SECURITIES & EXCHANGE COMMISSION EDGAR FILING

Scott's Liquid Gold - Inc.

Form: 10-Q

Date Filed: 2019-11-12

Corporate Issuer CIK: 88000

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2019

OR

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

For the transition period from _____ to _____

Commission File Number: 001-13458

SCOTT'S LIQUID GOLD-INC.

(Exact name of registrant as specified in its charter)

Colorado **(State or other jurisdiction of incorporation or organization)**	**84-0920811** **(I.R.S. Employer Identification No.)**
4880 Havana Street, Suite 400, Denver, CO **(Address of principal executive offices)**	**80239** **(Zip Code)**

Registrant's telephone number, including area code: (303) 373-4860

Securities registered pursuant to Section 12(b) of the Exchange Act.

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

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

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

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 complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 12, 2019, the registrant had 12,461,963 shares of its common stock, $0.10 par value per share, outstanding.

CAUTIONARY NOTE ON FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q (this "Report") contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, in addition to historical information. All statements, other than statements of historical facts, included in this Report that address activities, events, or developments with respect to our financial condition, results of operations, or economic performance that we expect, believe, or anticipate will or may occur in the future, or that address plans and objectives of management for future operations, are forward-looking statements. You can typically identify forward-looking statements by the use of words, such as "may," "could," "should," "assume," "project," "believe," "anticipate," "expect," "estimate," "potential," "plan," and other similar words. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

The forward-looking statements contained in this Report are based on management's current expectations and are subject to uncertainty and changes in circumstances. We cannot assure you that future developments affecting us will be those that we have anticipated. Forward-looking statements and our performance inherently involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to:

- dependence on third party vendors and on sales to major customers;
- regulations, economic conditions, and tariffs in the People's Republic of China ("PRC"), as well as dependence on the efforts of our exclusive distributor in the PRC to market and sell our products there;
- continuation of our distributorship agreement for Montagne Jeunesse personal care products and Batiste Dry Shampoos;
- a continued shift in the retail market from food and drug stores to mass merchandisers, club stores, dollar stores, e-commerce retailers, and subscription services;
- competition from large consumer products companies in the United States;
- competitive factors, including any decrease in distribution of (i.e., retail stores carrying) our significant products;
- new competitive products and/or technological changes;
- the need for effective advertising of our products and limited resources available for such advertising;
- unfavorable economic conditions;
- changing consumer preferences and the continued acceptance of each of our significant products in the marketplace;
- the degree of success of any new product or product line introduction by us;
- the degree of success of the integration of product lines or businesses we may acquire;
- the availability of necessary raw materials and potential increases in the prices of these raw materials;
- changes in the regulation of our products, including applicable environmental, U.S. and international Food and Drug Administration regulations and process-audit compliance;
- the loss of any executive officer or other personnel;
- future losses which could affect our liquidity;
- other matters discussed in this Report, including the risks described in the Risk Factors section of this Report and in our Annual Report on Form 10-K for the year ended December 31, 2018 and subsequent Quarterly Reports on Form 10-Q.

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

TABLE OF CONTENTS

PART I

ITEM 1. FINANCIAL STATEMENTS.

SCOTT'S LIQUID GOLD-INC. & SUBSIDIARIES

Condensed Consolidated Statements of Income (Unaudited)
(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net sales	$ 7,178	$ 9,686	$ 20,365	$ 27,921
Cost of sales	4,235	4,808	12,877	14,644
Gross Profit	2,943	4,878	7,488	13,277
Operating expenses:				
Advertising	105	324	491	1,206
Selling	1,369	2,063	4,381	5,536
General and administrative	1,223	1,079	3,604	3,604
Total operating expenses	2,697	3,466	8,476	10,346
Income (loss) from operations	246	1,412	(988)	2,931
Interest income	28	-	89	-
Interest expense	(5)	(5)	(14)	(77)
Gain on sale of equipment	-	-	110	-
Income (loss) before income taxes	269	1,407	(803)	2,854
Income tax benefit (expense)	118	(340)	144	(699)
Net income (loss)	$ 387	$ 1,067	$ (659)	$ 2,155
Net income (loss) per common share				
Basic	$ 0.03	$ 0.09	$ (0.05)	$ 0.18
Diluted	$ 0.03	$ 0.09	$ (0.05)	$ 0.17
Weighted average shares outstanding				
Basic	12,462	12,162	12,435	12,039
Diluted	12,462	12,540	12,582	12,581

See accompanying notes to these Condensed Consolidated Financial Statements (Unaudited).

SCOTT'S LIQUID GOLD-INC. & SUBSIDIARIES

Condensed Consolidated Balance Sheets (Unaudited)
(in thousands, except par value amounts)

	September 30, 2019 (Unaudited)	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 7,110	$ 6,232
Accounts receivable, net	2,711	3,047
Inventories, net	7,030	7,817
Income taxes receivable	507	508
Prepaid expenses	350	546
Total current assets	17,708	18,150
Property and equipment, net	986	971
Deferred tax asset	384	234
Goodwill	1,521	1,521
Intangible assets, net	5,348	5,528
Operating lease right-of-use assets	2,299	-
Other assets	71	71
Total assets	$ 28,317	$ 26,475
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 1,943	$ 1,800
Accrued expenses	470	593
Operating lease liabilities, current portion	946	-
Total current liabilities	3,359	2,393
Operating lease liabilities, net of current	1,373	-
Total liabilities	4,732	2,393
Shareholders' equity:		
Preferred stock, no par value, authorized 20,000 shares; no shares issued and outstanding	-	-
Common stock; $0.10 par value, authorized 50,000 shares; issued and outstanding 12,462 shares (2019) and 12,408 shares (2018)	1,246	1,241
Capital in excess of par	7,220	7,063
Retained earnings	15,119	15,778
Total shareholders' equity	23,585	24,082
Total liabilities and shareholders' equity	$ 28,317	$ 26,475

See accompanying notes to these Condensed Consolidated Financial Statements (Unaudited).

