JLM Couture, Inc. and Subsidiaries

Consolidated Financial Report
October 31, 2018

Contents

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Independent Auditor's Report

Board of Directors
JLM Couture, Inc.

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of JLM Couture, Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of October 31, 2018 and 2017, 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 (collectively, the financial statements).

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of JLM Couture, Inc. and its subsidiaries as of October 31, 2018 and 2017, 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.

RSM US LLP

New York, New York
February 20, 2019

JLM Couture, Inc. and Subsidiaries

Consolidated Balance Sheets
October 31, 2018 and 2017

		2018		2017
Assets				
Current assets:				
Cash	**$**	**5,631,947**	$	4,737,728
Accounts receivable, less allowance for uncollectible amounts of $275,000 and $173,500 at 2018 and 2017, respectively		**4,302,850**		4,368,709
Inventories		**2,325,899**		3,624,665
Prepaid income taxes		**32,062**		-
Prepaid expenses and other current assets		**553,803**		388,002
Total current assets		**12,846,561**		13,119,104
Equipment and leasehold improvements, at cost, net of accumulated depreciation and amortization of $696,665 and $538,749 at 2018 and 2017, respectively		**813,077**		738,476
Samples, net of accumulated depreciation of $274,187 and $317,283 at 2018 and 2017, respectively		**474,518**		508,673
Deferred income taxes		**237,000**		536,000
Other assets		**763,206**		699,297
Total assets	**$**	**15,134,362**	$	15,601,550
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable	**$**	**1,518,980**	**$**	**1,526,260**
Line of credit		**400,000**		**400,000**
Accrued expenses and other current liabilities		**786,527**		**1,123,621**
Income tax payable		**-**		**750,990**
Customer deposits		**489,350**		**713,661**
Total current liabilities		**3,194,857**		**4,514,532**
Deferred rent		**313,060**		**333,405**
Total liabilities		**3,507,917**		**4,847,937**
Commitments and contingencies				
Shareholders' equity:				
Preferred stock - $.0001 par value, authorized 1,000,000 shares; issued and outstanding - none		**-**		-
Common stock - $.0002 par value, authorized 10,000,000 shares; issued 2,534,480; outstanding 1,628,036 and 1,630,853 at 2018 and 2017, respectively		**559**		559
Additional paid-in capital		**4,418,432**		4,418,432
Retained earnings		**9,351,047**		8,457,147
		13,770,038		12,876,138
Less:				
Notes receivable and accrued interest		**(4,210)**		(4,210)
Treasury stock at cost: 906,444 and 903,627 shares at 2018 and 2017, respectively		**(2,139,383)**		(2,118,315)
Total shareholders' equity		**11,626,445**		10,753,613
Total liabilities and shareholders' equity	**$**	**15,134,362**	$	15,601,550

See notes to consolidated financial statements.

JLM Couture, Inc. and Subsidiaries

Consolidated Statements of Income
Years Ended October 31, 2018 and 2017

	2018	2017
Net sales	**$ 30,234,278**	$ 31,799,559
Cost of goods sold	**16,737,294**	17,655,439
Gross profit	**13,496,984**	14,144,120
Selling, general and administrative expenses	**11,875,694**	12,390,317
Operating income	**1,621,290**	1,753,803
Other income (expense):		
Interest expense	**(57,496)**	(44,839)
Foreign currency translation adjustment	**129,150**	250,524
Total other income	**71,654**	205,685
Income before income taxes	**1,692,944**	1,959,488
Income tax expense	**799,044**	782,438
Net income	**$ 893,900**	$ 1,177,050

See notes to consolidated financial statements.

JLM Couture, Inc. and Subsidiaries

Consolidated Statements of Shareholders' Equity
Years Ended October 31, 2018 and 2017

	Common Stock		Additional	Retained	Notes Receivable and Accrued	Treasury Stock		Total Shareholders'
	Shares	Amount	Paid-In Capital	Earnings	Interest	Shares	Amount	Equity
Balance, October 31, 2016	2,534,480	$ 559	$ 4,418,432	$ 7,280,097	$ (4,210)	(689,312)	$ (1,486,025)	$ 10,208,853
Net income	-	-	-	1,177,050	-	-	-	1,177,050
Repurchase of shares	-	-	-	-	-	(214,315)	(632,290)	(632,290)
Balance, October 31, 2017	2,534,480	559	4,418,432	8,457,147	(4,210)	(903,627)	(2,118,315)	10,753,613
Net income	-	-	-	893,900	-	-	-	893,900
Repurchase of shares	-	-	-	-	-	(2,817)	(21,068)	(21,068)
Balance, October 31, 2018	**2,534,480**	**$ 559**	**$ 4,418,432**	**$ 9,351,047**	**$ (4,210)**	**(906,444)**	**$ (2,139,383)**	**$ 11,626,445**

See notes to consolidated financial statements.

