

McGladrey & Pullen
Certified Public Accountants

JLM Couture, Inc. and Subsidiaries

Consolidated Financial Report

October 31, 2009

Contents

Independent Auditor's Report	1
Financial Statements:	
Consolidated Balance Sheets	2
Consolidated Statements of Operations	3
Consolidated Statements of Shareholders' Equity and Comprehensive Income (Loss)	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6 - 13

McGladrey & Pullen

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, 2009 and 2008, and the related consolidated statements of operations, 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 the Company as of October 31, 2009 and 2008, and the results of its operations and its 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 5, 2010

JLM Couture, Inc. and Subsidiaries

**Consolidated Balance Sheets
October 31, 2009 and 2008**

	2009	2008
ASSETS		
Current Assets:		
Cash	\$ 2,432,217	\$ 2,516,376
Accounts receivable, less allowance for uncollectible amounts of \$300,000 and \$370,000 at 2009 and 2008, respectively	2,500,331	3,227,763
Inventories	4,210,495	4,571,540
Prepaid expenses and other current assets	339,365	702,957
Prepaid and refundable income taxes	504,006	80,250
Deferred income taxes	60,000	335,000
Total current assets	10,046,414	11,433,886
Equipment and Leasehold Improvements, net of accumulated depreciation and amortization of \$772,595 and \$1,075,657 at 2009 and 2008, respectively	343,188	413,811
Goodwill	211,272	211,272
Samples, net of accumulated depreciation of \$241,429 and \$218,371 at 2009 and 2008, respectively	341,582	349,651
Other Assets	114,424	107,164
Total assets	\$ 11,056,880	\$ 12,515,784
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 690,719	\$ 1,030,066
Accrued expenses and other current liabilities	849,790	1,070,279
Total current liabilities	1,540,509	2,100,345
Deferred Income Taxes	98,000	379,000
Total liabilities	1,638,509	2,479,345
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	3,955,336	4,013,184
Retained earnings	6,677,171	7,315,079
Accumulated other comprehensive loss	-	(67,505)
	10,632,990	11,261,241
Less:		
Notes receivable and accrued interest	(71,651)	(81,834)
Treasury stock at cost: 431,836 shares at 2009 and 2008	(1,142,968)	(1,142,968)
Total shareholders' equity	9,418,371	10,036,439
Total liabilities and shareholders' equity	\$ 11,056,880	\$ 12,515,784

See Notes to Consolidated Financial Statements.

JLM Couture, Inc. and Subsidiaries

**Consolidated Statements of Operations
Years Ended October 31, 2009 and 2008**

	2009	2008
Net Sales	\$ 19,760,973	\$ 24,953,920
Cost of Goods Sold	<u>12,169,444</u>	<u>14,985,748</u>
Gross profit	7,591,529	9,968,172
Selling, General and Administrative Expenses	<u>8,800,643</u>	<u>9,903,979</u>
Operating (loss) income	<u>(1,209,114)</u>	<u>64,193</u>
Other Income:		
Interest income, net of \$2,584 of interest expense for 2008	(30,340)	(41,213)
Foreign currency translation adjustment	<u>(25,003)</u>	<u>-</u>
Total other income	<u>(55,343)</u>	<u>(41,213)</u>
(Loss) income before income taxes	(1,153,771)	105,406
(Benefit from) Provision for Income Taxes	<u>(515,863)</u>	<u>12,152</u>
Net (loss) income	<u><u>\$ (637,908)</u></u>	<u><u>\$ 93,254</u></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, 2009 and 2008

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Notes Receivable and Accrued Interest	Treasury Stock		Total Shareholders' Equity
	Shares	Amount					Shares	Amount	
Balance, November 1, 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									<u>(38,968)</u>
Payments on notes receivable	-	-	-	-	-	45,000	-	-	45,000
Stock-based compensation expense	-	-	84,814	-	-	-	-	-	84,814
Balance, October 31, 2008	2,434,480	483	4,013,184	7,315,079	(67,505)	(81,834)	(431,836)	(1,142,968)	10,036,439
Net loss	-	-	-	(637,908)	-	-	-	-	(637,908)
Foreign currency translation	-	-	-	-	67,505	-	-	-	67,505
Comprehensive loss									<u>(570,403)</u>
Payments on notes receivable	-	-	-	-	-	10,183	-	-	10,183
Stock-based compensation expense	-	-	52,152	-	-	-	-	-	52,152
Repurchase of shares	-	-	(110,000)	-	-	-	-	-	(110,000)
Balance, October 31, 2009	<u>2,434,480</u>	<u>\$ 483</u>	<u>\$ 3,955,336</u>	<u>\$ 6,677,171</u>	<u>\$ -</u>	<u>\$ (71,651)</u>	<u>(431,836)</u>	<u>\$ (1,142,968)</u>	<u>\$ 9,418,371</u>

See Notes to Consolidated Financial Statements.

