Company may be served by transmitting a copy thereof by registered or certified mail, return receipt requested, postage prepaid, addressed to it at the address set forth in Section 8 hereof. Such mailing shall be deemed personal service and shall be legal and binding upon the Company in any action, proceeding or claim. The Company and the Holder agree that the prevailing party(ies) in any such action shall be entitled to recover from the other party(ies) all of its reasonable attorneys' fees and expenses relating to such action or proceeding and/or incurred in connection with the preparation therefor. The Company (on its behalf and, to the extent permitted by applicable law, on behalf of its stockholders and affiliates) and the Holder hereby irrevocably waive, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

9.6 Waiver, etc. The failure of the Company or the Holder to at any time enforce any of the provisions of this Purchase Warrant shall not be deemed or construed to be a waiver of any such provision, nor to in any way affect the validity of this Purchase Warrant or any provision hereof or the right of the Company or any Holder to thereafter enforce each and every provision of this Purchase Warrant. No waiver of any breach, non-compliance or non-fulfillment of any of the provisions of this Purchase Warrant shall be effective unless set forth in a written instrument executed by the party or parties against whom or which enforcement of such waiver is sought; and no waiver of any such breach, non-compliance or non-fulfillment shall be construed or deemed to be a waiver of any other or subsequent breach, non-compliance or non-fulfillment.

**[Signature Page Follows]**

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IN WITNESS WHEREOF, the Company has caused this Purchase Warrant to be signed by its duly authorized officer as of the 1st day of July, 2021.

**Smart for Life, Inc.**

By: /s/ Alfonso J. Cervantes, Jr.

Name: Alfonso J. Cervantes, Jr.  
Title: Executive Chairman

7

[Form to be used to exercise Purchase Warrant]

Date: \_\_\_\_\_, 20\_\_

The undersigned hereby elects irrevocably to exercise the Purchase Warrant for \_\_\_\_\_ shares of common stock, par value \$0.0001 per share (the “**Shares**”), of Smart for Life, Inc., a Delaware corporation (the “**Company**”), and hereby makes payment of \$ \_\_\_\_\_ (at the rate of \$ \_\_\_\_\_ per Share) in payment of the Exercise Price pursuant thereto. Please issue the Shares as to which this Purchase Warrant is exercised in accordance with the instructions given below and, if applicable, a new Purchase Warrant representing the number of Shares for which this Purchase Warrant has not been exercised.

or

The undersigned hereby elects irrevocably to convert its right to purchase \_\_\_\_\_ Shares of the Company under the Purchase Warrant for \_\_\_\_\_ Shares, as determined in accordance with the following formula:

dividing [(A-B) (X)] by (A), where:

(A) = the FMV;

(B) = the Exercise Price of this Purchase Warrant, as adjusted hereunder; and

(X) = the number of shares of Common Stock underlying the Purchase Warrant that would be issuable upon exercise of this Purchase Warrant in accordance with the terms of this Purchase Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

The undersigned agrees and acknowledges that the calculation set forth above is subject to confirmation by the Company.

Please issue the Shares as to which this Purchase Warrant is exercised in accordance with the instructions given below and, if applicable, a new Purchase Warrant representing the number of Shares for which this Purchase Warrant has not been converted.

Signature \_\_\_\_\_

Signature Guaranteed \_\_\_\_\_

8

## INSTRUCTIONS FOR REGISTRATION OF SECURITIES

Name: \_\_\_\_\_  
(Print in Block Letters)

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

NOTICE: The signature to this form must correspond with the name as written upon the face of the Purchase Warrant without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank, other than a savings bank, or by a trust company or by a firm having membership on a registered national securities exchange.

*[Form to be used to assign Purchase Warrant]*

ASSIGNMENT

(To be executed by the registered Holder to effect a transfer of the within Purchase Warrant):

FOR VALUE RECEIVED, \_\_\_\_\_ does hereby sell, assign and transfer unto the right to purchase shares of Common Stock, par value \$0.0001 per share, of Smart for Life, Inc., a Delaware corporation (the “**Company**”), evidenced by the Purchase Warrant and does hereby authorize the Company to transfer such right on the books of the Company.