JLM Couture, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended October 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Net income	$ 893,900	$ 1,177,050
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	157,916	143,145
Amortization of samples	225,774	314,440
Impairment of goodwill	-	211,272
Provision for uncollectible accounts	102,008	(76,500)
Deferred income taxes	299,000	(184,000)
Deferred rent	(20,345)	6,440
Changes in assets and liabilities affecting operating cash flows:		
Accounts receivable	(36,149)	137,615
Inventories	1,298,766	848,928
Prepaid expenses and other current assets	(165,801)	65,055
Samples and other assets	(255,528)	(342,602)
Accounts payable	(7,280)	(524,571)
Accrued expenses and other current liabilities	(337,094)	425,893
Income taxes receivable/payable	(783,052)	1,280,658
Customer deposits	(224,311)	62,535
Net cash provided by operating activities	1,147,804	3,545,358
Cash flows from investing activities:		
Purchase of property and equipment	(232,517)	(7,040)
Net cash used in investing activities	(232,517)	(7,040)
Cash flows from financing activities:		
Purchase of treasury stock	(21,068)	(632,290)
Net cash used in financing activities	(21,068)	(632,290)
Net increase in cash	894,219	2,906,028
Cash:		
Beginning	4,737,728	1,831,700
Ending	$ 5,631,947	$ 4,737,728
Supplemental disclosures of cash flow information:		
Cash paid (received) during the year for:		
Interest	$ 24,596	$ 33,700
Income taxes	$ 1,283,096	$ (314,220)

See 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. The Company discontinued operations for the Alvina Valenta Couture Collection, Inc. during 2017.

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 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 and provisions for sales discounts, returns and allowances. The allowances are 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 net realizable value, 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, 2018 and 2017 were approximately $2,815,000 and $3,009,000, 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 three 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.

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 unit at that date. During the year ended October 31, 2017, the Company reduced the carrying value of goodwill to $0 and incurred $211,272 of impairment charges resulting from the discontinuation of Alvina Valenta Couture Collection, Inc.

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 three years. Based on historical sales patterns, a dress style is typically sold for approximately three 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 (Topic 606)*, to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. ASU 2014-09 was deferred one year by ASU 2015-14, and will be effective for annual reporting periods beginning after December 15, 2018 using either of two methods: *(a)* retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or *(b)* retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. The Company has not yet selected a transition method and is currently evaluating the impact of the pending adoption of ASU 2014-09 on the consolidated financial statements.

Note 2. Summary of Significant Accounting Policies (Continued)

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. In September 2017, the FASB issued ASU 2017-13, *Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842): Amendments to SEC Paragraphs*, which rescinds certain SEC Observer comments and staff announcements from the lease guidance and incorporates SEC staff announcements on the effect of a change in tax law on leveraged leases from ASC 840 into ASC 842. In January 2018, the FASB issued ASU 2018-01, *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*, which amends the new lease guidance to add an optional transition practical expedient that permits an entity to continue applying its current accounting policy for land easements that exist or expire before the ASC 842 effective date. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which makes narrow scope improvements to the standard for specific issues. In July 2018, the FASB also issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method allowing the standard to be applied at the adoption date. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years.

An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The Company is currently evaluating the impact the adoption of this guidance will have 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 statements 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.

Note 2. Summary of Significant Accounting Policies (Continued)

Freight and delivery costs: The Company's freight and delivery costs are included in selling, general and administrative expenses and amounted to approximately $737,000 and $859,000 for the years ended October 31, 2018 and 2017, respectively. Amounts charged to customers for freight and delivery is included in net sales.

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.

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, 2018 and 2017 was $0.

Reclassifications: Certain items in the 2017 consolidated financial statements have been reclassified to conform to the 2018 presentation.

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 February 20, 2019. See Note 12 for subsequent events disclosed.

Note 3. Inventories

Inventories consist of the following at October 31:

	2018	2017
Raw materials	$ 744,834	$ 1,758,125
Work-in-process	538,952	710,832
Finished goods	1,042,113	1,155,708
	$ 2,325,899	$ 3,624,665

During 2018, the Company wrote off obsolete inventory and decreased its reserve for inventory obsolescence by approximately $154,000 to account for these write-offs.