JLM Couture, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended October 31, 2009 and 2008

	2009	2008
Cash Flows From Operating Activities:		
Net (loss) income	\$ (637,908)	\$ 93,254
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization	118,093	114,932
Provision for uncollectible accounts and volume discounts	(70,000)	-
Compensation expense on issuance of stock options	52,152	84,814
Deferred income taxes	(6,000)	(222,000)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	797,432	618,709
Inventories	361,045	(44,314)
Prepaid expenses and other current assets	363,592	(311,424)
Prepaid income taxes	(423,756)	(80,250)
Samples and other assets	809	(27,810)
Increase (decrease) in:		
Accounts payable	(339,347)	72,350
Accrued expenses and other current liabilities	(330,489)	49,493
Income taxes payable	-	(52,611)
	<u>(114,377)</u>	<u>295,143</u>
Net cash (used in) provided by operating activities	(114,377)	295,143
Cash Used In Investing Activity - purchase of property and equipment	<u>(47,470)</u>	<u>(89,097)</u>
Cash Flows From Financing Activity - payments on note receivable	<u>10,183</u>	<u>45,000</u>
Effect of Foreign Currency Exchange Rates	<u>67,505</u>	<u>(132,222)</u>
Net (decrease) increase in cash	(84,159)	118,824
Cash:		
Beginning	<u>2,516,376</u>	<u>2,397,552</u>
Ending	<u>\$ 2,432,217</u>	<u>\$ 2,516,376</u>
Supplemental Disclosures of Cash Flow Information:		
Cash payment for:		
Interest	<u>\$ -</u>	<u>\$ 2,584</u>
Income taxes	<u>\$ 2,156</u>	<u>\$ 286,763</u>
Supplemental Schedule of Noncash Financing Activity:		
Accrual of treasury stock	<u>\$ 110,000</u>	<u>\$ -</u>

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 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 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, 2009 and 2008 were \$2,495,233 and \$2,573,524, 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.

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, 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 \$630,000 and \$764,000 for the years ended October 31, 2009 and 2008, 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 No. 109"). Under SFAS No. 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 July 2006, the Financial Accounting Standards Board (the "FASB") issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109* ("FIN 48"). 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 recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken on a tax return. FIN 48 also provides guidance on recognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure and transition.

JLM Couture, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

In December 2008, the FASB provided for a deferral of the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The Company has elected this deferral and, accordingly, will be required to adopt FIN 48 in its 2009 annual financial statements. Prior to adoption of FIN 48, the Company will continue to evaluate its uncertain tax positions and related income tax contingencies under Statement of Financial Accounting Standards ("SFAS") No. 5, *Accounting for Contingencies* ("SFAS No. 5"). SFAS No. 5 requires the Company to accrue for losses it believes are probable and can be reasonably estimated. Management does not believe the adoption of FIN 48 will have a material effect on its combined 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-based compensation expense for the years ended October 31, 2009 and 2008 was \$52,152 and \$84,814, 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 or disclosed in the consolidated financial statements. Such evaluation is performed through the date the consolidated financial statements are available for issuance, which was April 5, 2010 for these consolidated financial statements.

Note 3. Inventories

Inventories consist of the following at October 31:

	<u>2009</u>	<u>2008</u>
Raw materials	\$ 3,495,150	\$ 3,789,530
Work-in-process	236,392	262,827
Finished goods	478,953	519,183
	<u>\$ 4,210,495</u>	<u>\$ 4,571,540</u>

Note 4. Prepaid Expenses and Other Current Assets

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

	<u>2009</u>	<u>2008</u>
Prepaid advertising and marketing costs	\$ 292,896	\$ 645,815
Other	46,469	57,142
	<u>\$ 339,365</u>	<u>\$ 702,957</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>2009</u>	<u>2008</u>	<u>Estimated Useful Life</u>
Furniture and equipment	\$ 539,812	\$ 743,924	7 years
Leasehold improvements	495,840	665,413	Term of lease
Transportation equipment	80,131	80,131	3 years
	<u>1,115,783</u>	<u>1,489,468</u>	
Less accumulated depreciation and amortization	<u>(772,595)</u>	<u>(1,075,657)</u>	
Equipment and leasehold improvements, net	<u>\$ 343,188</u>	<u>\$ 413,811</u>	

Depreciation and amortization expense amounted to \$118,093 and \$114,932 for the years ended October 31, 2009 and 2008, respectively.