SCOTT'S LIQUID GOLD-INC. & SUBSIDIARIES

Condensed Consolidated Statements of Shareholders' Equity (Unaudited)
(in thousands)

	Common Stock				
	Shares	Amount	Capital in Excess of Par	Retained Earnings	Total
Balance, December 31, 2018	12,408	$ 1,241	$ 7,063	$ 15,778	$ 24,082
Stock-based compensation	-	-	42	-	42
Net loss	-	-	-	(330)	(330)
Balance, March 31, 2019	12,408	$ 1,241	$ 7,105	$ 15,448	$ 23,794
Stock-based compensation	-	-	42	-	42
Stock options exercised	51	5	36	-	41
Net loss	-	-	-	(716)	(716)
Balance, June 30, 2019	12,459	$ 1,246	$ 7,183	$ 14,732	$ 23,161
Stock-based compensation	-	-	35	-	35
Stock options exercised	3	-	2	-	2
Net income	-	-	-	387	387
Balance, September 30, 2019	12,462	$ 1,246	$ 7,220	$ 15,119	$ 23,585
Balance, December 31, 2017	11,886	$ 1,189	$ 6,441	$ 13,551	$ 21,181
Stock-based compensation	-	-	60	-	60
Stock options exercised	138	14	74	-	88
Net loss	-	-	-	(196)	(196)
Balance, March 31, 2018	12,024	$ 1,203	$ 6,575	$ 13,355	$ 21,133
Stock-based compensation	-	-	61	-	61
Net income	-	-	-	1,284	1,284
Balance, June 30, 2018	12,024	$ 1,203	$ 6,636	$ 14,639	$ 22,478
Stock-based compensation	-	-	63	-	63
Stock options exercised	384	38	321	-	359
Net income	-	-	-	1,067	1,067
Balance, September 30, 2018	12,408	$ 1,241	$ 7,020	$ 15,706	$ 23,967

See accompanying notes to these Condensed Consolidated Financial Statements (Unaudited).

SCOTT'S LIQUID GOLD-INC. & SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (Unaudited)
(in thousands)

	Nine Months Ended September 30,	
	2019	**2018**
Cash flows from operating activities:		
Net (loss) income	$ (659)	$ 2,155
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	552	626
Stock-based compensation	119	184
Deferred income taxes	(150)	(99)
Gain on sale of equipment	(110)	-
Change in operating assets and liabilities:		
Accounts receivable	336	(242)
Inventories	787	400
Prepaid expenses and other assets	196	(27)
Income taxes receivable	1	(543)
Accounts payable and accrued expenses	40	33
Total adjustments to net (loss) income	1,771	332
Net cash provided by operating activities	1,112	2,487
Cash flows from investing activities:		
Purchase of internal-use software	(286)	-
Purchase of property and equipment	(101)	(202)
Proceeds from sale of equipment	110	-
Net cash used by investing activities	(277)	(202)
Cash flows from financing activities:		
Repayments of long-term debt	-	(1,200)
Proceeds from exercise of stock options	43	447
Net cash provided (used) by financing activities	43	(753)
Net increase in cash and cash equivalents	878	1,532
Cash and cash equivalents, beginning of period	6,232	4,114
Cash and cash equivalents, end of period	$ 7,110	$ 5,646
Supplemental disclosures:		
Cash paid during the period for interest	$ 14	$ 39
Cash paid during the period for income taxes	$ -	$ 1,342

See accompanying notes to these Condensed Consolidated Financial Statements (Unaudited).

Note 1. Organization and Summary of Significant Accounting Policies

(a) *Company Background*

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

(b) *Principles of Consolidation*

Our Condensed Consolidated Financial Statements include our accounts and those of our wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated.

(c) *Basis of Presentation*

The unaudited Condensed Consolidated Statements of Income, Condensed Consolidated Balance Sheets, and Condensed Consolidated Statements of Cash Flows included in this Report have been prepared by the Company. In our opinion, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position at September 30, 2019 and results of operations and cash flows for all periods have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States ("GAAP") have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). These Condensed Consolidated Financial Statements should be read in conjunction with our financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2018. The results of operations for the period ended September 30, 2019 are not necessarily indicative of the operating results for the full year.

Due to changes in our business as we acquired and began manufacturing new products in recent periods, the Company implemented a change in the allocation of certain operational and administrative expenses between our two operating segments to more accurately reflect our operational activity. For comparison purposes, the Company presented 2018 results to reflect the revised allocation of these costs. This segment reporting change has no impact on our operating results. See Note 4 *"Segment Information,"* of the Notes to the Condensed Consolidated Financial Statements for further information.

(d) *Use of Estimates*

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

(e) *Cash Equivalents*

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

(f) *Inventories Valuation and Reserves*

Inventories consist of raw materials and finished goods and are stated at the lower of cost (first-in, first-out method) or net realizable value, which is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. We estimate an inventory reserve, which is generally not material to our financial statements, for slow moving and obsolete products and raw materials based upon, among other things, an assessment of historical and anticipated sales of our products. In the event that actual results differ from our estimates, the results of future periods may be impacted.

Inventories were comprised of the following at:

	September 30, 2019	December 31, 2018
Finished goods	$ 5,143	$ 5,448
Raw materials	2,017	2,414
Inventory reserve for obsolescence	(130)	(45)
	$ 7,030	$ 7,817

(g) *Property and Equipment*

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

(h) *Leases*

Lease assets and lease liabilities are recognized at the commencement of an arrangement where it is determined at inception that a lease exists. Lease assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease. These assets and liabilities are initially recognized based on the present value of lease payments over the lease term calculated using our incremental borrowing rate generally applicable to the location of the lease asset, unless the implicit rate is readily determinable. Lease terms include options to extend or terminate the lease when it is reasonably certain that those options will be exercised.

Certain nonlease components, such as maintenance and other services provided by the lessor, are included in the valuation of the lease. Leases with an initial term of 12 months or less, which are not material to our financial statements, are not recorded on the balance sheet, and the expense for these short-term leases and for operating leases is recognized on a straight-line basis over the lease term. Lease agreements with lease and nonlease components are combined as a single lease component.

