

JLM Couture, Inc. and Subsidiaries

Consolidated Financial Report
October 31, 2014

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Independent Auditor's Report

To the Board of Directors
JLM Couture, Inc.
New York, New York

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of JLM Couture, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of October 31, 2014 and 2013, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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 JLM Couture, Inc. and Subsidiaries as of October 31, 2014 and 2013, 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.

A handwritten signature in black ink that reads 'McGladrey LLP'.

New York, New York
March 30, 2015

JLM Couture, Inc. and Subsidiaries

Consolidated Balance Sheets
October 31, 2014 and 2013

	2014	2013
Assets		
Current Assets		
Cash	\$ 1,888,779	\$ 2,259,198
Accounts receivable, less allowance for uncollectible amounts of \$275,000 and \$250,000 at 2014 and 2013, respectively	4,603,597	4,207,721
Inventories	5,953,463	5,347,722
Prepaid expenses and other current assets	291,749	408,668
Deferred income taxes	583,000	37,000
Total current assets	13,320,588	12,260,309
Equipment and Leasehold Improvements, at Cost, Net of Accumulated Depreciation and Amortization of \$1,215,527 and \$1,122,150 at 2014 and 2013, respectively	867,278	597,318
Goodwill	211,272	211,272
Samples, Net of Accumulated Depreciation of \$504,829 and \$316,050 at 2014 and 2013, respectively	621,385	682,543
Deferred Income Taxes	-	70,000
Other Assets	519,043	426,774
Total assets	\$ 15,539,566	\$ 14,248,216
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	\$ 2,935,895	\$ 2,025,025
Line of credit	200,000	207,380
Accrued expenses and other current liabilities	897,268	1,190,934
Income taxes payable	595,998	301,126
Customer deposits	474,682	545,582
Total current liabilities	5,103,843	4,270,047
Deferred Income Taxes	36,000	-
Total liabilities	5,139,843	4,270,047
Commitments and Contingencies		
Shareholders' Equity		
Preferred stock - \$.0001 par value, authorized 1,000,000 shares; issued and outstanding - none	-	-
Common stock - \$.0002 par value, authorized 10,000,000 shares; issued 2,464,480; outstanding 1,792,542 at 2014 and 2013	489	489
Additional paid-in capital	4,331,002	4,316,034
Retained earnings	7,548,874	7,152,464
	11,880,365	11,468,987
Less		
Notes receivable and accrued interest	(36,710)	(46,886)
Treasury stock at cost: 671,938 shares at 2014 and 2013	(1,443,932)	(1,443,932)
Total shareholders' equity	10,399,723	9,978,169
Total liabilities and shareholders' equity	\$ 15,539,566	\$ 14,248,216

See Notes to Consolidated Financial Statements.

JLM Couture, Inc. and Subsidiaries

Consolidated Statements of Income
Years Ended October 31, 2014 and 2013

	2014	2013
Net Sales	\$ 30,737,118	\$ 29,142,724
Cost of Goods Sold	18,436,915	17,777,414
Gross profit	12,300,203	11,365,310
Selling, General and Administrative Expenses	11,564,774	10,959,454
Operating income	735,429	405,856
Other (Expense) Income		
Interest expense	(40,508)	(48,715)
Foreign currency translation adjustment	(26,664)	33,716
Total other expense	(67,172)	(14,999)
Income before income taxes	668,257	390,857
Income Tax Expense	(271,847)	(297,870)
Net income	\$ 396,410	\$ 92,987

See Notes to Consolidated Financial Statements.

JLM Couture, Inc. and Subsidiaries

Consolidated Statements of Shareholders' Equity
Years Ended October 31, 2014 and 2013