Note 4. Prepaid Expenses and Other Current Assets

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

	2018	2017
Prepaid advertising and marketing costs	$ 238,067	$ 205,264
Other	315,736	182,738
	$ 553,803	$ 388,002

Note 5. Equipment and Leasehold Improvements

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

	2018	2017	Estimated Useful Life
Leasehold improvements	$ 772,475	$ 722,001	Term of lease or useful life, whichever is shorter
Furniture and equipment	673,653	491,610	7 years
Transportation equipment	63,614	63,614	3 to 7 years
	1,509,742	1,277,225	
Less accumulated depreciation and amortization	(696,665)	(538,749)	
Equipment and leasehold improvements, net	$ 813,077	$ 738,476	

Depreciation and amortization expense amounted to $157,916 and $143,145 for the years ended October 31, 2018 and 2017, respectively.

Note 6. Bank Revolving Credit Line

The Company has a revolving credit facility with a lending institution. Borrowings under this agreement may not exceed the lesser of $1,600,000 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 3% per annum (reduced to the bank's prime rate plus 2½% per annum effective January 1, 2019). 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 were secured by substantially all of the assets of the Company and a personal guarantee of the Company's majority shareholder. There was $400,000 outstanding on the line at October 31, 2018 and 2017. There were no letters of credits outstanding at October 31, 2018 and 2017. The facility expires in October 2019.

Note 7. Income Taxes

The provision for income taxes for the years ended October 31, 2018 and 2017 consists of the following:

	2018	2017
Current:		
Federal	$ 481,529	$ 932,897
State and local	18,515	33,541
	500,044	966,438
Deferred expense (benefit)	299,000	(184,000)
	$ 799,044	$ 782,438

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

	2018	2017
Deferred tax assets:		
Allowance for doubtful accounts	$ 72,000	$ 81,000
Inventory	70,000	348,000
Other liabilities and accruals	16,000	95,000
Deferred rent	74,000	133,000
Difference in tax and book basis of property and equipment	5,000	-
Total deferred tax assets	237,000	657,000
Deferred tax liabilities:		
Prepaid advertising and marketing expenses	-	(82,000)
Difference in tax and book basis of property and equipment	-	(39,000)
Total deferred tax liabilities	-	(121,000)
Net deferred tax asset	$ 237,000	$ 536,000

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.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation, referred to as the Tax Cuts and Jobs Act (the Tax Act). The Tax Act significantly revises U.S. tax law by, among other provisions, lowering the U.S. federal statutory corporate income tax rate from 35% to 21%, imposing a mandatory one-time transition tax on previously deferred foreign earnings, and eliminating or reducing certain income tax deductions.

ASC 740, Income Taxes requires the effects of changes in tax laws to be recognized in the period in which the legislation is enacted. The Tax Act did have a material impact on the Company's financial statements since the Company's deferred temporary differences were reduced substantially by the lowering of the corporate tax rate. The Company's deferred tax asset was reduced by $145,000 as a result of the effects of the Tax Act.

Note 8. Shareholders' Equity

Stock options: 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 of common stock remaining available for issuance as of the effective date of the 2003 Plan. As of October 31, 2018, there are no options issued or outstanding under this Plan.

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, 2018 and 2017. During 2016, the Company reduced the balance to $4,210, as $32,500 was deemed uncollectible.

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 defined contribution plan for the years ended October 31, 2018 and 2017 was approximately $21,000 and $22,000, respectively.

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:	
2019	$ 925,429
2020	845,547
2021	870,337
2022	524,135
2023	112,421
	$ 3,277,869

Rent expense charged to operations for the foregoing leases for the years ended October 31, 2018 and 2017 amounted to approximately $937,000 and $961,000, 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 the required lease payments.

Note 11. Commitments and Contingencies (Continued)

Employment agreements: The Company has employment agreements with various executives and designers. Future minimum commitments under these agreements amount to approximately $682,000 per year expiring at various dates through the year ending October 31, 2024.

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 consolidated financial position of the Company or the consolidated results of its operations or cash flows.

Note 12. Subsequent Events

On November 9, 2018, the Company repurchased 56,233 treasury stock shares for $337,596.

On December 13, 2018, the Company repurchased 50,233 treasury stock shares for $301,398.