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JLM COUTURE INC
Form DEFR14A
September 04, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

(Amendment No. 1)

Filed by the Registrant [X]

Filed by a Party other than the Registrant []

Check the appropriate box:

[] Preliminary Proxy Statement

[] Confidential, for Use of the Commission Only (as permitted
by Rule 14a-6(e) (2))

[X] Definitive Proxy Statement

[] Definitive Additional Materials

[] Soliciting Material Pursuant to Section 240.14a-12

JLM Couture, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the
Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

JLM COUTURE, INC.
(a Delaware Corporation)

Notice of 2003 Annual Meeting
of Shareholders to be held
at 10:00 A.M. on October 28, 2003

To the Shareholders of
JLM COUTURE, INC.:

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NOTICE IS HEREBY GIVEN that the 2003 Annual Meeting of Shareholders (the "Meeting") of JLM COUTURE, INC. (the "Company") will be held on October 28, 2003 at 10:00 A.M. at the Company's offices, located at 525 Seventh Avenue, Suite 1703, New York, NY 10018, to consider and vote on the following matters described under the corresponding numbers in the attached Proxy Statement:

1. To elect two Class II Directors to hold office for three years and until the 2006 Annual Meeting of Shareholders at which their term expires or until their successors have been duly elected and qualify;
2. To approve the adoption of the 2003 Stock Incentive Plan;
3. To ratify the appointment of Goldstein Golub Kessler LLP as the Company's independent auditors for its fiscal year ending October 30, 2003; and
4. To transact such other business as may properly come before the Meeting.

The Board of Directors has fixed August 22, 2003, at the close of business, as the record date for the determination of shareholders entitled to vote at the Meeting, and only holders of shares of Common Stock of the Company of record at the close of business on that day will be entitled to vote. The stock transfer books of the Company will not be closed.

A complete list of shareholders entitled to vote at the Meeting shall be available for examination by any shareholder, for any purpose germane to the Meeting, during ordinary business hours from October 14, 2003 until the Meeting at the offices of the Company. The list will also be available at the Meeting.

Whether or not you expect to be present at the Meeting, please fill in, date, sign, and return the enclosed Proxy, which is solicited by management. The Proxy is revocable and will not affect your vote in person in the event you attend the Meeting.

By Order of the Board of Directors

/s/Joseph E. O'Grady

Joseph E. O'Grady, Secretary

Date: September 2, 2003

Requests for additional copies of proxy material and the Company's Annual Report for its fiscal year ended October 31, 2002 should be addressed to Shareholder Relations, JLM Couture, Inc., 525 Seventh Avenue, Suite 1703, New York, NY 10018. This material will be furnished without charge to any shareholder requesting it.

JLM COUTURE, INC.

525 Seventh Avenue, Suite 1703
New York, NY 10018

Proxy Statement

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The enclosed proxy is solicited by the management of JLM Couture, Inc. (the "Company") in connection with the 2003 Annual Meeting of Shareholders (the "Meeting") to be held on October 28, 2003 at 10:00 A.M. at the Company's offices located at 525 Seventh Avenue, Suite 1703, New York, NY 10018 and any adjournment thereof. The Board of Directors (the "Board") has set August 22, 2003 as the record date for the determination of shareholders entitled to vote at the Meeting. A shareholder executing and returning a proxy has the power to revoke it at any time before it is exercised by filing a later proxy with, or other communication to, the Secretary of the Company or by attending the Meeting and voting in person.

The proxy will be voted in accordance with your directions as to:

(1) The election of two Class II Directors to hold office for three years and until the 2006 Annual Meeting of Shareholders at which their term expires or until their successors have been duly elected and qualify;

(2) The approval of the adoption of the 2003 Stock Incentive Plan;

(3) The ratification of the appointment of Goldstein Golub Kessler LLP ("GGK") as the Company's independent auditors for its fiscal year ending October 30, 2003; and

(4) The transaction of such other business as may properly come before the Meeting.

In the absence of direction, the proxy will be voted in favor of management's proposals.

