Organic India USA, LLC

Consolidated Financial Report

March 31, 2020

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Plante & Moran, PLLC
Suite 400
1155 Canyon Boulevard
Boulder, CO 80302
Tel: 303.448.7000
Fax: 303.448.7099
plantemoran.com

Independent Auditor's Report

To the Board of Directors
Organic India USA, LLC

We have audited the accompanying consolidated financial statements of Organic India USA, LLC and its subsidiary (the "Company"), which comprise the consolidated balance sheet as of March 31, 2020 and 2019 and the related consolidated statements of operations, member's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Organic India USA, LLC and its subsidiary as of March 31, 2020 and 2019 and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in the *Dependence on Parent* paragraph in Note 2, the Company has required financial assistance from its parent to sustain operations, and, due to the significance of transactions with its parent, the Company's results of operations may not be indicative of what they would be if such transactions were with a third party in arm's-length transactions. Our opinion is not modified with respect to this matter.

Plante & Moran, PLLC

August 13, 2020

Consolidated Balance Sheet

March 31, 2020 and 2019

		2020		2019
Assets				
Current Assets				
Cash	$	1,883,279	$	2,179,711
Accounts receivable - Net:				
Trade		1,555,118		1,849,823
Related party		370,386		651,299
Inventory - Net		4,269,042		5,552,636
Prepaid expenses and other current assets		230,103		135,921
Total current assets		8,307,928		10,369,390
Property and Equipment - Net		216,733		246,250
Goodwill - Net		2,632,580		2,958,260
Intangible Assets - Net		1,398,416		1,571,416
Deposits		131,744		140,237
Other Assets				
Note receivable - Related party		54,000		-
Other noncurrent assets		134,623		107,854
Total other assets		188,623		107,854
Total assets	**$**	**12,876,024**	**$**	**15,393,407**
Liabilities and Member's Equity				
Current Liabilities				
Accounts payable:				
Trade	$	580,031	$	303,190
Related party		2,039,359		3,005,612
Line of credit		1,700,000		2,400,000
Notes payable - Related party - Current		750,000		250,000
Accrued and other current liabilities		894,182		1,575,129
Total current liabilities		5,963,572		7,533,931
Notes Payable - Related party		1,950,000		2,450,000
Other Long-term Liabilities				
Deferred tax liabilities		357,706		408,568
Deferred rent		33,380		38,115
Total liabilities		8,304,658		10,430,614
Member's Equity		4,571,366		4,962,793
Total liabilities and member's equity	**$**	**12,876,024**	**$**	**15,393,407**

See notes to consolidated financial statements.

Consolidated Statement of Operations

Years Ended March 31, 2020 and 2019

	2020	2019
Net Sales		
Sales	$ 25,315,795	$ 24,330,933
Trade spend	(7,070,123)	(6,239,958)
Total net sales	18,245,672	18,090,975
Total Delivered Costs	10,425,127	10,836,726
Gross Profit	7,820,545	7,254,249
Operating Expenses	7,850,600	8,326,654
Operating Loss	(30,055)	(1,072,405)
Nonoperating (Expense) Income		
Interest expense	(255,941)	(268,917)
Other income	86,057	5,720
Total nonoperating expense	(169,884)	(263,197)
Loss before Income Taxes	(199,939)	(1,335,602)
Income Tax Benefit (Expense)		
Deferred income tax benefit	50,862	41,232
Current income tax expense	(242,350)	(203,867)
Total income tax expense	(191,488)	(162,635)
Consolidated Net Loss	**$ (391,427)**	**$ (1,498,237)**
Amounts Attributable to Noncontrolling Interest and Organic India USA, LLC		
Consolidated net income (loss) attributable to:		
Noncontrolling interest	$ 108,814	$ 5,163
Organic India USA, LLC	(500,241)	(1,503,400)
Consolidated net loss	**$ (391,427)**	**$ (1,498,237)**