	Common Stock		Additional Paid-In Capital	Retained Earnings	Notes Receivable and Accrued Interest	Treasury Stock		Total Shareholders' Equity
	Shares	Amount				Shares	Amount	
Balance, November 1, 2012	2,434,480	\$ 483	\$ 4,264,260	\$ 7,059,477	\$ (46,401)	(662,463)	\$ (1,429,296)	\$ 9,848,523
Net income	-	-	-	92,987	-	-	-	92,987
Interest on notes receivable	-	-	-	-	(485)	-	-	(485)
Options exercised	30,000	6	37,494	-	-	-	-	37,500
Stock-based compensation expense	-	-	14,280	-	-	-	-	14,280
Repurchase of shares	-	-	-	-	-	(9,475)	(14,636)	(14,636)
Balance, October 31, 2013	2,464,480	489	4,316,034	7,152,464	(46,886)	(671,938)	(1,443,932)	9,978,169
Net income	-	-	-	396,410	-	-	-	396,410
Interest on notes receivable	-	-	-	-	(424)	-	-	(424)
Repayment on notes receivable	-	-	-	-	10,600	-	-	10,600
Stock-based compensation expense	-	-	14,968	-	-	-	-	14,968
Balance, October 31, 2014	2,464,480	\$ 489	\$ 4,331,002	\$ 7,548,874	\$ (36,710)	(671,938)	\$ (1,443,932)	\$ 10,399,723

See Notes to Consolidated Financial Statements.

JLM Couture, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended October 31, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities		
Net income	\$ 396,410	\$ 92,987
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	93,377	93,268
Amortization of samples	483,157	443,400
Provision for uncollectible accounts	67,559	23,283
Compensation expense on issuance of stock options	14,968	14,280
Noncash interest income	(424)	(485)
Deferred income taxes	(440,000)	187,000
Deferred rent	(20,089)	49,322
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(463,435)	(393,466)
Inventories	(605,741)	316,750
Prepaid expenses and other current assets	116,919	(87,611)
Samples and other assets	(514,268)	(968,107)
Increase (decrease) in:		
Accounts payable	930,959	478,592
Accrued expenses and other current liabilities	(293,666)	630,696
Income taxes payable	294,872	276,186
Customer deposits	(70,900)	(3,101)
Net cash (used in) provided by operating activities	(10,302)	1,152,994
Cash Flows from Investing Activities		
Purchase of property and equipment	(363,337)	(45,283)
Net cash used in investing activities	(363,337)	(45,283)
Cash Flows from Financing Activities		
Net repayments under revolving credit line	(7,380)	(206,723)
Repayment of notes receivable	10,600	-
Purchase of treasury stock	-	(14,636)
Proceeds from the exercise of stock options	-	37,500
Net cash provided by (used in) financing activities	3,220	(183,859)
Net (decrease) increase in cash	(370,419)	923,852
Cash		
Beginning	2,259,198	1,335,346
Ending	\$ 1,888,779	\$ 2,259,198
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for:		
Interest	\$ 40,508	\$ 49,648
Income taxes	\$ 416,975	\$ 20,487

See Notes to Consolidated Financial Statements.

JLM Couture, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. The Company

JLM Couture, Inc. and Subsidiaries (the Company) is engaged in the design and manufacture of traditional, high-quality bridal wear and related accessories, including bridesmaid gowns. Products are sold to specialty bridal shops located throughout the continental United States and Europe. The Company also has one retail location located in California.

Note 2. Summary of Significant Accounting Policies

Basis of presentation: The consolidated financial statements include the accounts of JLM Couture, Inc. and its wholly owned subsidiaries, Alvina Valenta Couture Collection, Inc., JLM Europe Ltd., and JLM North America, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Foreign currency translation: All assets and liabilities denominated in foreign currencies are translated into U.S. dollars at fiscal year-end exchange rates. Gains and losses from foreign currency transactions are recorded in operations.

Cash: For purposes of the consolidated statements of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Concentration of credit risk: The Company maintains cash in bank deposit accounts which, at times, exceed federally insured limits. The Company has not experienced any losses on these accounts and does not believe it has significant credit risk.

Accounts receivable: Accounts receivable are reported at their outstanding unpaid principal balances reduced by an allowance for doubtful accounts. The allowance for doubtful accounts is determined based upon estimates made by management and maintained at a level considered adequate to provide for future uncollectible amounts based on collection history, age of receivables and other factors deemed appropriate. Actual results could differ from these estimates. The Company writes off accounts receivable against the allowance account when a balance is deemed to be uncollectible.

Inventories: Inventories are valued at the lower of cost (first-in, first-out) or market, and include material, labor and overhead.