Dated: \_\_\_\_\_, 20\_\_

Signature \_\_\_\_\_

Signature Guaranteed \_\_\_\_\_

NOTICE: The signature to this form must correspond with the name as written upon the face of the within Purchase Warrant without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank, other than a savings bank, or by a trust company or by a firm having membership on a registered national securities exchange.

NEITHER THIS SECURITY NOR THE SECURITIES INTO WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

## AMENDED AND RESTATED COMMON STOCK PURCHASE WARRANT

1. Purchase Warrant. THIS CERTIFIES THAT, in consideration of funds duly paid by or on behalf of Dawson James Securities, Inc. ("Holder"), as registered owner of this Purchase Warrant, to **Smart for Life, Inc.**, a Delaware corporation (the "**Company**"), Holder is entitled, at any time or from time to time beginning November 5, 2021 (the "**Commencement Date**"), and at or before 5:00 p.m., Eastern time, November 5, 2026 (the "**Expiration Date**"), but not thereafter, to subscribe for, purchase and receive, in whole or in part, up to **36,000** shares of common stock of the Company, par value \$0.0001 per share (the "**Shares**"), subject to adjustment as provided in Section 6 hereof. If the Expiration Date is a day on which banking institutions are authorized by law to close, then this Purchase Warrant may be exercised on the next succeeding day which is not such a day in accordance with the terms herein. During the period ending on the Expiration Date, the Company agrees not to take any action that would terminate this Purchase Warrant. This Purchase Warrant is initially exercisable at **\$2.50** per Share; provided, however, that upon the occurrence of any of the events specified in Section 6 hereof, the rights granted by this Purchase Warrant, including the exercise price per Share and the number of Shares to be received upon such exercise, shall be adjusted as therein specified. The term "**Exercise Price**" shall mean the initial exercise price or the adjusted exercise price, depending on the context.

This Amended and Restated Common Stock Purchase Warrant amends, replaces, supersedes and restates that certain prior Common Stock Purchase Warrant issued by the Company to the Holder on or around November 5, 2021, originally allowing for the Holder to purchase up to 72,000 shares of common stock on the same terms set forth herein, of which none of warrants have been exercised as of the date hereof.

### 2. Exercise.

2.1 Exercise Form. In order to exercise this Purchase Warrant, the exercise form attached hereto must be duly executed and completed and delivered to the Company, together with this Purchase Warrant and payment of the Exercise Price for the Shares being purchased payable in cash by wire transfer of immediately available funds to an account designated by the Company or by certified check or official bank check. If the subscription rights represented hereby shall not be exercised at or before 5:00 p.m., Eastern time, on the Expiration Date, this Purchase Warrant shall become and be void without further force or effect, and all rights represented hereby shall cease and expire.

2.2 Cashless Exercise. In lieu of exercising this Purchase Warrant by payment of cash or check payable to the order of the Company pursuant to Section 2.1 above, this Purchase Warrant may also be exercised, in whole or in part, at such time by means of a "cashless exercise" in which the Holder shall be entitled to receive a number of Shares equal to the quotient obtained by dividing [(A-B)(X)] by (A), where:

(A) = the FMV of one share of Common Stock;

(B) = the Exercise Price of this Purchase Warrant, as adjusted hereunder; and

(X) = the number of shares of Common Stock underlying the Purchase Warrant that would be issuable upon exercise of this Purchase Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.



Notwithstanding anything herein to the contrary, on the Expiration Date, this Purchase Warrant shall be automatically exercised via cashless exercise pursuant to this Section 2.2.