Consolidated Statement of Member's Equity

Years Ended March 31, 2020 and 2019

	Member's Equity	Noncontrolling Interest	Total Equity
Balance - March 31, 2018	$ 1,421,305	$ -	$ 1,421,305
Net (loss) income	(1,503,400)	5,163	(1,498,237)
Noncontrolling interest recognized upon business combination	-	2,749,725	2,749,725
Distributions	-	(100,000)	(100,000)
Contributions	2,390,000	-	2,390,000
Balance - March 31, 2019	2,307,905	2,654,888	4,962,793
Net (loss) income	(500,241)	108,814	(391,427)
Balance - March 31, 2020	**$ 1,807,664**	**$ 2,763,702**	**$ 4,571,366**

Consolidated Statement of Cash Flows

Years Ended March 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Net loss	$ (391,427)	$ (1,498,237)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortization	611,758	519,340
Amortization of loan costs	27,267	19,913
Deferred income tax benefit	(50,862)	(41,232)
Loss on disposal of property and equipment	3,224	56,645
Deferred rent	(4,735)	3,551
Bad debt expense	124,025	-
Changes in operating assets and liabilities:		
Accounts receivable	170,680	(430,476)
Related party receivable	280,913	(323,751)
Inventory	1,283,594	1,237,568
Prepaid expenses, deposits, and other assets	(85,689)	151,009
Accounts payable	276,841	(112,522)
Related party payable	(966,253)	409,900
Accrued and other current liabilities	(680,947)	42,968
Net cash provided by operating activities	598,389	34,676
Cash Flows from Investing Activities		
Purchase of property and equipment	(42,951)	(31,388)
Purchase of other assets	(71,273)	(99,646)
Cash paid in business combination	-	(2,205,875)
Issuance of note receivable	(54,000)	-
Net cash used in investing activities	(168,224)	(2,336,909)
Cash Flows from Financing Activities		
Payments on note payable - Related party	-	(1,150,000)
(Payments on) proceeds from line of credit	(700,000)	2,400,000
Loan costs	(26,597)	(26,550)
Distributions	-	(100,000)
Contributions from member	-	2,390,000
Net cash (used in) provided by financing activities	(726,597)	3,513,450
Net (Decrease) Increase in Cash	(296,432)	1,211,217
Cash - Beginning of year	2,179,711	968,494
Cash - End of year	**$ 1,883,279**	**$ 2,179,711**
Supplemental Cash Flow Information - Cash paid for interest	$ 208,679	$ 265,675
Significant Noncash Transactions - Noncontrolling interest recognized upon business combination	$ -	$ 2,749,725

Note 1 - Nature of Business

Organic India USA, LLC (OI USA) a Colorado limited liability company (LLC), was formed on October 15, 2001, with its headquarters in Boulder, Colorado. Upon formation, OI USA, through its sole member, began working cooperatively with farms in northern India to grow Tulsi Holy Basil, which was used to create the flagship product, the Original Tulsi Tea. OI USA then expanded its program to include other Indian herb, food, and spice crops by contracting with more Indian farmers through its sole member. OI USA markets certified organic, biodynamic, and ethically wildcrafted products throughout the United States and in Canada.

On April 25, 2018, OI USA acquired a 50.01 percent equity stake in CLEAN Program Corp (CLEAN). CLEAN primarily manufactures (through co-manufacturers) and sells supplements and protein shakes direct to consumers through its website.

OI USA and CLEAN are collectively referred to as the "Company."

Note 2 - Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of OI USA and its subsidiary, CLEAN. The equity attributable to the 49.99 percent ownership of CLEAN is reported as a noncontrolling interest. All material intercompany accounts and transactions have been eliminated in consolidation.

Dependence on Parent

During the years ended March 31, 2020 and 2019, the Company funded its activities primarily through inventory purchases and payables due to its sole member, ORGANIC INDIA Private Limited (the "Parent"), which has represented that it will continue to fund operations until such time as the Company achieves positive cash flows necessary to independently sustain operations. Management believes that cash on hand and access to the line of credit (see Note 6), combined with continued support from its sole member, will provide the Company with adequate funding to sustain its operations and continue as a going concern through at least 12 months from the date of the accompanying independent auditor's report.