Prepaid advertising and marketing costs: Prepaid advertising and marketing costs include costs of advertisements that have not yet been published. Upon publishing of an advertisement, the related cost is expensed by the Company. Advertising and promotional costs for the years ended October 31, 2014 and 2013 were approximately \$3,245,000 and \$3,020,000, respectively.

Equipment and leasehold improvements: Depreciation of equipment is computed using the straight-line method over the estimated useful lives of the respective assets, which range from five to ten years. Amortization of leasehold improvements and leased equipment is computed using the straight-line method over the lesser of the lease term or estimated useful lives of the assets. Major additions and improvements are capitalized, and repairs and maintenance are charged to operations as incurred.

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Goodwill: The carrying value of goodwill is tested for impairment at least annually at the reporting unit level using a two-step impairment test. To accomplish this, the Company determined the fair value of the reporting unit and compared it to the carrying amount of the reporting at that date. No impairment charges resulted from this evaluation since the fair value of the reporting unit exceeded the carrying amount.

Samples: The Company produces trunk show samples of each dress line to be used for display at trunk shows (fashion shows in customers' stores). These dresses are shipped from customer to customer to be used at numerous trunk shows throughout the year. These dresses are amortized over a one-year period.

In addition, the Company produces production samples that are used by contractors in manufacturing dresses as they are ordered by customers. These production samples are amortized over their useful life of four years. Based on historical sales patterns, a dress style is typically sold for approximately four years after its introduction. Sample costs include all costs of manufacturing the samples, which consist primarily of fabric and trim, as well as contract labor and allocated overhead. The Company reviews its samples on a regular basis for any styles that have been discontinued. Discontinued samples are written off and charged to operations in the period in which they are discontinued.

Long-lived assets: The Company reviews its long-lived assets and certain related intangibles for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. As a result of its review, the Company does not believe that any such change has occurred. If such changes in circumstances are present, a loss is recognized to the extent the carrying value of the asset is in excess of the sum of the undiscounted cash flows expected to result from the use of the asset and its eventual disposition.

Fair value of financial instruments: ASC Topic 820, Fair Value Measurements, defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. The guidance applies under other accounting pronouncements that require or permit fair value measurements. The statement indicates, among other things, that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. ASC 820 defines fair value based upon an exit price model.

The Company categorizes its financial instruments into a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument. Financial assets recorded at fair value on the Company's consolidated balance sheets are categorized as follows:

- | | |
|---------|--|
| Level 1 | Observable inputs such as quoted prices in active markets; |
| Level 2 | Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and |
| Level 3 | Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions. |

The Company's financial instruments consist principally of cash, accounts receivable, inventories, accounts payable and accrued expenses. The Company believes all of the financial instruments' recorded values approximate current values because of the short-term nature of those instruments.

JLM Couture, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Revenue recognition: Revenue is recognized when persuasive evidence of an arrangement exists, the product has been delivered, the rights and risks of ownership have passed to the customer, the price is fixed and determinable, and collection of the resulting receivable is reasonably assured. For arrangements that include customer acceptance provisions, revenue is not recognized until the terms of acceptance are met. Reserves for sales returns and allowances are estimated and provided for at the time revenue is recognized.

Freight and delivery costs: The Company's freight and delivery costs are included in selling, general and administrative expenses and amounted to approximately \$915,000 and \$784,000 for the years ended October 31, 2014 and 2013, respectively. Amounts charged to customers for freight and delivery is included in selling, general, and administrative costs.

Income taxes: Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company follows the provisions of Accounting Standards Codification (ASC) Topic 740 Subtopic 10 (ASC 740-10), formerly referred to as Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109*, which provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax positions. A tax benefit from an uncertain tax position may be recognized only if it is more likely than not that the position is sustainable based on its technical merits. Management evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Company is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2011.

The Company recognizes interest and penalties, if any, related to uncertain tax positions in selling, general and administrative expenses. No interest and penalties related to uncertain tax positions were accrued at October 31, 2014 or 2013.

