

McGladrey & Pullen

Certified Public Accountants

JLM Couture, Inc. and Subsidiaries

Consolidated Financial Report

October 31, 2008

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Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying consolidated balance sheets of JLM Couture, Inc. (a Delaware corporation) and Subsidiaries (the "Company") as of October 31, 2008 and 2007, and the related consolidated statements of income, shareholders' equity and comprehensive income (loss), and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2008 and 2007, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

New York, New York
April 27, 2009

JLM Couture, Inc. and Subsidiaries

Consolidated Balance Sheets
October 31, 2008 and 2007

	2008	2007
ASSETS		
Current Assets:		
Cash	\$ 2,516,376	\$ 2,397,552
Accounts receivable, less allowance for uncollectible accounts of \$370,000 in 2008 and 2007	3,227,763	3,846,472
Inventories	4,571,540	4,527,226
Prepaid expenses and other current assets	702,957	391,533
Prepaid income taxes	80,250	-
Deferred income taxes	335,000	159,000
Total current assets	11,433,886	11,321,783
Equipment and Leasehold Improvements, net of accumulated depreciation and amortization of \$1,075,657 and \$960,725 at 2008 and 2007, respectively	413,811	439,646
Goodwill	211,272	211,272
Samples, net of accumulated depreciation of \$218,371 and \$181,581 at 2008 and 2007, respectively	349,651	321,781
Other Assets	107,164	107,224
Total assets	\$ 12,515,784	\$ 12,401,706
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 1,030,066	\$ 957,716
Accrued expenses and other current liabilities	1,070,279	1,020,786
Income taxes payable	-	52,611
Total current liabilities	2,100,345	2,031,113
Deferred Income Taxes	379,000	425,000
Total liabilities	2,479,345	2,456,113
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 2,434,480; outstanding 2,002,644	483	483
Additional paid-in capital	4,013,184	3,928,370
Retained earnings	7,315,079	7,221,825
Accumulated other comprehensive (loss) income	(67,505)	64,717
	11,261,241	11,215,395
Less:		
Notes receivable and accrued interest	(81,834)	(126,834)
Treasury stock at cost: 431,836 shares at 2008 and 2007	(1,142,968)	(1,142,968)
Total shareholders' equity	10,036,439	9,945,593
Total liabilities and shareholders' equity	\$ 12,515,784	\$ 12,401,706

See Notes to Consolidated Financial Statements.

JLM Couture, Inc. and Subsidiaries

**Consolidated Statements of Income
Years Ended October 31, 2008 and 2007**

	2008	2007
Net Sales	\$ 24,953,920	\$ 26,760,392
Cost of Goods Sold	<u>14,985,748</u>	<u>16,279,224</u>
Gross profit	9,968,172	10,481,168
Selling, General and Administrative Expenses	<u>9,903,979</u>	<u>9,750,101</u>
Operating income	64,193	731,067
Interest Income, net of \$2,584 and \$2,980 of interest expense for 2008 and 2007, respectively	<u>(41,213)</u>	<u>(41,847)</u>
Income before income taxes	105,406	772,914
Provision for Income Taxes	<u>12,152</u>	<u>273,791</u>
Net income	<u>\$ 93,254</u>	<u>\$ 499,123</u>

See Notes to Consolidated Financial Statements.

JLM Couture, Inc. and Subsidiaries

Consolidated Statements of Shareholders' Equity and Comprehensive Income (Loss)
Years Ended October 31, 2008 and 2007