Basis of Accounting

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Company has elected to adopt certain accounting alternatives for private companies developed by the Private Company Council, including accounting for goodwill and certain intangible assets acquired in a business combination.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Company considers all highly liquid instruments with an original maturity of three months or less when purchased to be cash equivalents. As of the consolidated balance sheet date and periodically throughout the year, the Company has maintained balances in various operating accounts in excess of federally insured limits.

Note 2 - Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. In addition, a general valuation allowance is established for other accounts receivable based on historical loss experience. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. The allowance for doubtful accounts on accounts receivable balances was $151,726 and $40,494 as of March 31, 2020 and 2019, respectively.

Credit Risk, Major Customers, and Suppliers

The Company extends trade credit to its customers on terms that are generally practiced in the industry.

Five and two major customers accounted for approximately 66 and 58 percent of total accounts receivable as of March 31, 2020 and 2019, respectively.

Two major customers accounted for 46 and 43 percent of total revenue for the years ended March 31, 2020 and 2019, respectively.

OI USA purchases 100 percent of its inventory from the Parent, as further discussed in Note 7.

Inventory

Inventory primarily consists of finished goods and is stated at the lower of cost or net realizable value, determined using the average cost method. The Company periodically assesses the need for an allowance for obsolete inventory, with obsolete inventory being expensed to cost of goods sold. The Company had an allowance for obsolete inventory of $409,237 and $925,888 as of March 31, 2020 and 2019, respectively.

Prepaid Expenses

Prepaid expenses primarily consist of prepaid travel, rent, marketing costs, and other expenses paid in advance.

Property and Equipment

Property and equipment are recorded at cost. The straight-line method is used for computing depreciation. Assets are depreciated over their estimated useful lives. The cost of leasehold improvements is depreciated over the lesser of the length of the related leases or the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

Goodwill

The recorded amounts of goodwill from business combinations are based on management's best estimates of the fair values of assets acquired and liabilities assumed at the date of acquisition and represents the difference between business combination consideration and the net identifiable assets acquired.

The Company has elected to apply the private company accounting alternative for goodwill developed by the Private Company Council. Under the accounting alternative, goodwill is amortized on a straight-line basis over a 10-year period. Additionally, customer-related intangibles and amounts ascribed to noncompete agreements have been subsumed into goodwill, and goodwill is assessed for potential impairment if events occur or circumstances change that indicate the fair value of the Company may be less than its carrying value. The Company has elected to test goodwill for impairment at the reporting-unit level.

No impairment charge was recognized during the years ended March 31, 2020 and 2019.

Note 2 - Significant Accounting Policies (Continued)

Goodwill amortization expense for the years ended March 31, 2020 and 2019 was $325,680 and $298,540, respectively. Annual expense of $325,680 is expected to be amortized through March 31, 2028, with the remaining $27,140 expected to be amortized in April 2028.

Intangible Assets

The acquired intangible assets consist of a trade name and are subject to amortization, stated at cost, and amortized using the straight-line method over the estimated useful lives of the assets.

Intangible amortization expense for the years ended March 31, 2020 and 2019 was $173,000 and $158,583, respectively. Annual expense of $173,000 is expected to be amortized through March 31, 2028, with the remaining $14,416 expected to be amortized in April 2028.

Impairment or Disposal of Long-lived Assets

The Company reviews the recoverability of long-lived assets when events or changes in circumstances occur that indicate the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future pretax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations.

The Company concluded long-lived assets were not impaired as of March 31, 2020 and 2019.

Deferred Finance Charges

Deferred finance charges represent legal and other financial costs of approximately $53,000 associated with debt financing (see Note 6); are reported net of accumulated amortization of approximately $47,000 at March 31, 2020; and are included in other assets on the accompanying consolidated balance sheet. Such charges are being amortized to interest expense on a straight-line basis over a 12-month period, which approximates the respective term of the debt agreement.

