JLM Couture, Inc.
and Subsidiaries

Unaudited Consolidated Financial Report

January 31, 2017

Contents

Financial Statements

JLM Couture, Inc. and Subsidiaries

Consolidated Balance Sheets

	(Unaudited) January 31, 2017	October 31, 2016
Assets		
Current assets:		
Cash	**$ 1,847,979**	$ 1,831,700
Accounts receivable, less allowance for uncollectible amounts of $300,000 at January 31, 2017 and October 31, 2016, respectively	**4,157,174**	4,429,824
Inventories	**4,602,728**	4,473,593
Prepaid expenses and other current assets	**277,296**	453,057
Income taxes receivable	**573,607**	529,668
Deferred income taxes	**318,000**	318,000
Total current assets	**11,776,784**	12,035,842
Equipment and leasehold improvements, at cost, net of accumulated depreciation and amortization of $1,486,607 and $1,451,154 at January 31, 2017 and October 31, 2016, respectively	**846,633**	874,581
Goodwill	**211,272**	211,272
Samples, net of accumulated depreciation of $203,365 and $170,378 at January 31, 2017 and October 31, 2016, respectively	**563,635**	596,622
Deferred income taxes	**34,000**	34,000
Other assets	**603,368**	583,186
Total assets	**$ 14,035,692**	$ 14,335,503
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	**2,075,922**	2,050,831
Line of credit	**400,000**	400,000
Accrued expenses and other current liabilities	**576,956**	738,668
Customer deposits	**759,812**	651,126
Total current liabilities	**3,812,690**	3,840,625
Deferred rent	**335,572**	318,525
Total liabilities	**4,148,262**	4,159,150
Commitments and contingencies		
Shareholders' equity:		
Preferred stock - $.0001 par value, authorized 1,000,000 shares; issued and outstanding - none	**-**	-
Common stock - $.0002 par value, authorized 10,000,000 shares; issued 2,534,480; outstanding 1,736,540 and 1,845,168 at January 31, 2017 and October 31, 2016, respectively	**559**	559
Additional paid-in capital	**4,418,432**	4,418,432
Retained earnings	**7,305,432**	7,280,097
	11,724,423	11,699,088
Less:		
Notes receivable and accrued interest	**(36,710)**	(36,710)
Treasury stock at cost: 797,937 and 689,312 shares at January 31, 2017 and October 31, 2016, respectively	**(1,800,283)**	(1,486,025)
Total shareholders' equity	**9,887,430**	10,176,353
Total liabilities and shareholders' equity	**$ 14,035,692**	$ 14,335,503

See notes to unaudited consolidated financial statements.

JLM Couture, Inc. and Subsidiaries

Unaudited Consolidated Statements of Income
For The Three Months Ended January 31, 2017

Net sales	$	7,096,713
Cost of goods sold		4,328,995
Gross profit		2,767,718
Selling, general and administrative expenses		2,692,229
Operating income		75,489
Other (expense) income:		
Interest expense		(21,558)
Foreign currency translation adjustment		(11,705)
Total other expense		(33,263)
Income before income tax expense		42,226
Income tax expense		(16,891)
Net income	$	25,335

See notes to unaudited consolidated financial statements.

Unaudited Consoliated Statements of Shareholders' Equity
For The Three Months Ended January 31, 2017

	Common Stock		Additional	Retained	Notes Receivable and Accrued	Treasury Stock		Total Shareholders'
	Shares	Amount	Paid-In Capital	Earnings	Interest	Shares	Amount	Equity
Balance, November 1, 2016	2,534,480	$ 559	$ 4,418,432	$ 7,280,097	$ (36,710)	(689,312)	$ (1,486,025)	$ 10,176,353
Repurchase of shares						(108,628)	(314,258)	(314,258)
Net income	-	-	-	16,061	-	-	-	16,061
Balance, January 31, 2017	**2,534,480**	**$ 559**	**$ 4,418,432**	**$ 7,296,158**	**$ (36,710)**	**(797,940)**	**$ (1,800,283)**	**$ 9,878,156**

See notes to unaudited consolidated financial statements.