(i) *Intangible Assets and Goodwill*

Intangible assets consist of customer relationships, trade names, formulas, batching processes, internal-use software and a non-compete agreement. The fair value of the intangible assets is amortized over their estimated useful lives and range from a period of five to 15 years. Goodwill consists of the excess of the purchase price over the fair value of tangible and identifiable intangible assets acquired.

Internal-use software costs recognized as an intangible asset relates to capitalizable costs of computer software obtained for internal-use as defined by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 350-40-30-1. All other internal-use software costs are expensed as incurred by the Company. Amortization will be amortized over the estimated useful life of the software once the software is ready for its intended use. As of September 30, 2019, our internal-use software was not ready for its intended use. The estimated useful life for internal-use software will be determined and periodically reassessed based on considerations for obsolescence, technology, competition, and other economic factors.

Goodwill and intangible assets deemed to have indefinite lives are not amortized but are subject to annual impairment tests, and in certain circumstances these assets are written down to fair value if impaired.

(j) *Financial Instruments*

Financial instruments which potentially subject us to concentrations of credit risk include cash and cash equivalents and accounts receivable. We maintain our cash balances in the form of bank demand deposits with financial institutions that we believe are creditworthy. During the nine months ended September 30, 2019, we have maintained balances in various operating accounts in excess of federally insured limits. We establish an allowance for doubtful accounts, which is generally not material to our financial statements, based upon factors surrounding the credit risk of specific customers, historical trends and other information. We have no significant financial instruments with off-balance sheet risk of accounting loss, such as foreign exchange contracts, option contracts or other foreign currency hedging arrangements.

The recorded amounts for cash and cash equivalents, receivables, other current assets, accounts payable, and accrued expenses approximate fair value due to the short-term nature of these financial instruments.

(k) *Income Taxes*

Income taxes reflect the tax effects of transactions reported in the Condensed Consolidated Financial Statements and consist of taxes currently payable plus deferred income taxes related to certain income and expenses recognized in different periods for financial and income tax reporting purposes. Deferred income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases. A valuation allowance is established when it is more-likely-than-not that some portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which related temporary differences become deductible. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

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

The effective tax rate for the nine months ended September 30, 2019 and 2018 was 17.9% and 24.5% respectively, which can differ from the statutory income tax rate due to permanent book-to-tax differences or if the year-to-date pre-tax loss exceeds the amount of the anticipated full-year pre-tax loss.

(l) *Revenue Recognition*

Our revenue recognition policy is significant because the amount and timing of revenue is a key component of our results of operations. Certain criteria are required to be met in order to recognize revenue. If these criteria are not met, then the associated revenue is deferred until it is met. When consideration is received in advance of the delivery of goods or services, a contract liability is recorded. Our revenue contracts are identified when purchase orders are received and accepted from customers and represent a single performance obligation to sell our products to a customer.

Net sales reflect the transaction prices for contracts, which include products shipped at selling list prices reduced by variable consideration. Variable consideration includes estimates for expected customer allowances, promotional programs for consumers, and sales returns. Adjustments to the costs of customer allowances and promotional programs for consumers in subsequent periods are generally not material, as our promotions are typically of short duration, thereby reducing the uncertainty inherent in such estimates.

Variable consideration is primarily comprised of customer allowances. Customer allowances primarily include reserves for trade promotions to support price features, displays, slotting fees, and other merchandising of our products to our customers. Promotional programs for consumers primarily include coupons, rebates, and certain other promotional programs, and do not represent a significant portion of variable consideration. The costs of both customer allowances and promotional programs for consumers are estimated using either the expected value or most likely amount approach, depending on the nature of the allowance, using all reasonably available information, including our historical experience and current expectations. Customer allowances and promotional programs for consumers are reflected in the transaction price when sales are recorded. We may adjust our estimates based on actual results and consideration of other factors that cause allowances. In the event that actual results differ from our estimates, the results of future periods may be impacted.

Sales returns are generally not material to our financial statements, and do not comprise a significant portion of v ariable consideration. Estimates for sales returns are based on information from customers and assessments of historical trends. These estimates are established in the period of sale and reduce our revenue in that period.

Sales are recorded at the time that control of the products is transferred to customers. In evaluating the timing of the transfer of control of products to customers, we consider several indicators, including significant risks and rewards of products, our right to payment, and the legal title of the products. Based on the assessment of control indicators, sales are generally recognized when products are delivered to customers.

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

At September 30, 2019 and December 31, 2018 approximately $1,069 and $1,184, respectively, had been reserved as a reduction of accounts receivable. Trade promotions to our customers and incentives such as coupons to our consumers are deducted from gross sales and totaled $428 and $718 for the three months ended September 30, 2019 and 2018, respectively, and totaled $2,212 and $1,990 for the nine months ended September 30, 2019 and 2018, respectively.

(m) *Advertising Costs*

We expense advertising costs as incurred.

(n) *Stock-based Compensation*

We account for share based payments by recognizing compensation expense based upon the estimated fair value of the awards on the date of grant. We determine the estimated grant-date fair value of stock options using the Black-Scholes option pricing model. In order to calculate the fair value of the options, certain assumptions are made regarding the components of the model, including the estimated fair value of underlying common stock, risk-free interest rate, volatility, expected dividend yield and expected option life. Changes to the assumptions could cause significant adjustments to the valuation. We recognize compensation costs ratably over the vesting period using the straight-line method, which approximates the service period.

(❑) *Operating Costs and Expenses Classification*

Cost of sales includes costs associated with manufacturing and distribution including labor, materials, freight-in, purchasing and receiving, quality control, repairs, maintenance, and other indirect costs, as well as warehousing and distribution costs. We classify freight-out as selling expenses. Other selling expenses consist primarily of costs for sales and sales support personnel, brokerage commissions, and promotional costs. Freight-out costs included in selling expenses totaled $568 and $806 for the three months ended September 30, 2019 and 2018, respectively, and totaled $1,789 and $1,966 for the nine months ended September 30, 2019 and 2018, respectively.