Stock-based compensation: The Company applies ASC 718-10, which requires the measurement and recognition of compensation expense for all stock-based awards made to the Company's employees and directors, including employee stock options and other stock-based awards based on estimated fair values. Stock-based compensation expense for the years ended October 31, 2014 and 2013 was \$14,968 and \$14,280, respectively.

Evaluation of subsequent events: The Company evaluates events occurring after the date of the consolidated financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the consolidated financial statements. Such evaluation is performed through the date the consolidated financial statements are available for issuance, which was March 30, 2015.

Reclassification: Certain 2013 amounts have been reclassified, where appropriate, to conform to the presentation used in 2014.

JLM Couture, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Inventories

Inventories consist of the following at October 31:

	2014	2013
Raw materials	\$ 4,051,661	\$ 3,276,619
Work-in-process	1,115,213	1,055,950
Finished goods	786,589	1,015,153
	<u>\$ 5,953,463</u>	<u>\$ 5,347,722</u>

During 2014, the Company increased its reserve for inventory obsolescence by approximately \$530,000 to account for certain materials that are now considered to be obsolete and unlikely to be used in production.

Note 4. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following at October 31:

	2014	2013
Prepaid advertising and marketing costs	\$ 91,818	\$ 208,058
Other	199,931	200,610
	<u>\$ 291,749</u>	<u>\$ 408,668</u>

Note 5. Equipment and Leasehold Improvements

Equipment and leasehold improvements at October 31 are summarized as follows:

	2014	2013	Estimated Useful Life
Leasehold improvements	\$ 1,160,353	\$ 906,506	Term of lease or useful life, whichever is shorter
Furniture and equipment	778,708	700,614	7 years
Transportation equipment	143,744	112,348	3 years
	<u>2,082,805</u>	<u>1,719,468</u>	
Less accumulated depreciation and amortization	<u>(1,215,527)</u>	<u>(1,122,150)</u>	
Equipment and leasehold improvements, net	<u>\$ 867,278</u>	<u>\$ 597,318</u>	

Depreciation and amortization expense amounted to \$93,377 and \$93,268 for the years ended October 31, 2014 and 2013, respectively.

JLM Couture, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Bank Revolving Credit Line

The Company has a revolving credit agreement with a bank, which was renewed to June 2015. Borrowings under this agreement may not exceed the lesser of \$1,500,000 or 70% of eligible accounts receivable, as defined. Interest on the line accrues at the bank's prime rate plus 2.5% per annum (5.75% at October 31, 2014). The line of credit also requires the Company to comply with certain nonfinancial and financial covenants as defined in the agreement. Borrowings under the line are secured by substantially all of the assets of the Company. There was \$200,000 and \$207,380 outstanding on the line at October 31, 2014 and 2013, respectively.

Note 7. Income Taxes

The provision for income taxes for the years ended October 31, 2014 and 2013 consists of the following:

	2014	2013
Current		
Federal	\$ 579,775	\$ 82,121
State and local	132,072	28,749
	711,847	110,870
Deferred	(440,000)	187,000
	<u>\$ 271,847</u>	<u>\$ 297,870</u>

JLM Couture, Inc. and Subsidiaries**Notes to Consolidated Financial Statements**

Note 7. Income Taxes (Continued)

The components of deferred income tax assets and liabilities are as follows at October 31:

	2014	2013
Deferred tax assets		
Current:		
Net operating loss carryforward	\$ -	\$ 212,000
Allowance for doubtful accounts	105,000	96,000
Inventory capitalization costs	640,000	275,000
Other liabilities and accruals	23,000	23,000
Stock compensation expense	22,000	16,000
	<u>790,000</u>	<u>622,000</u>
Noncurrent:		
Difference in tax and book basis of property and equipment	-	59,000
Other liabilities and accruals	112,000	92,000
	<u>112,000</u>	<u>151,000</u>
Total deferred tax assets	<u>902,000</u>	<u>773,000</u>
Deferred tax liabilities		
Current:		
Prepaid advertising and marketing expenses	(35,000)	(35,000)
Difference in tax and book basis of certain intercompany loans	(172,000)	(550,000)
	<u>(207,000)</u>	<u>(585,000)</u>
Noncurrent:		
Difference in tax and book basis of property and equipment	(67,000)	-
Goodwill	(81,000)	(81,000)
	<u>(148,000)</u>	<u>(81,000)</u>
Total deferred tax liabilities	<u>(355,000)</u>	<u>(666,000)</u>
Net deferred tax asset	<u>\$ 547,000</u>	<u>\$ 107,000</u>

Deferred income taxes are provided on temporary differences between financial statement and taxable income. Realization of deferred income tax assets is dependent on generating sufficient taxable income in the future.