Deferred Rent

The Company has entered into operating lease agreements for its corporate office and warehouses, some of which contain provisions for future rent escalations. The Company records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease term. The difference between rent expense recorded and the amount paid is credited or charged to deferred rent, which is reflected as a separate line item in the accompanying consolidated balance sheet.

Income Taxes

The Company recognizes deferred tax liabilities and assets based on the differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years. The Company establishes a valuation allowance for all deferred tax assets for which there is uncertainty regarding realization.

The Company follows accounting guidance for uncertainty in income taxes. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no additional amounts have been recognized as of March 31, 2020 and 2019. If incurred, interest and penalties associated with tax positions are recorded in the period assessed. No interest or penalties have been assessed for the years ended March 31, 2020 or 2019.

Note 2 - Significant Accounting Policies (Continued)

Revenue Recognition and Change in Accounting Principle

As described below, the Company has one primary revenue stream. Effective April 1, 2019, the Company adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, using the modified retrospective approach. The ASU requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects be entitled to in exchange for those goods or services. Adoption of this ASU did not impact the Company’s revenue recognition or results of operations.

The Company manufactures and distributes homogenous teas and supplements. Customers include retailers, distributors, and direct-to-consumer websites or retail stores. The goods are shipped upon receipt of a purchase order to customers primarily located in the United States and Canada.

The goods supplied are homogenous and have an alternative use in that they can be supplied to another customer, and, as a result, revenue is recognized at a point in time.

The Company typically satisfies its performance obligations as goods are shipped. Good are typically shipped "FOB Shipping," and, as such, ownership of goods and the associated risks transfer from the Company to the customer once the goods have shipped. In some cases, the customer will take delivery directly from the Company's inventory, at which point ownership and the associated risk pass to the customer.

Because contracts with customers usually contain only one performance obligation that is satisfied at a point in time, there are no satisfied performance obligations that would result in contract assets other than trade accounts receivable.

The transaction price of a contract is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer. Transaction prices do not include amounts collected on behalf of third parties.

To determine the transaction price of a contract, the Company considers its customary business practices and the terms of the contract. For the purpose of determining transaction prices, the Company assumes that the goods or services will be transferred to the customer as promised in accordance with existing contracts and that the contracts will not be canceled, renewed, or modified.

Most of the Company's contracts with customers have fixed transaction prices that are denominated in U.S. dollars and payable in cash. The Company offers various forms of promotions and discounts. The Company records an estimate of these chargebacks throughout the contract period as a reduction to revenue. Shipping and handling costs that occur before the customer obtains control of the goods are deemed to be fulfillment activities and are accounted for as fulfillment costs within cost of sales.

Payment for goods and services sold by OI USA is typically due within 30 days after an invoice is sent to the customer. Invoices for goods are typically sent to customers within three calendar days of delivery. The Company typically offers discounts if the customer pays some or all of an invoiced amount prior to the due date. Payments for goods sold by CLEAN are made primarily via credit cards.

Advertising Expense

Advertising expense is charged to income during the year in which it is incurred. Advertising expense for 2020 and 2019 was approximately $1,435,000 and $1,375,000, respectively.

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncement

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Company's year ending March 31, 2023 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. Upon adoption, the Company will recognize a lease liability and a corresponding right-of-use asset based on the present value of the minimum lease payments. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including August 13, 2020, which is the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. On March 24, 2020, the government of India ordered a nationwide lockdown for 21 days, which was extended into May with conditional relaxations. As of the date of issuance of the financial statements, the Company's operations have not been significantly impacted, but the Company continues to monitor the situation. No impairments were recorded as of the consolidated balance sheet date; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Company's results of operations, cash flows, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

During April 2020, the Company entered into term notes with financial institutions for approximately $587,000, of all which had been received as of the date the financial statements were available to be issued. The term notes are loans under the Paycheck Protection Program (PPP) and were made available to the Company in connection with the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The term notes mature in April 2022, and interest is fixed at approximately 1 percent per year. No payments of principal or interest are required on the term notes for the first six months (the "Deferral Period") from the effective date, as long as no default has taken place. Commencing one month after the expiration of the Deferral Period, and continuing monthly thereafter, payments of principal and interest are due, each in equal amounts required to fully amortize the principal amount outstanding on the term notes by maturity in April 2022. In the event that the term notes, or any portion thereof, are forgiven pursuant to the PPP under the CARES Act, the amount so forgiven shall be applied to principal.