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

(p) *Recently Issued Accounting Standards*

In June 2016, the FASB issued ASU No. 2016-13, " *Financial Instruments —Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments"* ("ASU 2016-13"). This guidance, as amended by subsequent ASUs on the topic, requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. This guidance is effective for SEC filers for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company is currently evaluating to determine the full impact at adoption, but ASU 2016-13 is not expected to have a material impact on our financial statements.

In August 2018, the FASB issued ASU No. 2018-13, " *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement"* ("ASU 2018-13"). The new guidance modifies disclosure requirements related to fair value measurement. The amendments in ASU 2018-13 are effective for fiscal years, and interim periods within those

fiscal years, beginning after December 15, 2019. Implementation on a prospective or retrospective basis varies by specific disclosure requirement. Early adoption is permitted. The standard also allows for early adoption of any removed or modified disclosures upon issuance of this ASU while delaying adoption of the additional disclosures until their effective date. The Company is currently evaluating to determine the full impact at adoption, but ASU 2018-13 is n ot expected to have a material impact on our financial statements.

(q) *Recently Adopted Accounting Standards*

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *"Leases (Topic 842)"* ("ASU 2016-02"). This guidance, as amended by subsequent ASUs on the topic, requires a lessee to record a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with such classification affecting the pattern of expense recognition in the income statement.

Effective January 1, 2019, we adopted the guidance and elected the option not to restate comparative periods. We also elected the package of practical expedients within the standard which permits us not to reassess prior conclusions about lease identification, lease classification, and initial direct costs. Additionally, we elected not to separate lease and non-lease components for all leases. The adoption of the new standard resulted in the recognition of operating lease liabilities on January 1, 2019 of approximately $141, with corresponding right of use assets, and no material cumulative effect adjustment to our Consolidated Balance Sheets, and $2,862 of net assets obtained in exchange for new operating lease liabilities during the nine months ended September 30, 2019. Adoption of the new standard did not have a material impact on our Consolidated Statements of Income or Cash Flows.

Note 2. Stock-Based Compensation

During the nine months ended September 30, 2019, we did not grant any options to acquire shares of our common stock.

During the nine months ended September 30, 2018, we granted options to acquire: (i) 40 thousand shares of our common stock to employees at prices ranging between $2.17 to $3.35 per share; (ii) 105 thousand shares of our common stock to executive officers at prices ranging between $2.09 to $2.17 per share; and (iii) 90 thousand shares of our common stock to non-employee board members at a price of $2.17 per share.

The weighted average fair market value of the options granted during the nine months ended September 30, 2018 were estimated on the date of grant, using a Black-Scholes option pricing model with the following assumptions:

	September 30, 2018
Expected life of options (using the "simplified" method)	4 years
Average risk-free interest rate	2.63%
Average expected volatility of stock	69%
Expected dividend rate	None
Fair value of options granted	$ 246

Compensation cost related to stock options recognized in operating results (included in general and administrative expenses) totaled $119 and $184 in the nine months ended September 30, 2019 and 2018, respectively. Approximately $203 of total unrecognized compensation costs related to non-vested stock options is expected to be recognized over the next three years, depending on the vesting provisions of the options. There was no tax benefit from recording the non-cash expense as it relates to the options granted to employees, as these were qualified stock options which are not normally tax deductible.

Note 3. Earnings per Share

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

Basic earnings per share include no dilution and are computed by dividing income available to common shareholders by the weighted-average number of shares outstanding during the period. Diluted earnings per share reflect the potential of securities that could share in our earnings.

A reconciliation of the weighted average number of common shares outstanding (in thousands) is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Common shares outstanding, beginning of the period	12,460	12,024	12,408	11,886
Weighted average common shares issued	2	138	27	153
Weighted average number of common shares outstanding	12,462	12,162	12,435	12,039
Dilutive effect of common share equivalents	-	378	147	542
Diluted weighted average number of common shares outstanding	12,462	12,540	12,582	12,581

Common stock equivalents (in thousands) that have been excluded from the calculation of earnings per share because they would have been anti-dilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Stock options	687	252	267	252

Note 4. Segment Information

We operate in two different segments: household products and personal care products. We have chosen to organize our business around these segments based on differences in the products sold. Accounting policies for our segments are the same as those described in Note 1. We evaluate segment performance based on segment income or loss from operations.

Due to changes in our business as we acquired and began to manufacture additional products in recent periods under our Personal Care Products segment, the Company implemented a change in the allocation of certain operational and administrative expenses to more accurately reflect our operational activity. For comparison purposes, the Company presented 2018 results to reflect the revised allocation of these costs.

The following provides information on our segments for the three and nine months ended September 30:

	Three Months Ended September 30, 2019		
	Household Products	Personal Care Products	Total
Net sales	$ 1,137	$ 6,041	$ 7,178
Income from operations	10	236	246
Capital and intangible asset expenditures	286	-	286
Depreciation and amortization	21	162	183

	Three Months Ended September 30, 2018		
	Household Products	Personal Care Products	Total
Net sales	$ 1,165	$ 8,521	$ 9,686
(Loss) Income from operations	(127)	1,539	1,412
Capital and intangible asset expenditures	-	162	162
Depreciation and amortization	29	164	193

	Nine Months Ended September 30, 2019		
	Household Products	Personal Care Products	Total
Net sales	$ 3,574	$ 16,791	$ 20,365
Loss from operations	(145)	(843)	(988)
Capital and intangible asset expenditures	387	-	387
Depreciation and amortization	63	489	552

	Nine Months Ended September 30, 2018		
	Household Products	Personal Care Products	Total
Net sales	$ 3,881	$ 24,040	$ 27,921
(Loss) Income from operations	(300)	3,231	2,931
Capital and intangible asset expenditures	18	184	202
Depreciation and amortization	97	529	626

Note 5. Goodwill and Intangible Assets

Goodwill and intangible assets, which are related to our acquisition of our Prell® and Denorex® brands, consisted of the following:

	As of September 30, 2019			As of December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Intangible assets:						
Customer relationships	$ 4,022	$ 1,307	$ 2,715	$ 4,022	$ 1,005	$ 3,017
Trade names	2,362	512	1,850	2,362	393	1,969
Formulas and batching processes	669	181	488	669	140	529
Internal-use software	286	-	286	-	-	-
Non-compete agreement	26	17	9	26	13	13
	7,365	2,017	5,348	7,079	1,551	5,528
Goodwill			1,521			1,521
Total intangible assets			$ 6,869			$ 7,049

Amortization expense for the three months ended September 30, 2019 and 2018 was $155, respectively. Amortization expense for the nine months ended September 30, 2019 and 2018 was $465, respectively.