The entire cost of soliciting proxies will be borne by the Company. The costs of solicitation, which represent an amount believed to be normally expended for a solicitation relating to an uncontested election of directors, will include the costs of supplying necessary additional copies of the solicitation materials and the Company's Annual Report to Shareholders for its fiscal year ended October 31, 2002 ("Fiscal 2002") (the "Annual Report") to beneficial owners of shares held of record by brokers, dealers, banks, trustees, and their nominees, including the reasonable expenses of such recordholders for completing the mailing of such materials and Annual Reports to such beneficial owners.

Only shareholders of record of the Company's 1,903,360 shares of Common Stock (the "Common Stock") outstanding at the close of business on August 22, 2003 will be entitled to vote. Each share of Common Stock is entitled to one vote. Holders of a majority of the outstanding shares of Common Stock must be represented in person or by proxy in order to achieve a quorum. All shares of our Common Stock represented in person or by proxy (including shares which abstain or do not vote for any reason with respect to one or more of the matters presented for stockholder approval) will be counted for purposes of determining whether a quorum is present at the Annual Meeting. Abstentions will be treated as shares that are present and entitled to vote for purposes of determining the number of shares present and entitled to vote with respect to any particular matter, but will not be counted as a vote in favor of such matter. Accordingly, an abstention from voting on a matter has the same legal effect as a vote against the matter. If a broker or nominee holding stock in "street name" indicates on the

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proxy that it does not have discretionary authority to vote as to a particular matter ("broker non-votes"), those shares will not be considered as present and entitled to vote with respect to such matter. Accordingly, a broker non-vote on a matter has no effect on the voting on such matter. The proxy statement, the attached notice of meeting, the enclosed form of proxy and the Annual Report are being mailed to shareholders on or about September 2, 2003. The mailing address of the Company's principal executive offices is 525 Seventh Avenue, Suite 1703, New York, NY 10018.

PROPOSAL ONE. ELECTION OF CLASS II DIRECTORS

The Company's By-laws require the Company to have five or less directors. The number of directors is set by the Board and was increased from three to four on August 12, 2003. The Board is divided into three classes of directors. Each class currently consists of one director. Class II, whose term expires at the Meeting, consists of Daniel M. Sullivan; Class I, whose term expires in 2005, consists of Joseph E. O'Grady; and Class III, whose term expires in 2004, consists of Joseph L. Murphy. At the Meeting, due to the increase of the size of the Board, two directors will be elected to fill the term of the Class II directors. Mr. Sullivan who is running for reelection, and Mr. Keith Cannon are the nominees for election at the Meeting. If elected, Messrs. Sullivan and Cannon will serve for terms expiring at the 2006 Annual Meeting of Shareholders.

The persons named in the accompanying proxy have advised management that it is their intention to vote for the election of Messrs. Sullivan and Cannon as Class II Directors unless indication is made on your proxy card that your vote should be withheld from either or both of the nominees.

The Board of Directors unanimously recommends a vote FOR the election of these nominees as Directors.

The following table sets forth certain information as to the persons nominated for election as a director of the Company and for those directors whose terms of office will continue after the Meeting:

Nominees For Directors Whose Terms Expire in 2006:

Name	Age	Position with the Company	Director Since
Keith Cannon	63	-	-
Daniel M. Sullivan	79	Chairman of the Board of Directors	September 1986

Keith A. Cannon, a nominee for election as a director of the Company, is currently a registered representative for Wilson-Davis & Co., Inc., a broker-dealer based in Salt Lake City, Utah. For the past ten years, he has acted in this capacity and resided in Oceanside, California. Mr. Cannon also serves as member of the Board

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of Directors and Audit Committee of the following public companies: Elamex S.A. de C.V., Global e-Point, Inc., M.B.A. Holdings, Inc. and Montgomery Realty Group, Inc. He has been engaged in various capacities in the investments business for the past 35 years.

Daniel M. Sullivan became a director in September 1986 and was elected Chairman of the Board in 1989. In 1989, Mr. Sullivan retired as President and Chief Executive Officer of Frost & Sullivan, Inc., a publicly-traded publisher of market research studies, a position he had held for more than five years prior to his retirement.