Note 3 - Business Combinations

On April 25, 2018, the Company acquired 50.01 percent of the outstanding common shares of CLEAN for a total purchase price of $2,750,275 that was paid in cash. The Company desired to partner with CLEAN in order to further provide consumers access to healthy lifestyle products. The companies' collective product lines are complementary for consumers seeking natural alternatives to conventional solutions.

Note 3 - Business Combinations (Continued)

The following table summarizes the approximate acquisition date fair values of the assets acquired and liabilities assumed:

Cash	$	544,400
Inventory		500,000
Prepaid expenses and other assets		134,100
Trade name		1,730,000
Goodwill		3,256,800
Accounts payable		(107,100)
Other current liabilities		(108,400)
Deferred taxes		(449,800)
Total identifiable net assets and liabilities		5,500,000
Noncontrolling interest		(2,749,725)
Total	$	2,750,275

The fair value of the intangible assets and noncontrolling interest in CLEAN was determined on the basis of an independent valuation, which used the relief from royalty and the weighted-average return on assets approaches. This fair value measurement is based on significant inputs that are not observable in the market. Key assumptions include forecasted revenue, cost of sales, operating expenses, capital expenditures, and net working capital.

The weighted-average amortization period for the goodwill recognized in current year business combination is 10 years.

Acquisition-related costs, which include legal, accounting, and valuation fees totaled approximately $25,000 and have been included in operating expenses in the accompanying consolidated statement of operations.

Note 4 - Property and Equipment

Property and equipment are summarized as follows at March 31:

	2020	2019	Depreciable Life - Years
Equipment	$ 286,056	$ 339,668	2-10
Software	55,247	112,598	3-5
Display equipment	79,047	71,056	5
Furniture and fixtures	47,384	81,606	3-5
Leasehold improvements	58,626	51,690	5-20
Total cost	526,360	656,618	
Accumulated depreciation	309,627	410,368	
Net property and equipment	$ 216,733	$ 246,250	

Depreciation expense for the years ended March 31, 2020 and 2019 was $69,244 and $49,046, respectively.

Note 5 - Accrued and Other Current Liabilities

The following is the detail of accrued liabilities at March 31:

	2020	2019
Customer incentives	$ 297,136	$ 864,035
Other	206,307	230,811
Income taxes payable	88,277	9,039
Shipping	100,019	83,431
Professional fees	86,000	97,532
Broker commission	68,843	88,219
Payroll and related	47,600	168,654
Marketing	-	33,408
Total	$ 894,182	$ 1,575,129

Note 6 - Line of Credit

Under a line of credit agreement with a bank, the Company has available borrowings of approximately $3,000,000. Interest is payable quarterly at a rate of 2.00 percent above the base rate, as defined in the agreement (an effective rate of 2.41 percent at March 31, 2020). Advances are due on the earlier of demand and the last day of the interest period, as defined in the agreement. The line of credit is collateralized by the Company's inventory. The Parent provides a corporate guarantee of the line of credit. Under the agreement with the bank, the Company is subject to certain covenants. As of March 31, 2020 and 2019, there was $1,700,000 and $2,400,000, respectively, outstanding on the line of credit.

Note 7 - Related Party Transactions

The following is a description of transactions between the Company and related parties:

Notes Receivable

During April 2019, the Company entered into a promissory note with a related party, under which the Company is owed $54,000 together with interest. The related party represents the party with the noncontrolling interest equity stake in CLEAN. The promissory note matures at the earlier of April 2021 or upon any event of default, as defined in the promissory note agreement. Interest accrues at a rate of 2.85 percent per annum and is due at maturity.