Estimated amortization expense for 2019 and subsequent years is as follows:

2019 (remaining)	$ 155
2020	620
2021	618
2022	616
2023	616
Thereafter	2,438
Total	$ 5,063

Note 6. Long-Term Debt and Line-of-Credit

On June 30, 2016, the Company and Neoteric Cosmetics, Inc., a wholly-owned subsidiary of the Company, collectively as borrowers, entered into a credit agreement (as amended, the “Credit Agreement”) with JPMorgan Chase Bank, N.A. (“Chase”), as lender, pursuant to which Chase provided a term loan and a revolving credit facility that were related to our acquisition of the Prell®, Denorex®, and Zincon® brands.

In June 2018, we paid the remaining principal balance of the term loan in the amount of $1,000. There were no additional costs incurred associated with the prepayment of the term loan.

The revolving credit facility amount is $4,000 with interest of: (i) the LIBO Rate + 2.25%; or (ii) the Prime Rate, with a floor of the one month LIBO Rate + 2.25%, and will terminate on June 30, 2021 or any earlier date on which the revolving commitment is otherwise terminated pursuant to the Credit Agreement. Under the Credit Agreement we are obligated to pay quarterly an unused commitment fee equal to 0.25% per annum on the daily amount of the undrawn portion of the revolving line-of-credit. The revolving credit facility is collateralized by all of the assets of the Company.

The Credit Agreement subjects the Company to affirmative, negative, and financial covenants on a quarterly basis. The Company was in compliance with the covenants in the Credit Agreement as of September 30, 2019 and December 31, 2018, respectively.

On September 30, 2019, the Company amended our Credit agreement to clarify capital expenitures included the debt service coverage ratio in the Credit Agreement in order to clarify components of our covenant calculations. The amended Credit Agreement is attached as Exhibit 10.1 to this Current Report on Form 10-Q.

Note 7. Leases

We have entered into leases for our corporate headquarters, manufacturing and warehouse operations, and office equipment with remaining lease terms up to 3 years. Some of these leases include both lease and nonlease components, which are accounted for as a single lease component as we have elected the practical expedient to combine these components for all leases. As most of the leases do not provide an implicit rate, we calculated the right-of-use assets and lease liabilities using our secured incremental borrowing rate at the lease commencement date. We currently do not have any finance leases outstanding.

Information related to leases was as follows:

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Operating lease information:		
Operating lease cost	$ 264	$ 793
Operating cash flows from operating leases	256	773
Net assets obtained in exchange for new operating lease liabilities	-	2,862
Weighted average remaining lease term in years	2.33	2.33
Weighted average discount rate	5.0%	5.0%

Future minimum annual lease payments are as follows:

2019 (remaining)	$ 255
2020	1,048
2021	1,071
2022	88
Total minimum lease payments	$ 2,462
Less imputed interest	(143)
Total operating lease liability	$ 2,319

Note 8. Subsequent Events

On October 1, 2019, we purchased all assets owned by Paramount Chemical Specialties, Inc. (“Paramount”), including finished goods owned by Paramount, and all assets used in connection with the manufacture, sale and distribution of the Kids N Pets, Kids N Pets No No No! and Messy Pet brands (the “Brands”). The total consideration paid at closing was $5,500, consisting of $4,500 of cash on hand and $1,000 sourced from our revolving line-of-credit. In addition to the upfront consideration, the deal includes a $1,500 maximum contingent consideration, wherein we would pay Paramount 20% of brand-specific GAAP revenue in excess of $3,500 for each of calendar years 2021, 2022, 2023, and 2024.

Accounting for the allocation of the total consideration is ongoing and subject to finalization.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERA TIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Company's consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2018. This Item 2 contains forward-looking statements. The matters discussed in these forward-looking statements are subject to risk, uncertainties, and other factors that could cause actual results to differ materially from those made, projected or implied in the forward-looking statements. Please refer to "Item 1A. Risk Factors" in this Report and in our Annual Report on Form 10-K for the year ended December 31, 2018 for a discussion of the uncertainties, risks and assumptions associated with these statements.

Executive Overview

Our Business

Scott's Liquid Gold-Inc. exists to positively impact consumers' lives in the markets we serve while creating shareholder value. We develop, manufacture, market, and sell high-quality, high-value household and personal care products nationally and internationally to mass merchandisers, drugstores, supermarkets, hardware stores, e-commerce retailers, other retail outlets, and to wholesale distributors.

Results of Operations

Three months ended September 30, 2019 compared to three months ended September 30, 2018

	Three Months Ended September 30, (in thousands)			
			Increase / (Decrease)	
	2019	2018	$	%
Net sales	$ 7,178	$ 9,686	$ (2,508)	(25.9%)
Cost of sales	4,235	4,808	(573)	(11.9%)
Gross profit	2,943	4,878	(1,935)	(39.7%)
Gross margin	*41.0%*	*50.4%*		
Operating expenses:				
Advertising	105	324	(219)	(67.6%)
Selling	1,369	2,063	(694)	(33.6%)
General and administrative	1,223	1,079	144	13.3%
Total operating expenses	2,697	3,466	(769)	(22.2%)
Income from operations	246	1,412	(1,166)	(82.6%)
Interest income	28	-	28	100.0%
Interest expense	(5)	(5)	-	0.0%
Income before income taxes	269	1,407	(1,138)	(80.9%)
Income tax benefit (expense)	118	(340)	458	134.7%
Net income	$ 387	$ 1,067	$ (680)	(63.7%)

Net income decreased primarily due to the following:

- Decreases in net sales and gross profit, primarily driven by lower sales of Alpha ® Skin Care products due to regulatory changes imposed on OTC products by PRC's NMPA (National Medical Products Administration). In response to these regulatory changes, we reformulated our 12% Alpha® Skin Care Body Lotion into a new 6% body lotion product, which obtained NMPA approval. Shipments of the 6% body lotion resumed in September of 2019. The remaining decrease in net sales and gross profit was primarily attributable to our distributed personal care products.