“**FMV**” means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the value shall be deemed to be the highest intra-day or closing price on any trading day on such Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a trading day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)) during the five trading days preceding the exercise, (b) if OTCQB or OTCQX is not a Trading Market, the value shall be deemed to be the highest intra-day or closing price on any trading day on the OTCQB or OTCQX on which the Common Stock is then quoted as reported by Bloomberg L.P. (based on a trading day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)) during the five trading days preceding the exercise, as applicable, (c) if the Common Stock is not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Common Stock are then reported in the “Pink Sheets” published by OTC Markets Group, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the “OTC Markets Group”, the value shall be deemed to be the highest intra-day or closing price on any trading day on the Pink Sheets on which the Common Stock is then quoted as reported by OTC Markets Group (based on a trading day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)) during the five trading days preceding the exercise, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Holder and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

“**Trading Market**” means the NASDAQ Stock Market LLC, or any of the following other markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE American, the Nasdaq Global Market, the Nasdaq Global Select Market, the Nasdaq Capital Market or the New York Stock Exchange (or any successors to any of the foregoing).

2.3 Legend. Each certificate for the securities purchased under this Purchase Warrant shall bear a legend as follows unless such securities have been registered under the Securities Act of 1933, as amended (the “**Act**”):

“The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended (the “**Act**”), or applicable state law. Neither the securities nor any interest therein may be offered for sale, sold or otherwise transferred except pursuant to an effective registration statement under the Act, or pursuant to an exemption from registration under the Act and applicable state law which, in the opinion of counsel to the Company, is available.”

### 3. Transfer.

3.1 Restrictions Imposed by the Act. The securities evidenced by this Purchase Warrant shall not be transferred unless and until: (i) if required by applicable law, the Company has received the opinion of counsel for the Company that the securities may be transferred pursuant to an exemption from registration under the Act and applicable state securities laws, or (ii) a registration statement or a post-effective amendment to the Registration Statement relating to the offer and sale of such securities has been filed by the Company and declared effective by the U.S. Securities and Exchange Commission (the “**Commission**”) and compliance with applicable state securities law has been established. The Company shall provide Holder with an opinion of counsel for the Company at the Company’s expense.

### 4. Reserved.

### 5. New Purchase Warrants to be Issued.

5.1 Partial Exercise or Transfer. Subject to the restrictions in Section 3 hereof, this Purchase Warrant may be exercised or assigned in whole or in part. In the event of the exercise or assignment hereof in part only, upon surrender of this Purchase Warrant for cancellation, together with the duly executed exercise or assignment form and funds sufficient to pay any Exercise Price and/or transfer tax if exercised pursuant to Section 2.1 hereto, the Company shall cause to be delivered to the Holder without charge a new Purchase Warrant of like tenor to this Purchase Warrant in the name of the Holder evidencing the right of the Holder to purchase the number of Shares purchasable hereunder as to which this Purchase Warrant has not been exercised or assigned.

5.2 Lost Certificate. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of this Purchase Warrant and of reasonably satisfactory indemnification or the posting of a bond, determined in the sole discretion of the Company, the Company shall execute and deliver a new Purchase Warrant of like tenor and date. Any such new Purchase Warrant



executed and delivered as a result of such loss, theft, mutilation or destruction shall constitute a substitute contractual obligation on the part of the Company.

## 6. Adjustments.

6.1 Adjustments to Exercise Price and Number of Securities. The Exercise Price and the number of Shares underlying the Purchase Warrant shall be subject to adjustment from time to time as hereinafter set forth:

6.1.1 Share Dividends; Split Ups. If, after the date hereof, and subject to the provisions of Section 6.3 below, the number of outstanding Shares is increased by a stock dividend payable in Shares or by a split up of Shares or other similar event, then, on the effective day thereof, the number of Shares purchasable hereunder shall be increased in proportion to such increase in outstanding Shares, and the Exercise Price shall be proportionately decreased.