Notes Payable

During 2015, the Company entered into two notes payable (the "Original Notes") with OI (US) Holdings, an entity with indirect common control of Parent. Under the terms of the Original Notes, OI (US) Holdings loaned the Company $3,700,000. The Original Notes were for five-year terms, maturing in March and June 2020. Prior to maturity during March 2020, a loan extension agreement was entered into, under which the Original Notes were combined into one note (the "New Note"), and the maturity date of the New Note was extended to March 2025. Interest accrues at 4 percent per annum and is payable on a quarterly basis during the term of the New Note until the final balloon payment at maturity. The balance outstanding on the Original Notes and New Note as of March 31, 2020 and 2019 was $1,950,000. Accrued interest on the notes as of March 31, 2020 and 2019 was approximately $20,000 and $10,000, respectively, which is included in related party payable on the accompanying consolidated balance sheet.

Note 7 - Related Party Transactions (Continued)

During December 2017, the Company entered into a loan agreement with the Parent for borrowings of $1,000,000, of which $500,000 was disbursed in December 2017 and $500,000 was disbursed in March 2018. Interest will accrue on the outstanding balance at 5.51 percent and be payable on a half-yearly basis within 10 days of June 30 and December 31. After the Company received the first advance of $500,000 in December 2017, the loan was amended to provide for an additional advance of $2,750,000 in February 2018. The loan is to be repaid three years from the date of the first advance, December 27, 2020. Upon failure to repay the loan, the then-outstanding balance shall entitle the Parent to convert the balance into equity at the then-conversion price, as defined. As of March 31, 2018, $1,000,000 was outstanding under the loan agreement. The amount was paid in full during September 2018. An addendum to this loan agreement was entered into during April 2018 for additional borrowings of $2,750,000 (the "Additional Loan"). As of March 31, 2020 and 2019, $750,000 was outstanding under the Additional Loan. Accrued interest on the outstanding balances under the loan agreement as of March 31, 2020 and 2019 was approximately $10,000, which is included in related party payable on the accompanying consolidated balance sheet.

Total related party interest expense was approximately $120,000 and $190,000 for the years ended March 31, 2020 and 2019, respectively.

Maturities of the above notes are as follows:

Years Ending March 31	Amount
2021	$ 750,000
2025	1,950,000
Total	$ 2,700,000

Purchases

The Company is a single-member LLC. During the years ended March 31, 2020 and 2019, OI USA purchased approximately $4,200,000 and $5,800,000, respectively, of inventory from the Company's member. During the year ended March 31, 2020, CLEAN purchased approximately $300,000 of inventory from the Company's member. The Company has a payable to its member of $2,009,413 and $2,984,949 as of March 31, 2020 and 2019, respectively. These amounts, plus accrued interest as of March 31, 2020 and 2019 of $29,946 and $20,663, respectively, are reflected as a related party payable on the accompanying consolidated balance sheet.

Other

For the years ended March 31, 2020 and 2019, the Parent agreed to reimburse the Company for charges incurred by the Company on behalf of the Parent in the amount of $370,386 and $651,299, respectively. As of March 31, 2020 and 2019, $370,386 and $651,299, respectively, had not been paid and is reflected as a related party receivable on the accompanying consolidated balance sheet.

During August 2017, the Company entered into an advisory agreement with a related party under which the related party advisor will provide certain consulting and advisory services. The term of the agreement is through August 2022 and includes a monthly fee of $10,000 paid by the Company to the advisor.

Note 8 - Income Taxes

Effective June 2013, Organic India USA, LLC made an election to be treated as a C corporation for income tax purposes. CLEAN is a C corporation for income tax purposes and files a separate income tax return. OI USA and CLEAN recognize deferred tax liabilities and assets based on the differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years. The Company establishes a valuation allowance for all deferred tax assets for which there is uncertainty regarding realization.