JLM Couture, Inc. and Subsidiaries

Unaudited Consolidated Statements of Cash Flows
For The Three Months Ended January 31, 2017

Cash flows from operating activities:	
Net income	$ 25,335
Adjustments to reconcile net income to net cash provided by provided by operating activities:	
Depreciation and amortization	35,453
Amortization of samples	32,987
Deferred rent	14,197
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	272,650
Inventories	(129,135)
Prepaid expenses and other current assets	175,761
Income taxes receivable	(43,939)
Samples and other assets	(20,182)
Increase (decrease) in:	
Accounts payable	25,090
Accrued expenses and other current liabilities	(158,859)
Customer deposits	108,685
Net cash provided by operating activities	**338,043**
Cash flows from investing activities:	
Purchase of property and equipment	(7,506)
Net cash used in investing activities	**(7,506)**
Cash flows from financing activities:	
Purchase of treasury stock	(314,258)
Net cash used in by financing activities	**(314,258)**
Net increase in cash	**16,279**
Cash:	
Beginning	1,831,700
Ending	$ 1,847,979
Supplemental disclosures of cash flow information:	
Cash paid during the period for:	
Interest	$ 23,435
Income taxes	$ 60,829

See notes to unaudited consolidated financial statements.

Notes to Unaudited 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 unaudited 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.

The accompanying unaudited consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim unaudited consolidated financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete consolidated financial statements. The unaudited consolidated financial statements furnished reflect all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. Interim results are not necessarily indicative of the results for the full year. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended October 31, 2016.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 unaudited 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.

Note 2. Summary of Significant Accounting Policies (Continued)

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.

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.

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.

Recent accounting pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers.* ASU 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Company is evaluating the effect that the standard will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting. In April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customers – Identifying Performance Obligations and Licensing* to assist preparers with identifying performance obligations and implementing licensing guidance under the new revenue standard. The Company is currently evaluating the impact

Note 2. Summary of Significant Accounting Policies (Continued)

of the pending adoption of the new standard on the financial statements. In May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*. This ASU provides clarifying guidance in certain narrow areas and adds some practical expedients relative to assessing collectability, presentation of taxes collected form customers, noncash consideration, contract modifications at transition, and completed contracts at transition and technical corrections. The amendments have the same effective date and transition requirements as ASU 2014-09. The Company has not yet selected a transition method and is currently evaluating the impact of the pending adoption of these ASUs on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU 2014-15 explicitly requires management to evaluate, at each annual or interim reporting period, whether there are conditions or events that exist which raise substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures. The Company does not expect the adoption of ASU 2015-11 to have a material effect on its consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11*, Inventory (Topic 330): Simplifying the Measurement of Inventory*. The amendments in the ASU require entities that measure inventory using the first-in, first-out or average cost methods to measure inventory at the lower of cost and net realizable value. Net realizable value is defined as estimated selling price in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation. This ASU will be effective for the Company for fiscal years beginning after December 15, 2016. Early adoption of ASU 2015-11 is permitted. The Company is currently evaluating the effects adoption of this guidance will have on its consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*. This ASU simplifies the presentation of deferred income taxes by eliminating the requirement for entities to separate deferred tax liabilities and assets into current and noncurrent amounts in classified balance sheets. Instead, it requires deferred tax assets and liabilities be classified as noncurrent in the balance sheet. ASU 2015-17 is effective for financial statements issued for annual periods beginning after December 15, 2017. Early adoption is permitted, and this ASU may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain

Note 2. Summary of Significant Accounting Policies (Continued)

practical expedients available. The Company is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on how certain cash receipts and cash payments

should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. ASU 2016-15 is effective for annual periods, and interim periods within those years, beginning after December 15, 2017. Early adoption is permitted. The Company is currently evaluating the impact the adoption of this guidance will have on its consolidated statement of cash flows.

Fair value of financial instruments: The Company's financial instruments consist principally of cash, accounts receivable, and accounts payable. 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. 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, 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.