6.1.2 Aggregation of Shares. If, after the date hereof, and subject to the provisions of Section 6.3 below, the number of outstanding Shares is decreased by a consolidation, combination or reclassification of Shares or other similar event, then, on the effective date thereof, the number of Shares purchasable hereunder shall be decreased in proportion to such decrease in outstanding Shares, and the Exercise Price shall be proportionately increased.

6.1.3 Replacement of Securities upon Reorganization, etc. In case of any reclassification or reorganization of the outstanding Shares other than a change covered by Section 6.1.1 or 6.1.2 hereof or that solely affects the par value of such Shares, or in the case of any share reconstruction or amalgamation or consolidation or merger of the Company with or into another corporation (other than a consolidation or share reconstruction or amalgamation or merger in which the Company is the continuing corporation and that does not result in any reclassification or reorganization of the outstanding Shares), or in the case of any sale or conveyance to another corporation or entity of the property of the Company as an entirety or substantially as an entirety in connection with which the Company is dissolved, the Holder of this Purchase Warrant shall have the right thereafter (until the expiration of the right of exercise of this Purchase Warrant) to receive upon the exercise hereof, for the same aggregate Exercise Price payable hereunder immediately prior to such event, the kind and amount of shares of stock or other securities or property (including cash) receivable upon such reclassification, reorganization, share reconstruction or amalgamation, or consolidation, or upon a dissolution following any such sale or transfer, by a Holder of the number of Shares of the Company obtainable upon exercise of this Purchase Warrant immediately prior to such event; and if any reclassification also results in a change in Shares covered by Section 6.1.1 or 6.1.2, then such adjustment shall be made pursuant to Sections 6.1.1, 6.1.2 and this Section 6.1.3. The provisions of this Section 6.1.3 shall similarly apply to successive reclassifications, reorganizations, share reconstructions or amalgamations, or consolidations, sales or other transfers.

6.1.4 Changes in Form of Purchase Warrant. This form of Purchase Warrant need not be changed because of any change pursuant to this Section 6.1, and Purchase Warrants issued after such change may state the same Exercise Price and the same number of Shares as are stated in the Purchase Warrants initially issued pursuant to this Agreement. The acceptance by any Holder of the issuance of new Purchase Warrants reflecting a required or permissive change shall not be deemed to waive any rights to an adjustment occurring after the Commencement Date or the computation thereof.

6.2 Substitute Purchase Warrant. In case of any consolidation of the Company with, or share reconstruction or amalgamation or merger of the Company with or into, another corporation (other than a consolidation or share reconstruction or amalgamation or merger which does not result in any reclassification or change of the outstanding Shares), the corporation formed by such consolidation or share reconstruction or amalgamation shall execute and deliver to the Holder a supplemental Purchase Warrant providing that the holder of each Purchase Warrant then outstanding or to be outstanding shall have the right thereafter (until the stated expiration of such Purchase Warrant) to receive, upon exercise of such Purchase Warrant, the kind and amount of shares of stock and other securities and property receivable upon such consolidation or share reconstruction or amalgamation, by a holder of the number of Shares of the Company for which such Purchase Warrant might have been exercised immediately prior to such consolidation, share reconstruction or amalgamation or merger, sale or transfer. Such supplemental Purchase Warrant shall provide for adjustments which shall be identical to the adjustments provided for in this Section 6. The above provision of this Section shall similarly apply to successive consolidations or share reconstructions or amalgamations or mergers.

6.3 Elimination of Fractional Interests. The Company shall not be required to issue certificates representing fractions of Shares upon the exercise of the Purchase Warrant, nor shall it be required to issue scrip or pay cash in lieu of any fractional interests, it being the

intent of the parties that all fractional interests shall be eliminated by rounding any fraction up or down, as the case may be, to the nearest whole number of Shares or other securities, properties or rights.