- Increase in general and administrative expenses associated with professional fees incurred in conjunction with our acquisition as well as the selection of an enterprise resource planning ("ERP") system.

- The decrease in net income was partially offset by:

- Our focus on more efficient advertising platforms, including the elimination of television campaign investments in 2019.
- Our efforts to reduce selling costs through the reduction of brokerage commissions and internal labor costs. Freight, which decreased proportionally with sales between the periods under comparison, also contributed to the selling expense decrease.
  - Income tax benefit during the three months ended September 30, 2019 as a result of our net loss for the year.

Segment Results

We implemented a change in the allocation of certain operational and administrative expenses to more precisely match the activity to which they relate. For comparison purposes, we re-allocated 2018 results to reflect the revised allocation of these costs.

Household Products

The following table shows comparative net sales, gross margin, gross profit, income (loss) from operations, volume and percentage changes for household products between periods:

	Three Months Ended September 30, (in thousands)			
			Increase / (Decrease)	
	2019	2018	$	%
Net sales	$ 1,137	$ 1,165	$ (28)	(2.4%)
Gross profit	$ 532	$ 627	$ (95)	(15.2%)
Gross margin	*46.8%*	*53.8%*		
Income (loss) from operations	$ 10	$ (127)	$ 137	107.9%

- Net sales of household products decreased primarily from lower sales of the Scott's Liquid Gold ® Wood Care product line due to increased competition.
- Income from operations was primarily attributable to our focus on more efficient advertising during 2019. Specifically, we produced and aired a television campaign for Scott's Liquid Gold® Wood Care products in 2018, but did not do so in 2019, which offset the reduced gross profit.

Personal Care Products

The following table shows comparative net sales, gross margin, gross profit, income from operations, volume and percentage changes for personal care products between periods:

	Three Months Ended September 30, (in thousands)			
			Increase / (Decrease)	
	2019	2018	$	%
Personal care net sales				
Net sales - distributed products	$ 3,331	$ 3,593	$ (262)	(7.3%)
Net sales - manufactured products	2,710	$ 4,928	(2,218)	(45.0%)
Total personal care net sales	$ 6,041	$ 8,521	$ (2,480)	(29.1%)
Gross profit	$ 2,411	$ 4,251	$ (1,840)	(43.3%)
Gross margin	*39.9%*	*49.9%*		
Income from operations	$ 236	$ 1,539	$ (1,303)	(84.7%)

- Net sales of distributed personal care products decreased primarily due to lower sales of 7 th Heaven products as a result of a category decline for skin care sachets at retailers in 2019. This was partially offset by an increase in Batiste Dry Shampoo sales during the third quarter of 2019.

- Net sales of manufactured personal care products decreased primarily due to lower sales of Alpha® Skin Care as a result of regulatory changes described above.

- The decrease in income from operations is primarily attributable to lower sales and gross profit. Gross margins also decreased due to lower sales of our higher-margin Alpha® Skin Care products.

Nine months ended September 30, 2019 compared to nine months ended September 30, 2018

	Nine Months Ended September 30, (in thousands)			
			Increase / (Decrease)	
	2019	2018	$	%
Net sales	$ 20,365	$ 27,921	$ (7,556)	(27.1%)
Cost of sales	12,877	14,644	(1,767)	(12.1%)
Gross profit	7,488	13,277	(5,789)	(43.6%)
Gross margin	*36.8%*	*47.6%*		
Operating expenses:				
Advertising	491	1,206	(715)	(59.3%)
Selling	4,381	5,536	(1,155)	(20.9%)
General and administrative	3,604	3,604	-	0.0%
Total operating expenses	8,476	10,346	(1,870)	(18.1%)
(Loss) income from operations	(988)	2,931	(3,919)	(133.7%)
Interest income	89	-	89	100.0%
Interest expense	(14)	(77)	63	81.8%
Gain on sale of equipment	110	-	110	100.0%
(Loss) income before income taxes	(803)	2,854	(3,657)	(128.1%)
Income tax benefit (expense)	144	(699)	843	120.6%
Net (loss) income	$ (659)	$ 2,155	$ (2,814)	(130.6%)

Net (loss) income changed primarily due to the following:

- Decreases in net sales and gross profit, primarily driven by lower sales generated from our Personal Care Products segment, particularly our Alpha® Skin Care products, as a result of the PRC's regulatory changes, and our 7 th Heaven products, due to increased competition, both of which are further detailed above.

- The change in net (loss) income was partially offset by:

  - ❑ Our shift to more cost-effective advertising during 2019.

  - ❑ Our efforts to reduce selling costs through the reduction of brokerage commissions and internal labor costs.

  - ❑ An initiative to dispose of idle equipment, which led to the recognition of a gain on the sale of production equipment that was no longer being utilized in the manufacture of our active product lines.

  - ❑ Recognition of an income tax benefit due to the net loss before income taxes.

Segment Results

We implemented a change in the allocation of certain operational and administrative expenses to more precisely match the activity to which they relate. For comparison purposes, we re-allocated 2018 results to reflect the revised allocation of these costs.

Household Products

The following table shows comparative net sales, gross margin, gross profit, loss from operations, volume and percentage changes for household products between periods:

	Nine Months Ended September 30, (in thousands)			
			Increase / (Decrease)	
	2019	2018	$	%
Net sales	$ 3,574	$ 3,881	$ (307)	(7.9%)
Gross profit	$ 1,640	$ 2,102	$ (462)	(22.0%)
Gross margin	*45.9%*	*54.2%*		
Loss from operations	$ (145)	$ (300)	$ 155	51.7%

- Net sales of household products decreased primarily from lower sales of the Scott's Liquid Gold ® Wood Care product line due to increased competition.
- Loss from operations decreased primarily due to our focus on more efficient advertising during 2019. Specifically, we produced and aired a television campaign for Scott's Liquid Gold® Wood Care products in 2018, but shifted to more cost-effective advertising in 2019, which was partially offset by lower gross profit.