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Notes Receivable and Accrued Interest</u>	<u>Treasury Stock</u>		<u>Total Shareholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>					<u>Shares</u>	<u>Amount</u>	
Balance, November 1, 2007	2,434,480	\$ 483	\$ 3,878,600	\$ 6,722,702	\$ 42,762	\$ (211,320)	(431,836)	\$ (1,142,968)	\$ 9,290,259
Net Income	-	-	-	499,123	-	-	-	-	499,123
Foreign Currency Translation, net of income taxes of \$14,636	-	-	-	-	21,955	-	-	-	21,955
Comprehensive Income	-	-	-	-	-	-	-	-	521,078
Accrued Interest on Notes Receivable	-	-	-	-	-	(7,200)	-	-	(7,200)
Payments on Notes Receivable	-	-	-	-	-	91,686	-	-	91,686
Stock-based Compensation	-	-	49,770	-	-	-	-	-	49,770
Balance, October 31, 2007	2,434,480	483	3,928,370	7,221,825	64,717	(126,834)	(431,836)	(1,142,968)	9,945,593
Net Income	-	-	-	93,254	-	-	-	-	93,254
Foreign Currency Translation, net of income taxes of \$96,000	-	-	-	-	(132,222)	-	-	-	(132,222)
Comprehensive Loss	-	-	-	-	-	-	-	-	(38,968)
Payments on Notes Receivable	-	-	-	-	-	45,000	-	-	45,000
Stock-based Compensation Expense	-	-	59,814	-	-	-	-	-	59,814
Tax Benefit of Stock-based Compensation Expense	-	-	25,000	-	-	-	-	-	25,000
Balance, October 31, 2008	<u>2,434,480</u>	<u>\$ 483</u>	<u>\$ 4,013,184</u>	<u>\$ 7,315,079</u>	<u>\$ (67,505)</u>	<u>\$ (81,834)</u>	<u>(431,836)</u>	<u>\$ (1,142,968)</u>	<u>\$ 10,036,439</u>

See Notes to Consolidated Financial Statements.

JLM Couture, Inc. and Subsidiaries

**Consolidated Statements of Cash Flows
Years Ended October 31, 2008 and 2007**

	2008	2007
Cash Flows From Operating Activities:		
Net income	\$ 93,254	\$ 499,123
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	114,932	113,766
Provision for uncollectible accounts and volume discounts	-	161,486
Accrued interest income on note receivable	-	(7,200)
Compensation expense on issuance of stock options	59,814	49,770
Deferred income taxes	(222,000)	(87,000)
Tax effect of stock options	25,000	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	618,709	19,356
Inventories	(44,314)	319,465
Prepaid expenses and other current assets	(311,424)	110,244
Prepaid income taxes	(80,250)	172,720
Samples and other assets	(27,810)	(102)
Increase (decrease) in:		
Accounts payable	72,350	64,108
Accrued expenses and other current liabilities	49,493	204,009
Income taxes payable	(52,611)	52,611
Net cash provided by operating activities	295,143	1,672,356
Cash Flows From Investing Activities:		
Purchase of property and equipment	(89,097)	(52,771)
Net cash used in investing activities	(89,097)	(52,771)
Cash Flows From Financing Activities:		
Payments on note receivable	45,000	91,686
Net cash provided by financing activities	45,000	91,686
Effect of Foreign Currency Exchange Rates	(132,222)	21,955
Net increase in cash	118,824	1,733,226
Cash:		
Beginning	2,397,552	664,326
Ending	\$ 2,516,376	\$ 2,397,552
Supplemental Disclosures of Cash Flow Information:		
Cash payment for:		
Interest	\$ 2,584	\$ 2,980
Income taxes	\$ 286,763	\$ 135,519

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 England.

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. and JLM Europe Ltd. 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 of foreign subsidiaries are translated into U.S. dollars at fiscal year-end exchange rates. Income and expense items are translated at average exchange rates prevailing during the fiscal year.

The aggregate effect of translation adjustments has been deferred and is reflected as a separate component of shareholders' equity as of October 31, 2008 and 2007.

Cash Equivalents: For purposes of the consolidated statement 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 account which, at times, exceed federally insured limits. The Company has not experienced any losses on these accounts.

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 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, 2008 and 2007 were \$2,573,524 and \$2,906,189, 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 10 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.

JLM Couture, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Goodwill: Goodwill is not amortized. Instead, the book value is to be 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: The Company's financial instruments consist principally of cash and cash equivalents, 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.

Revenue Recognition: Revenue is recognized when persuasive evidence of an arrangement exists, (i.e., 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 \$764,000 and \$828,000 for the years ended October 31, 2008 and 2007, respectively. Amounts charged to customers for freight and delivery are included in net sales.

Income Taxes: Income taxes are accounted for in accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes* ("SFAS 109"). Under SFAS 109, an asset and liability approach is required. Such approach results in the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the book carrying amounts and the tax basis of assets and liabilities.