7. Reservation. The Company shall at all times reserve and keep available out of its authorized Shares, solely for the purpose of issuance upon exercise of the Purchase Warrants, such number of Shares or other securities, properties or rights as shall be issuable upon the exercise thereof. The Company covenants and agrees that, upon exercise of the Purchase Warrants and payment of the Exercise Price therefor, in accordance with the terms hereby, all Shares and other securities issuable upon such exercise shall be duly and validly issued, fully paid and non-assessable and not subject to preemptive rights of any shareholder. The Company further covenants and agrees that upon exercise of the Purchase Warrants and payment of the exercise price therefor (unless cashlessly exercised), all Shares and other securities issuable upon such exercise shall be duly and validly issued, fully paid and non-assessable and not subject to preemptive rights of any shareholder. As long as the Purchase Warrants shall be outstanding, the Company shall use its commercially reasonable efforts to cause all Shares issuable upon exercise of the Purchase Warrants to be listed (subject to official notice of issuance) on all national securities exchanges (or, if applicable, quoted on the OTC Bulletin Board or any successor trading market) on which the Shares issued to the public in the Offering may then be listed and/or quoted.

8. Certain Notice Requirements.

8.1 Holder's Right to Receive Notice. Nothing herein shall be construed as conferring upon the Holders the right to vote or consent or to receive notice as a shareholder for the election of directors or any other matter, or as having any rights whatsoever as a shareholder of the Company. If, however, at any time prior to the expiration of the Purchase Warrants and their exercise, any of the events described in Section 8.2 shall occur, then, in one or more of said events, the Company shall deliver to each Holder a copy of each notice relating to such events given to the other shareholders of the Company at the same time and in the same manner that such notice is given to the shareholders.

8.2 Events Requiring Notice. The Company shall be required to give the notice described in this Section 8 upon one or more of the following events: (i) if the Company shall take a record of the holders of its Shares for the purpose of entitling them to receive a dividend or distribution payable otherwise than in cash, or a cash dividend or distribution payable otherwise than out of retained earnings, as indicated by the accounting treatment of such dividend or distribution on the books of the Company, (ii) the Company shall offer to all the holders of its Shares any additional shares of capital stock of the Company or securities convertible into or exchangeable for shares of capital stock of the Company, or any option, right or warrant to subscribe therefor, or (iii) a dissolution, liquidation or winding up of the Company (other than in connection with a consolidation or share reconstruction or amalgamation) or a sale of all or substantially all of its property, assets and business shall be proposed.

8.3 Notice of Change in Exercise Price. The Company shall, promptly after an event requiring a change in the Exercise Price pursuant to Section 6 hereof, send notice to the Holders of such event and change ("**Price Notice**"). The Price Notice shall describe the event causing the change and the method of calculating same.

8.4 Transmittal of Notices. All notices, requests, consents and other communications under this Purchase Warrant shall be in writing and shall be deemed to have been duly made when hand delivered, or mailed by express mail or private courier service: (i) if to the registered Holder of the Purchase Warrant, to the address of such Holder as shown on the books of the Company, or (ii) if to the Company, to following address or to such other address as the Company may designate by notice to the Holders:

If to the Holder:

Dawson James Securities, Inc.  
1 North Federal Highway – 5th Floor  
Boca Raton, FL 33432  
Attention: Chief Executive Officer  
with a copy (which shall not constitute notice) to:

Schiff Hardin LLP  
901 K Street, NW, Suite 700  
Washington, DC 20001  
Attn: Ralph V. De Martino, Esq.

Fax No.: (202) 778-6460

If to the Company:

Smart for Life, Inc.  
990 Biscayne Blvd., Suite 503  
Miami, Florida 33132  
Attention: Chief Executive Officer

9. Miscellaneous.

9.1 Amendments. All modifications or amendments shall require the written consent of and be signed by (i) the Company and (ii) the Holder.

9.2 Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Purchase Warrant.

9.3 Entire Agreement. This Purchase Warrant (together with the other agreements and documents being delivered pursuant to or in connection with this Purchase Warrant) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings of the parties, oral and written, with respect to the subject matter hereof.