Personal Care Products

The following table shows comparative net sales, gross margin, gross profit, (loss) income from operations, volume and percentage changes for personal care products between periods:

	Nine Months Ended September 30, (in thousands)			
			Increase / (Decrease)	
	2019	2018	$	%
Personal care net sales				
Distributed products	$ 8,147	$ 11,227	$ (3,080)	(27.4%)
Manufactured products	8,644	12,813	(4,169)	(32.5%)
Total personal care net sales	$ 16,791	$ 24,040	$ (7,249)	(30.2%)
Gross profit	$ 5,848	$ 11,175	$ (5,327)	(47.7%)
Gross margin	*34.8%*	*46.5%*		
(Loss) income from operations	$ (843)	$ 3,231	$ (4,074)	(126.1%)

- Net sales of distributed personal care products decreased primarily due to lower sales of 7 th Heaven products as a result of a category decline for skin care sachets at retailers in 2019. Lower sales of Batiste Dry Shampoo also contributed to the net sales decrease.
- Net sales of manufactured personal care products decreased primarily due to lower sales of Alpha ® Skin Care as a result of the PRC regulatory changes described above.
- Loss from operations is due to lower sales and gross profit. Gross margins decreased primarily due to lower sales of our higher-margin Alpha ® Skin Care products.

Liquidity and Capital Resources

Our operational team's efforts to reduce inventory levels resulted in a significant increase in available cash during the nine months ended September 30, 2019. At September 30, 2019, we had our maximum commitment of $4,000 available and unused on our revolving credit facility, and approximately $7,110 in cash on hand, an increase of $878 when compared to the balance as of December 31, 2018.

The following is a summary of cash provided by or (used in) each of the indicated types of activities:

	Nine Months Ended September 30, (in thousands)			
			Increase / (Decrease)	
	2019	2018	$	%
Operating activities	$ 1,112	$ 2,487	$ (1,375)	(55.3%)
Investing activities	(277)	(202)	(75)	(37.1%)
Financing activities	43	(753)	796	105.7%

- Net cash from operating activities was primarily related to efforts to improve working capital by reducing levels of inventories and accounts receivable.
- Net cash from investing activities was related to capital expenditures for software costs associated with the selection of an enterprise resource planning system, routine production and warehouse equipment, and a gain on sale of equipment no longer used in production.
- Net cash from financing activities was related to cash received for stock option exercises.

We anticipate that our existing cash and our cash flow from operations, together with our current Credit Agreement with Chase, will be sufficient to meet our cash requirements for the 12 months following the filing date of this Report. During the first nine months of 2019, we spent $101 on routine and maintenance production and warehouse equipment in our manufacturing facility and $286 on enterprise resource planning software. Related to this internal-use software, we expect to see an increase in our capital expenditures during the remainder of 2019 and in 2020.

Financing Agreements

Please see Note 6 to our Condensed Consolidated Financial Statements for information on our Credit Agreement with Chase.

Subsequent Events

On October 1, 2019, we purchased all assets owned by Paramount Chemical Specialties, Inc. (“Paramount”), including finished goods owned by Paramount, and all assets used in connection with the manufacture, sale and distribution of the Kids N Pets, Kids N Pets No No No! and Messy Pet brands (the “Brands”). The total consideration paid at closing was $5,500, consisting of $4,500 of cash on hand and $1,000 sourced from our revolving line-of-credit. In addition to the upfront consideration, the deal includes a $1,500 maximum contingent consideration, wherein we would pay Paramount 20% of brand-specific GAAP revenue in excess of $3,500 for each of calendar years 2021, 2022, 2023, and 2024.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of September 30, 2019, we conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective as of September 30, 2019.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting during the nine months ended September 30, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Report, you should carefully consider the factors discussed in Item 1A, “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018 and subsequent quarterly reports on Form 10-Q, which could materially affect our business, financial condition or future results.

ITEM 6. EXHIBITS

Exhibit Number	Document
10.1	Third Amendment to Credit Agreement, dated as of September 30, 2019, between Company, Neoteric Cosmetics, Inc. and the other Loan parties thereto and JPMorgan Chase Bank, N.A.
31.1	Rule 13a-14(a) Certification of the Chief Executive Officer.
31.2	Rule 13a-14(a) Certification of the Chief Financial Officer.
32.1*	Section 1350 Certification.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

* Furnished, not filed.

SIGNATURES

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

SCOTT'S LIQUID GOLD-INC.

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

By: /s/ Kevin A. Paprzycki
Kevin A. Paprzycki
Chief Financial Officer
(Principal Financial and Chief Accounting Officer)

Date: November 12, 2019

Exhibit 10.1

THIRD AMENDMENT TO CREDIT AGREEMENT

THIS THIRD AMENDMENT to Credit Agreement (this "Amendment") is entered into this 6th day of November 2019, to be effective as of September 30, 2019, by and between **JPMORGAN CHASE BANK, N.A.** ("Lender"), and **SCOTT'S LIQUID GOLD-INC**., a Colorado corporation, and **NEOTERIC COSMETICS, INC**., a Colorado corporation (each a "Borrower" and collectively, the "Borrowers").

RECITALS

A.Lender and Borrowers have entered into that certain Credit Agreement dated as of June 30, 2016, as amended by a First Amendment to Credit Agreement, dated January 10, 2018, and as further amended by a Second Amendment to Credit Agreement, dated May 9, 2019 (as the same may from time to time be further amended, modified, supplemented or restated, the "Credit Agreement").

B.Lender has extended credit to Borrowers for the purposes permitted in the Credit Agreement.

C.Borrowers have requested that Lender amend the Credit Agreement to (i) revise Borrower's Debt Service Coverage Ratio and (ii) make certain other revisions to the Credit Agreement as more fully set forth herein.

D.Lender has agreed to so amend certain provisions of the Credit Agreement, but only to the extent, in accordance with the terms, subject to the conditions and in reliance upon the representations and warranties set forth below.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

1.Definitions. Capitalized terms used but not defined in this Amendment shall have the meanings given to them in the Credit Agreement.