OI USA did not provide a current or deferred federal or state income tax provision or benefit for 2020 or 2019 because it has experienced recurring taxable losses. OI USA has provided a full valuation allowance on the net deferred tax asset of approximately $1,000,000 at March 31, 2020 and 2019, primarily consisting of the net operating loss carryforwards, because of the uncertainty regarding their realizability.

As of March 31, 2020 and 2019, OI USA had net operating loss carryforwards of approximately $3,400,000 and $3,100,000, respectively. Utilization of the net operating losses, which expire at various times starting in 2033, may be subject to certain limitations under Section 382 of the Internal Revenue Code of 1986, as amended, and other limitations under state and foreign tax laws. The net operating losses of approximately $400,000 and $1,500,000 generated during the years ended March 31, 2020 and 2019, respectively, are not subject to expiration.

Upon the acquisition of CLEAN, the Company recognized a deferred tax liability of approximately $450,000 for the identifiable intangible assets of approximately $1,730,000 that will be amortized for financial reporting purposes but will not be deductible for income taxes on the CLEAN tax returns.

The reasons for the difference between income taxes at the statutory rate and those on the accompanying consolidated financial statements are attributable primarily to the OI USA valuation allowance and the CLEAN goodwill, which, in accordance with generally accepted accounting principles, had no related deferred taxes recorded upon acquisition.

Note 9 - Operating Leases

The Company leases facilities and equipment under noncancelable operating leases. The leases require the Company to pay taxes, insurance, utilities, and maintenance costs. Total rent expense under these leases was approximately $550,000 and $580,000 for the years ended March 31, 2020 and 2019, respectively.

Effective December 1, 2018, the Company began subleasing certain office space through November 2020 for $8,850 per month. The operating lease expense schedule below is presented net of sublease income.

Future minimum annual commitments under these operating leases are approximately as follows:

Years Ending March 31	Amount (Net)
2021	$ 386,000
2022	299,000
Total	$ 685,000

Note 10 - Commitments

During November 2016, the Company entered into a merchandise license agreement with a third-party publisher of health and wellness lifestyle magazines, books, and digital properties, including *Prevention* magazine and its related digital properties (the "Magazine"). Under the license agreement, the third party licensed to the Company the rights to use the trademark "Prevention" to manufacture, advertise, distribute, and sell Prevention-branded tea in a certain territory. The license term is through June 2020 and includes royalties that are the greater of the guaranteed minimum payment amount of $50,000 or the third party's share of revenue, as defined in the license agreement. As of March 31, 2020 and 2019, there was $94,542 and $100,000, respectively, accrued for amounts due under this license agreement.

During the year ended March 31, 2019, the Company entered into independent contractor agreements with sales representatives to sell the Company's products in certain territories. The agreements continue indefinitely until canceled by either party, and commissions are paid to the sales representatives at a rate of 5.00 percent of sales.

During August 2019, the Company entered into a services agreement with a consultant for executive services. In consideration for the executive services provided to the Company, the consultant shall be entitled to receive cash consideration of $330,000 per year. The agreement continues until terminated by either party upon 90 days' advance written notice. The agreement was terminated in February 2020, at which point the consultant became an employee of the Company. During the year ended March 31, 2020, the Company recorded expense of approximately $170,000 related to the consultant's services. As of March 31, 2020, there was approximately $130,000 accrued for remaining consulting fees due, which is included in accrued and other current liabilities on the accompanying consolidated balance sheet.

Note 11 - Litigation

In the normal course of business, the Company is party to litigation from time to time. The Company maintains insurance to cover certain actions and believes that resolution of such litigation will not have a material adverse effect on the Company.

Note 12 - Employee Benefit Plan

The Company sponsors a 401(k) profit-sharing plan available to defined eligible employees. Eligible participants are allowed to make contributions up to statutory limits. The Company will make matching contributions equal to the participant's contribution up to 5 percent of the participant's compensation. Such amounts vest immediately. The Company made matching contributions of $48,550 and $89,228 for the years ended March 31, 2020 and 2019, respectively.