9.4 Binding Effect. This Purchase Warrant shall inure solely to the benefit of and shall be binding upon, the Holder and the Company and their permitted assignees, respective successors, legal representative and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Purchase Warrant or any provisions herein contained.

9.5 Governing Law; Submission to Jurisdiction; Trial by Jury. This Purchase Warrant shall be governed by and construed and enforced in accordance with the laws of the State of New York, without giving effect to conflict of laws principles thereof. The Company hereby agrees that any action, proceeding or claim against it arising out of, or relating in any way to this Purchase Warrant shall be brought and enforced in the New York Supreme Court, County of New York, or in the United States District Court for the Southern District of New York, and irrevocably submits to such jurisdiction, which jurisdiction shall be exclusive. The Company hereby waives any objection to such exclusive jurisdiction and that such courts represent an inconvenient forum. Any process or summons to be served upon the Company may be served by transmitting a copy thereof by registered or certified mail, return receipt requested, postage prepaid, addressed to it at the address set forth in Section 8 hereof. Such mailing shall be deemed personal service and shall be legal and binding upon the Company in any action, proceeding or claim. The Company and the Holder agree that the prevailing party(ies) in any such action shall be entitled to recover from the other party(ies) all of its reasonable attorneys' fees and expenses relating to such action or proceeding and/or incurred in connection with the preparation therefor. The Company (on its behalf and, to the extent permitted by applicable law, on behalf of its stockholders and affiliates) and the Holder hereby irrevocably waive, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

9.6 Waiver, etc. The failure of the Company or the Holder to at any time enforce any of the provisions of this Purchase Warrant shall not be deemed or construed to be a waiver of any such provision, nor to in any way affect the validity of this Purchase Warrant or any provision hereof or the right of the Company or any Holder to thereafter enforce each and every provision of this Purchase Warrant. No waiver of any breach, non-compliance or non-fulfillment of any of the provisions of this Purchase Warrant shall be effective unless set forth in a written instrument executed by the party or parties against whom or which enforcement of such waiver is sought; and no waiver of any such breach, non-compliance or non-fulfillment shall be construed or deemed to be a waiver of any other or subsequent breach, non-compliance or non-fulfillment.

**[Signature Page Follows]**

IN WITNESS WHEREOF, the Company has caused this Purchase Warrant to be signed by its duly authorized officer as of the 1st day of February, 2022.

**Smart for Life, Inc.**

By: /s/ Alfonso J. Cervantes, Jr.  
Name: Alfonso J. Cervantes, Jr.  
Title: Executive Chairman

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*[Form to be used to exercise Purchase Warrant]*

Date: \_\_\_\_\_, 20\_\_

The undersigned hereby elects irrevocably to exercise the Purchase Warrant for \_\_\_\_\_ shares of common stock, par value \$0.0001 per share (the “**Shares**”), of Smart for Life, Inc., a Delaware corporation (the “**Company**”), and hereby makes payment of \$\_\_\_\_\_ (at the rate of \$\_\_\_\_\_ per Share) in payment of the Exercise Price pursuant thereto. Please issue the Shares as to which this Purchase Warrant is exercised in accordance with the instructions given below and, if applicable, a new Purchase Warrant representing the number of Shares for which this Purchase Warrant has not been exercised.

or

The undersigned hereby elects irrevocably to convert its right to purchase \_\_\_\_ Shares of the Company under the Purchase Warrant for \_\_\_\_\_ Shares, as determined in accordance with the following formula:

dividing [(A-B) (X)] by (A), where:

(A) = the FMV;

(B) = the Exercise Price of this Purchase Warrant, as adjusted hereunder; and

(X) = the number of shares of Common Stock underlying the Purchase Warrant that would be issuable upon exercise of this Purchase Warrant in accordance with the terms of this Purchase Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

The undersigned agrees and acknowledges that the calculation set forth above is subject to confirmation by the Company.