Recently Issued Accounting Standards: In September 2006, the Financial Accounting Standards Board (the "FASB") issued SFAS No. 157, *Fair Value Measurements* ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value measurements in financial statements. The standard is effective for fiscal years beginning after November 15, 2007, and the Company does not expect it will impact its financial condition, results of operations and cash flows.

JLM Couture, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

In June 2006, the FASB issued FASB Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. If there are changes in net assets as result of application of FIN 48, these will be accounted for as an adjustment to the opening balance of retained earnings. Additional disclosures about the amounts of such liabilities will be required also. In December 2008, the FASB delayed the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The Company will be required to adopt FIN 48 in its fiscal 2010 annual financial statements. Management has not assessed the impact of FIN 48 on its consolidated financial position and results of operations and has not determined if the adoption of FIN 48 will have a material effect on its consolidated financial statements.

Stock-Based Compensation: The Company has adopted SFAS 123(R) using the modified prospective transition method. SFAS 123(R) 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 compensation expense for the years ended October 31, 2008 and 2007 was \$59,814 and \$49,770, respectively.

Note 3. Inventories

Inventories consist of the following at October 31:

	<u>2008</u>	<u>2007</u>
Raw materials	\$ 3,789,530	\$ 3,757,517
Work-in-process	262,827	277,194
Finished goods	519,183	492,515
	<u>\$ 4,571,540</u>	<u>\$ 4,527,226</u>

Note 4. Prepaid Expenses and Other Current Assets

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

	<u>2008</u>	<u>2007</u>
Prepaid advertising and marketing costs	\$ 645,815	\$ 347,409
Other	57,142	44,124
	<u>\$ 702,957</u>	<u>\$ 391,533</u>

JLM Couture, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Equipment and Leasehold Improvements

Equipment and leasehold improvements are summarized as follows:

	<u>2008</u>	<u>2007</u>	<u>Estimated Useful Life</u>
Furniture and equipment	\$ 743,924	\$ 689,410	7 years
Leasehold improvements	665,413	633,250	Term of lease
Transportation equipment	80,131	77,711	3 years
	<u>1,489,468</u>	<u>1,400,371</u>	
Less accumulated depreciation and amortization	<u>(1,075,657)</u>	<u>(960,725)</u>	
Equipment and leasehold improvements, net	<u>\$ 413,811</u>	<u>\$ 439,646</u>	

Note 6. Income Taxes

The provision for income taxes for the years ended October 31, 2008 and 2007 consists of the following:

	<u>2008</u>	<u>2007</u>
Current:		
Federal	\$ 73,100	\$ 105,591
State and local	23,300	81,200
Prior-year tax under-accrual	21,752	-
	<u>118,152</u>	<u>186,791</u>
Deferred	<u>(106,000)</u>	<u>87,000</u>
	<u>\$ 12,152</u>	<u>\$ 273,791</u>

JLM Couture, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Income Taxes (Continued)

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

	<u>2008</u>	<u>2007</u>
Deferred tax assets:		
Current:		
Allowance for doubtful accounts	\$ 155,000	\$ 105,000
Other liabilities and accruals	202,000	94,000
Stock compensation expense	25,000	6,000
	<u>382,000</u>	<u>205,000</u>
Noncurrent:		
Other liabilities and accruals	60,000	-
Accumulated depreciation and amortization	-	19,000
	<u>60,000</u>	<u>19,000</u>
Total deferred tax assets	<u>442,000</u>	<u>224,000</u>
Deferred tax liabilities:		
Current:		
Prepaid advertising and marketing expenses	<u>(47,000)</u>	<u>(46,000)</u>
	<u>(47,000)</u>	<u>(46,000)</u>
Noncurrent:		
Intercompany reimbursement taxed in different period	(376,000)	(444,000)
Accumulated depreciation and amortization	<u>(63,000)</u>	<u>-</u>
	<u>(439,000)</u>	<u>(444,000)</u>
Total deferred tax liabilities	<u>(486,000)</u>	<u>(490,000)</u>
Net deferred tax liability	<u>\$ (44,000)</u>	<u>\$ (266,000)</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 7. Shareholders' Equity

Stock Option Plans

On October 28, 2003, the Company adopted the 2003 Stock Incentive Plan (the "2003 Plan"). Awards may be granted under the 2003 Plan on and after its effective date (August 12, 2003). The 2003 Plan authorizes the grant of incentive options, nonqualified options, SARs, 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 under the 1996 Plan.