JLM Couture, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 8. Shareholders' Equity

Stock option plans: On October 28, 2003, the Company adopted the 2003 Stock Incentive Plan (the 2003 Plan). The 2003 Plan authorizes the grant of incentive options, nonqualified options, stock appreciation rights, restricted awards and performance awards. Incentive options may only be granted to employees of the Company. The option price at which an option may be exercised must be at least 100% of the fair market value per share of the common stock on the date of grant (or 110% of the fair market value with respect to incentive options granted to an employee who owns stock possessing more than 10% of the total voting power of all classes of stock of the Company). The maximum number of shares that may be issued pursuant to awards granted under the 2003 Plan may not exceed the sum of (a) 500,000 shares, plus (b) any shares of common stock remaining available for issuance as of the effective date of the 2003 Plan.

The following table summarizes information about stock options outstanding and exercisable at October 31, 2014:

Exercise Price	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
\$1.25	70,000	1.9 years	\$1.25	70,000	\$1.25

The options outstanding and exercisable had an intrinsic value of \$88,200 and \$84,700 at October 31, 2014 and 2013, respectively.

Note 9. Related Party Transactions

On October 15, 1990, the Company's former president exercised a stock option to purchase 36,458 shares of common stock at a purchase price of \$0.96 per share. A note was received for the purchase. The note is due on demand and has an outstanding balance of \$36,710 at both October 31, 2014 and 2013.

On December 22, 1998, the Company issued an executive of the Company 200,000 shares of common stock at a price of \$2.25 per share, which was the fair value on the issuance date. The executive executed a promissory note due to the Company in the amount of \$450,000, with \$45,000 in principal and accrued interest payments due annually on December 22 until repaid. The promissory note bears interest at 5% per annum. As of October 31, 2014, the promissory note was paid in full. The outstanding principal and interest balance at October 31, 2013 was \$10,176.

Note 10. Employee Benefit Plan

The Company has a defined contribution plan under Section 401(k) of the Internal Revenue Code (the Code) covering all qualified employees. Participants may elect to defer a percentage of their pretax annual compensation, subject to an annual limitation as provided by the Code. The Company's contribution to the plan for the years ended October 31, 2014 and 2013 was approximately \$30,600 and \$25,600, respectively.

JLM Couture, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 11. Commitments and Contingencies

Lease commitments: The Company leases office, retail, production and showroom facilities under leases expiring through 2023. Minimum annual rentals under such leases are as follows:

Years Ending October 31.

2015	\$	819,360
2016		812,349
2017		744,020
2018		774,803
2019		802,279
Thereafter		2,301,240
	\$	<u>6,254,051</u>

Rent expense charged to operations for the foregoing leases for the years ended October 31, 2014 and 2013 amounted to \$947,781 and \$828,925, respectively.

The leases provide for scheduled increases in base rent. Rent expense is charged to operations ratably over the term of the leases, which results in deferred rent payable that represents cumulative rent expense charged to operations from inception of these leases in excess of required lease payments. Deferred rent payable amounted to \$292,162 and \$324,702 at October 31, 2014 and 2013, respectively, and is included in accrued expenses and other current liabilities on the accompanying consolidated balance sheets.

At October 31, 2014 and 2013, the Company was committed under a stand-by letter of credit issued by a bank (see Note 6) on its behalf for \$63,487.

The Company has employment agreements with various executives and designers. Future minimum commitments under these agreements amount to approximately \$950,000 per year expiring at various dates through 2016.

The Company is involved in various legal actions arising in the ordinary course of business. Management is of the opinion that the ultimate outcome of these matters will not have a material adverse impact on the consolidated financial position of the Company or the consolidated results of its operations or cash flows.