Please issue the Shares as to which this Purchase Warrant is exercised in accordance with the instructions given below and, if applicable, a new Purchase Warrant representing the number of Shares for which this Purchase Warrant has not been converted.

Signature \_\_\_\_\_

Signature  
Guaranteed \_\_\_\_\_

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## INSTRUCTIONS FOR REGISTRATION OF SECURITIES

Name: \_\_\_\_\_  
(Print in Block Letters)

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

NOTICE: The signature to this form must correspond with the name as written upon the face of the Purchase Warrant without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank, other than a savings bank, or by a trust company or by a firm having membership on a registered national securities exchange.

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*[Form to be used to assign Purchase Warrant]*

### ASSIGNMENT

(To be executed by the registered Holder to effect a transfer of the within Purchase Warrant):

FOR VALUE RECEIVED, \_\_\_\_\_ does hereby sell, assign and transfer unto the right to purchase shares of Common Stock, par value \$0.0001 per share, of Smart for Life, Inc., a Delaware corporation (the “**Company**”), evidenced by the Purchase Warrant and does hereby authorize the Company to transfer such right on the books of the Company.

Dated: \_\_\_\_\_, 20\_\_

Signature \_\_\_\_\_

Signature  
Guaranteed \_\_\_\_\_

NOTICE: The signature to this form must correspond with the name as written upon the face of the within Purchase Warrant without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank, other than a savings bank, or by a trust company or by a firm having membership on a registered national securities exchange.

DC:82349304.2

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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Smart for Life, Inc.  
Doral, Florida

We hereby consent to the incorporation by reference in the Prospectus constituting a part of this Registration on Form S-1 of Smart for Life, Inc., of our reports dated August 11, 2021 relating to the financial statements at and for the year ended December 31, 2020 and 2019, respectively.

We also consent to the reference to our firm under the heading “Experts” in the Prospectus.

*/s/ Daszkal Bolton LLP*

Sunrise, Florida  
February 2, 2022

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Doctors Scientific Organica, LLC  
Doral, Florida

We hereby consent to the incorporation by reference in the Prospectus constituting a part of this Registration on Form S-1 of Smart for Life, Inc., of our reports dated August 5, 2021 relating to the financial statements at and for the year ended December 31, 2020 and 2019, respectively.

We also consent to the reference to our firm under the heading “Experts” in the Prospectus.

*/s/ Daszkal Bolton LLP*

Sunrise, Florida  
February 2, 2022

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Nexus Offers, Inc.  
Doral, Florida

We hereby consent to the incorporation by reference in the Prospectus constituting a part of this Registration on Form S-1 of Smart for Life, Inc., of our reports dated December 15, 2021 relating to the financial statements at and for the year ended December 31, 2020 and 2019, respectively.

We also consent to the reference to our firm under the heading “Experts” in the Prospectus.

*/s/ Daszkal Bolton LLP*

Sunrise, Florida  
February 2, 2022



## Calculation of Filing Fee Tables

Form S-1

(Form Type)

SMART FOR LIFE, INC.

(Exact Name of Registrant as Specified in its Charter)