The following table summarizes data relating to nonincentive plan options and incentive plan options:

Options	Incentive			Nonincentive		
	Shares	Weighted-average Exercise Price	Weighted-average Remaining Contractual Term	Shares	Weighted-average Exercise Price	Weighted-average Remaining Contractual Term
Outstanding at November 1, 2006	98,000	\$ 2.63	-	100,000	\$ 2.10	-
Exercised		2.18				
Forfeited or expired	(33,000)	2.86	-	(100,000)	2.10	-
Options outstanding at October 31, 2007	65,000	1.66	-	-	-	-
Issued	10,000	-		120,000	1.89	
Forfeited or expired	-	\$ 2.70	-	-	-	-
Outstanding at October 31, 2008	75,000	\$ 2.70	1.76	120,000	\$ 1.89	4.4
Exercisable at October 31, 2008	65,000	\$ 2.86	1.29	40,000	\$ 1.89	4.4

JLM Couture, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 7. Shareholders' Equity (Continued)

The following table summarizes information about stock options outstanding and exercisable at October 31, 2008:

<u>Exercise Prices</u>	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
	<u>Number Outstanding</u>	<u>Weighted-average Remaining Contractual Life</u>	<u>Weighted-average Exercise Price</u>	<u>Number Exercisable</u>	<u>Weighted-average Exercise Price</u>
\$1.66	10,000	4 years	\$1.66	-	-
\$1.89	120,000	4 years	\$1.89	40,000	\$1.89
\$2.59	20,000	2 years	\$2.59	20,000	\$2.59
\$2.98	45,000	1 year	\$2.98	45,000	\$2.98

At October 31, 2008, 470,000 shares of common stock were reserved for future issuance of stock options. The options outstanding and exercisable had no intrinsic value at October 31, 2008.

Note 8. Related Party Transactions

Notes Receivable - Sale of Stock: 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 \$.96 per share. A \$35,000 note was received for the purchase. The note, together with interest accruing at a prime rate plus one percent per annum, is due on demand. The outstanding principal and interest balance was \$36,710 at October 31, 2008 and 2007, respectively.

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 10-year 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. The outstanding principal and interest balance at October 31, 2008 and 2007 was \$45,124 and \$90,124, respectively.

On June 5, 2000, pursuant to an employment agreement, the Company issued 50,000 unregistered shares to an employee of the Company. The employment agreement expired on October 31, 2008. Deferred compensation for the fair value of the related shares was recorded in connection with this issuance. The unamortized portion of such deferred compensation was amortized over the term of the employment agreement.

On June 5, 2004, pursuant to an employment agreement, the Company issued 49,950 unregistered shares to an employee of the Company. The employment agreement expires on October 31, 2013. Deferred compensation for the fair value of the related shares was recorded in connection with this issuance. The unamortized portion of such deferred compensation will be amortized over the remaining term of the employment agreement. Amortization expense on deferred compensation amounted to \$36,000 for each of the years ended October 31, 2008 and 2007.

The unamortized portion of the deferred compensation represents the value of the shares that must be repaid to the Company if the respective employee does not complete the term of the contract.

JLM Couture, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Commitments and Contingencies

Lease Commitments: The Company leases office, production, and showroom facilities under leases expiring through 2013. Minimum annual rentals under such leases are as follows:

Year ending October 31,

2009	\$ 607,711
2010	624,178
2011	641,808
2012	451,369
2013	127,000
	<hr/>
	\$ 2,452,066
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Rent expense charged to operations for the foregoing leases and short-term rentals for the years ended October 31, 2008 and 2007 amounted to \$848,929 and \$791,686, 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 which represents cumulative rent expense charged to operations from inception of these leases in excess of required lease payments. Deferred rent payable amounted to \$143,671 and \$145,642 at October 31, 2008 and 2007 and is included in accrued expenses and other current liabilities on the accompanying consolidated balance sheet.

At October 31, 2008 and 2007, the Company was committed under a stand-by letter of credit issued by the bank on its behalf for \$63,487 and \$160,299, respectively.

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 financial position of the Company or the results of its operations.