Note 6. Income Taxes

The (benefit from) provision for income taxes for the years ended October 31, 2009 and 2008 consists of the following:

	<u>2009</u>	<u>2008</u>
Current:		
Federal	\$ (370,120)	\$ 73,100
State and local	(66,301)	23,300
Prior-year tax (over) under-accrual	(73,442)	21,752
	<u>(509,863)</u>	<u>118,152</u>
Deferred	(6,000)	(106,000)
	<u>\$ (515,863)</u>	<u>\$ 12,152</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>2009</u>	<u>2008</u>
Deferred tax assets:		
Current:		
Allowance for doubtful accounts	\$ 85,000	\$ 155,000
Other liabilities and accruals	107,000	202,000
Stock compensation expense	29,000	25,000
	<u>221,000</u>	<u>382,000</u>
Noncurrent:		
Other liabilities and accruals	55,000	60,000
	<u>55,000</u>	<u>60,000</u>
Total deferred tax assets	<u>276,000</u>	<u>442,000</u>
Deferred tax liabilities:		
Current:		
Prepaid advertising and marketing expenses	(56,000)	(47,000)
Inventory capitalization costs	(105,000)	-
	<u>(161,000)</u>	<u>(47,000)</u>
Noncurrent:		
Intercompany reimbursement taxed in different period	(85,000)	(376,000)
Accumulated depreciation and amortization	(68,000)	(63,000)
	<u>(153,000)</u>	<u>(439,000)</u>
Total deferred tax liabilities	<u>(314,000)</u>	<u>(486,000)</u>
Net deferred tax liability	<u>\$ (38,000)</u>	<u>\$ (44,000)</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"). 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 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, 2007	65,000	\$ 1.66	-	-	-	-
Issued Options	10,000	1.32	-	120,000	\$ 1.89	-
Outstanding at October 31, 2008	75,000	2.70	-	120,000	1.89	-
Issued	5,000	1.10	-	-	-	-
Forfeited or expired	(45,000)	2.98	-	-	-	-
Outstanding at October 31, 2009	35,000	\$ 2.11	2.26	120,000	\$ 1.89	3.40
Exercisable at October 31, 2009	22,500	\$ 2.49	1.33	80,000	\$ 1.89	3.40

As of October 31, 2009, there was approximately \$147,000 of total unrecognized compensation costs related to nonvested share-based compensation arrangements granted under the 2003 Plan. That cost is expected to be recognized over a weighted-average period of 5 years. The total fair value of shares vested during the years ended October 31, 2009 and 2008 was \$207,150 and \$261,500, respectively.

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, 2009:

<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>
\$1.10	5,000	4 years	\$1.10	-	-
\$1.66	10,000	3 years	\$1.66	2,500	\$1.66
\$1.89	120,000	3 years	\$1.89	80,000	\$1.89
\$2.59	20,000	1 year	\$2.59	20,000	\$2.59

At October 31, 2009, 465,000 shares of common stock were reserved for future issuance of stock options. The options outstanding and exercisable had an intrinsic value of \$250 and \$0 at October 31, 2009 and 2008, respectively.

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 \$0.96 per share. A \$35,000 note was received for the purchase. The note is due on demand and has an outstanding balance of \$36,710 at October 31, 2009 and 2008.

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 ten-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, 2009 and 2008 was \$34,941 and \$45,124, respectively.

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,

2010	\$ 624,178
2011	641,808
2012	451,369
2013	127,000
	<u>\$ 1,844,355</u>

JLM Couture, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Commitments and Contingencies (Continued)

Rent expense charged to operations for the foregoing leases for the years ended October 31, 2009 and 2008 amounted to \$761,305 and \$848,929, 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 \$128,064 and \$143,671 at October 31, 2009 and 2008, and is included in accrued expenses and other current liabilities on the accompanying consolidated balance sheets.

At October 31, 2009 and 2008, the Company was committed under a stand-by letter of credit issued by the bank on its behalf for \$63,487.

The Company is involved in various legal actions arising in the ordinary course of business. Included in accrued expenses is \$295,000 for the settlement of litigation, including all legal and associated costs, of which \$110,000 is recorded as treasury stock.