Table 1: Newly Registered and Carry Forward Securities

	Security Type	Security Class Title	Fee Calculation or Carry Forward Rule	Amount Registered <sup>(1)</sup>	Proposed Maximum Offering Price Per Unit	Maximum Aggregate Offering Price	Fee Rate	Amount of Registration Fee
Fees Previously Paid	Equity	Units consisting of: <sup>(1)</sup>	Rule 457(o)	—	—	\$20,700,000 <sup>(2)(3)(4)</sup>	0.0000927	\$1,918.89
Fees Previously Paid	Equity	Shares of common stock, par value \$0.0001 per share	Rule 457(g)	—	—	(5)		—
Fees Previously Paid	Equity	Series A warrants to purchase common stock	Rule 457(g)	—	—	(5)		—
Fees Previously Paid	Equity	Series B warrants to purchase common stock	Rule 457(g)	—	—	(5)		—
Fees Previously Paid	Equity	Shares of common stock issuable upon the exercise of the series A warrants: <sup>(1)</sup>	Rule 457(o)	—	—	\$10,350,000 <sup>(2)(3)(4)</sup>	0.0000927	\$959.45
Fees Previously Paid	Equity	Shares of common stock issuable upon the exercise of the series B warrants <sup>(1)</sup>	Rule 457(o)	—	—	\$20,700,000 <sup>(2)(3)(4)</sup>	0.0000927	\$1,918.89
Fees Previously Paid	Equity	Shares of series B convertible preferred stock, par value \$0.0001 per share	Rule 457(g)	—	—	(5)		—
Fees Previously Paid	Equity	Shares of common stock issuable upon conversion of the series B convertible preferred stock <sup>(1)</sup>	Rule 457(g)	—	—	(5)		—
Fees Previously Paid	Equity	Shares of common stock registered on behalf of certain selling stockholders <sup>(6)</sup>	Rule 457(g)	53,151,992	\$5.00 <sup>(7)</sup>	\$265,759,960	0.0000927	\$24,635.95

	<b>Total Offering Amounts</b>			\$317,509,960		\$29,433.18
	<b>Total Fees Previously Paid</b>					\$29,433.18
	<b>Total Fee Offsets</b>					\$0.00
	<b>Net Fee Due</b>					\$0.00

- Pursuant to Rule 416 promulgated under the Securities Act of 1933, as amended, or the Securities Act, the registration statement
- (1) shall also cover any an indeterminate number of additional shares of the registrant's common stock as may be issuable because of any future stock dividends, stock distributions, stock splits, similar capital readjustments or other anti-dilution adjustments.
  - (2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) under the Securities Act. The registrant may increase or decrease the size of the offering prior to effectiveness.  
Each unit includes (i) one share of common stock (or, at the purchaser's election, one share of series B convertible preferred stock), (ii) one series A warrant, and (iii) one series B warrant. The proposed maximum aggregate offering price of the units is \$18,000,000. This registration fee table shows a proposed maximum aggregate offering price of \$18,000,000 solely for purposes of complying with guidance of the Securities and Exchange Commission, or the SEC, relating to the payment of registration fees, as the registrant
  - (3) is required by the SEC to register separately the units, the shares of common stock included in the units, the warrants included in the units, the shares of common stock issuable upon exercise of the warrants included in the units, the shares of series B convertible preferred stock included in the units, and the shares of common stock underlying the series B convertible preferred stock. The aggregate offering price of the common stock included in the units proposed to be sold in the offering will be reduced on a dollar-for-dollar basis based on the aggregate offering price of the series B convertible preferred stock offered and sold in the offering.
  - (4) Includes additional units which may be issued upon the exercise of a 45-day option granted to the underwriters to cover over-allotments, if any, up to 15% of the total number of securities offered.
  - (5) Included in the price of the units. No additional registration fee is payable pursuant to Rule 457(g) under the Securities Act.  
Represents (i) up to 11,999,404 shares of common stock issuable upon the conversion of series A convertible preferred stock issued to the selling stockholders named in the resale prospectus; (ii) up to 11,999,404 shares of common stock issuable upon the exercise of warrants issued to the selling stockholders named in the resale prospectus; (iii) up to 2,250,000 shares of common stock issuable upon
  - (6) the conversion of debentures issued to the selling stockholders named in the resale prospectus; (iv) up to an additional 26,248,808 shares of common stock that may be issuable to the selling stockholders named in the resale prospectus upon the occurrence of certain adjustments to the conversion/exercise price of the series A convertible preferred stock, warrants and/or debentures; and (v) up to 654,376 shares of common stock issuable to the selling stockholders named in the resale prospectus under future equity agreements.
  - (7) Reflects the resale by the selling stockholders of up to 53,151,992 shares of common stock, assuming a price of \$5.00 per share.