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 January 31, 2017 and October 31, 2016.

Note 2. Summary of Significant Accounting Policies (Continued)

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. There was no stock-based compensation expense for the three months ended January 31, 2017.

Evaluation of subsequent events: The Company evaluates events occurring after the date of the unaudited consolidated financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the unaudited consolidated financial statements. Such evaluation is performed through the date the unaudited consolidated financial statements are available for issuance, which was June 30, 2017.

Note 2. Inventories:

Inventories consist of the following:

	As of	
	January 31, 2017	October 31, 2016
	(Unaduited)	
Raw materials	$ 2,361,199	$ 2,484,636
Work-in-process	1,445,810	1,272,697
Finished goods	795,719	716,260
	$ 4,602,728	$ 4,473,593

Note 3. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following:

	As of	
	January 31, 2017	October 31, 2016
	(Unaudited)	
Prepaid advertising and marketing costs	$ 134,756	$ 233,451
Other	142,540	219,606
	$ 277,296	$ 453,057

Note 4. Equipment and Leasehold Improvements

Equipment and leasehold improvements consist of the following:

	As of		
	January 31, 2017 (Unaudited)	October 31, 2016	Estimated Useful Life
Leasehold improvements	$ 1,210,379	$ 1,210,379	Term of lea life, whiche
Furniture and equipment	979,118	971,612	7 years
Transportation equipment	143,744	143,744	3 years
	2,333,240	2,325,735	
Less accumulated depreciation and amortization	(1,486,607)	(1,451,154)	
Equipment and leasehold improvements, net	$ 846,633	$ 874,581	

Note 5. Bank Revolving Credit Line

The Company had a revolving credit agreement with a lending institution which was fully repaid and closed in December 2016. Borrowings under this agreement could not exceed the lesser of $1,500,000 or 70% of eligible accounts receivable, as defined. Interest on the line accrued at the bank's prime rate plus 2.5% per annum. The line of credit also required the Company to comply with certain nonfinancial and financial covenants as defined in the agreement. Borrowings under the line were secured by substantially all of the assets of the Company. There was $0 and $400,000 outstanding on the line at January 31, 2017, and October 31, 2016 respectively.

In December 2016, the Company entered into a new revolving credit facility with a lending facility. Borrowings under this agreement may not exceed the lesser of $1,500,000 or 80% of eligible accounts receivable, as defined. The Company also has available $500,000, letter of credits which is a sublimit of the credit facility. Interest on the line accrues at the bank's prime rate plus 2.5% per annum. The line of credit also requires the Company to comply with certain nonfinancial and financial covenants as defined in the agreement. There was $400,000 on the line outstanding at January 31, 2017.

Note 6. Shareholders' Equity

On August 17, 2016, the Company adopted the 2016 Stock Incentive Plan (the 2016 Plan). The 2016 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 2016 Plan may not exceed the sum of (a) 500,000 shares, plus (b) any shares

Note 5. Shareholders’ Equity (Continued)

of common stock remaining available for issuance as of the effective date of the 2003 Plan. No shares were granted under the Plan at January 31, 2017.

In January 2017, the Company entered into a stock purchase agreement (“Agreement”) whereby a certain shareholder of the Company (“Seller”) can sell 208,365 shares of the Company’s common stock to the Company. In January 2017, the Company purchased 108,365 shares of common stock at $2.90 per share, or $314,259. At the Company’s option, the remaining 100,000 held the seller can be sold to the Company in 25,000 share increments for up to two years at prices from $3.00 per share to $3.35 per share, as defined in the Agreement, at certain set dates. On April 3, 2017, the Company re-purchased an additional 25,000 shares of common stock at $2.95 per share, or $73,859.

Note 6. 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, 2016 and 2015.

Note 7. 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.

Note 8. Commitments and Contingencies

Legal matters: 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 unaudited consolidated financial position of the Company or the unaudited consolidated results of its operations or cash flows.

Subsequent Events On June 21, 2017, the Company re-purchased an additional 25,000 shares of common stock at $3.005 per share, or $75,128.