2.Amendments to Credit Agreement.

2.1 The definition of "Debt Service Coverage Ratio" in Section 1.01 of the Credit Agreement is hereby deleted in its entirety and replaced with the following, effective for the calculation period ending September 30, 2019 and thereafter:

> "Debt Service Coverage Ratio" means, for any period, the ratio of (a) (i) Adjusted EBITDA, plus (ii) up to $500,000 in non-recurring Capital Expenditures (whether or not financed with Loans) incurred in 2019 or 2020 solely in connection with the implementation of Borrower's ERP system, minus (iii) Unfinanced Capital Expenditures, minus (iv) income taxes paid in cash, in each case, for such periods to (b) the sum of (i) Interest Expense, plus (ii) scheduled principal payments on Long Term Debt (other than Subordinated Indebtedness) plus (iii) payments made on Capital Lease Obligations plus (iv) principal payments made on Subordinated Indebtedness, plus (v) any permitted Restricted Payments, in each case, for such period.

3.Limitation of Amendments.

3.1 The amendments set forth in Section 2, above, are effective for the purposes set forth herein and shall be limited precisely as written and shall not be deemed to (a) be a consent to any amendment, waiver or modification of any other term or condition of any Loan Document, or (b) otherwise prejudice any right or remedy which Lender may now have or may have in the future under or in connection with any Loan Document.

3.2 This Amendment shall be construed in connection with and as part of the Loan Documents and all terms, conditions, representations, warranties, covenants and agreements set forth in the Loan Documents, except as herein amended, are hereby ratified and confirmed and shall remain in full force and effect.

4.Representations and Warranties. To induce Lender to enter into this Amendment, each Borrower hereby represents and warrants to Lender, jointly and severally, as follows:

4.1 Immediately after giving effect to this Amendment (a) the representations and warranties contained in the Loan Documents are true, accurate and complete in all material respects as of the date hereof (except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct in all material respects as of such date), and (b) no Event of Default has occurred and is continuing;

4.2 Borrower has the organizational power and authority to execute and deliver this Amendment and to perform its obligations under the Credit Agreement, as amended by this Amendment;

4.3 The organizational documents of Borrower previously delivered to Lender remain true, accurate and complete and have not been amended, supplemented or restated and are and continue to be in full force and effect;

4.4 The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Credit Agreement, as amended by this Amendment, have been duly authorized by all necessary organizational actions on the part of Borrower;

4.5 The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Credit Agreement, as amended by this Amendment, do not and will not contravene (a) any law or regulation binding on or affecting Borrower, (b) any contractual restriction with a Person binding on Borrower, (c) any order, judgment or decree of any court or other governmental or public body or authority, or subdivision thereof, binding on Borrower, or (d) the organizational documents of Borrower;

4.6 The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Credit Agreement, as amended by this Amendment, do not require any order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or exemption by any governmental or public body or authority, or subdivision thereof, binding on either Borrower, except as already has been obtained or made; and

4.7 This Amendment has been duly executed and delivered by Borrower and is the binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of

general application or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

5.Counterparts; Delivery. This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment by fax, emailed pdf. or any other electronic means that reproduces an image of the actual executed signature page shall be effective as delivery of a manually executed counterpart of this Amendment; provided, however, that, notwithstanding the foregoing, Borrower will deliver an original counterpart to this Amendment to Lender within five (5) Business Days following the date hereof.

6.Effectiveness. This Amendment shall be deemed effective when it has been executed by Lender and when Lender has received counterparts hereof executed by each other party hereto.

In Witness Whereof, the parties hereto have caused this Amendment to be duly executed and delivered as of the date first written above.

SCOTT'S LIQUID GOLD-INC.,
a Colorado corporation

By: /s/ Kevin A. Paprzycki
Name: Kevin A. Paprzycki
Title: Chief Financial Officer

NEOTERIC COSMETICS, INC.,
a Colorado corporation

By: /s/ Kevin A. Paprzycki
Name: Kevin A. Paprzycki
Title: Chief Financial Officer

LENDER:

JPMORGAN CHASE BANK, N.A.

By: /s/ Sean Smythe
Name: Sean Smythe
Title: Authorized Officer

Acknowledged and Agreed:

GUARANTORS:

COLORADO PRODUCT CONCEPTS, INC.,
a Colorado corporation

By: /s/ Kevin A. Paprzycki
Name: Kevin A. Paprzycki
Title: Chief Financial Officer

S**LG CHEMICALS, INC.**,
a Colorado corporation

By: /s/ Kevin A. Paprzycki
Name: Kevin A. Paprzycki
Title: Chief Financial Officer

SLG TOUCH-A-LITE, INC.,
a Colorado corporation

By: /s/ Kevin A. Paprzycki
Name: Kevin A. Paprzycki
Title: Chief Financial Officer

EXHIBIT 31.1

CERTIFICATION

I, Mark E. Goldstein, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Scott's Liquid Gold-Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 12, 2019

/s/ Mark E. Goldstein
Mark E. Goldstein
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Kevin A. Paprzycki, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Scott's Liquid Gold-Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 12, 2019

/s/ Kevin A. Paprzycki
Kevin A. Paprzycki
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF ANNUAL REPORT ON FORM 10-Q OF
SCOTT'S LIQUID GOLD-INC.
FOR THE QUARTER ENDED SEPTEMBER 30, 2019

Each of the undersigned hereby certifies, for the purposes of Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in his capacity as an officer of Scott's Liquid Gold-Inc. ("Scott's Liquid Gold"), that to his knowledge:

1. This Quarterly Report on Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Scott's Liquid Gold.

This written statement is being furnished to the Securities and Exchange Commission as an exhibit to the Quarterly Report on Form 10-Q. A signed original of this statement has been provided to Scott's Liquid Gold and will be retained by Scott's Liquid Gold and furnished to the Securities and Exchange Commission or its staff upon request.

This Certification is executed as of November 12, 2019.

/s/ Mark E. Goldstein
Mark E. Goldstein
President and Chief Executive Officer

/s/ Kevin A. Paprzycki
Kevin A. Paprzycki
Chief Financial Officer