Directors Whose Terms Continue After the Meeting:

Name -----	Age ---	Position with the Company -----	Director Since -----
Joseph E. O'Grady	81	Secretary and Director	February 1991
Joseph L. Murphy	48	Chief Executive and Financial Officer, Director	April 1986

Joseph E. O'Grady was appointed to the Board of Directors in February 1991. In December 1992, Mr. O'Grady was appointed Secretary of the Company. For more than the past five years, Mr. O'Grady has been President of JOG Associates, Inc., a privately-held financial consulting firm based in Hicksville, NY. JOG Associates, Inc. arranges business financing and provides financial consulting services for closely-held companies.

Joseph L. Murphy, a founder of the Company, has been a director of the Company since its inception. During Fiscal 1992, Mr. Murphy was appointed President. In February 1993, Mr. Murphy was appointed Chief Executive Officer. Mr. Murphy is the brother of Mark Murphy, the Company's Vice President - Operations.

During Fiscal 2002, the Board met informally. It acted three times by unanimous written consent.

OTHER EXECUTIVE OFFICERS

Name -----	Age ---	Position with the Company -----	Position Held Since -----
Mark Murphy	38	Vice President- Operations	May 1993
Jerrold Walkenfeld	46	Principal Accounting Officer	June 2002

Mark Murphy was appointed Vice President - Operations in May 1993. Mr. Mark Murphy joined the Company in January 1993. Prior

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to his joining the Company, Mr. Mark Murphy was employed as a manager by Accurate Testing Co., a metals testing company based in California, a position he had held since 1988. Mr. Mark Murphy is the brother of Joseph L. Murphy, the Company's President.

Jerrold Walkenfeld, Principal Accounting Officer, commenced employment with the Company in June 2002. Since 1995 until his employment by the Company in June 2002, he was engaged by the Company as an outside consultant to render financial and accounting services for the Company. For more than the past five years, Mr. Walkenfeld has maintained an independent accounting practice. Mr. Walkenfeld is a certified public accountant.

COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES EXCHANGE ACT OF 1934.

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers and directors, and persons who own more than ten percent of a registered class of the Company's equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Based solely on its review of the copies of such forms received by it, the Company believes that during Fiscal 2002, Mr. Walkenfeld failed to file an Initial Report of Beneficial Ownership on Form 3 on a timely basis. Such Form 3 has since been filed with the SEC.

AUDIT AND COMPENSATION COMMITTEE

During Fiscal 2002, the Audit and Compensation Committee (the "Audit Committee") consisting of Messrs. O'Grady and Sullivan met once.

AUDIT COMMITTEE REPORT

The Audit Committee consists of a majority of independent directors all of whom meet the independence and experience requirements of Nasdaq Marketplace Rule 4200(a)(14). The Audit Committee's responsibilities are as described in a written charter adopted by the Board, which is attached as Appendix A to this Proxy Statement.

The Audit Committee has reviewed and discussed the Company's audited financial statements for Fiscal 2002 with management and with the Company's independent auditors, Goldstein Golub Kessler LLP ("GGK"). The Audit Committee has discussed with GGK the matters required to be discussed by the Statement on Auditing Standards No. 61 relating to the conduct of the audit. The Audit Committee has received the written disclosures and the letter from GGK required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, and has discussed with GGK its independence. Based on the Audit Committee's review of the audited financial statements and the review and discussions described in this paragraph, the Audit Committee recommended to the Board that the audited financial statements for Fiscal 2002 be included in the Company's Annual Report on Form 10-KSB for Fiscal 2002 for filing with the Securities and Exchange Commission.

Submitted by the members of the Audit Committee:

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Joseph E. O'Grady
Daniel M. Sullivan

AUDIT FEES; FINANCIAL INFORMATION SYSTEMS DESIGN AND IMPLEMENTATION FEES; ALL OTHER FEES

Audit fees billed to the Company by GGK during Fiscal 2002 for review of the Company's annual financial statements and those financial statements included in the Company's quarterly reports on Form 10-QSB totaled \$67,000. The Company did not engage GGK to provide advice to the Company regarding financial information systems design and implementation during Fiscal 2002. The Company did not engage GGK during Fiscal 2002 for any other non-audit services.

EXECUTIVE COMPENSATION

The following table sets forth the compensation the Company paid for its fiscal years ended October 31, 2002, 2001 and 2000 to its Chief Executive Officer and to each of its other executive officers whose compensation exceeded \$100,000 on an annual basis.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year	Annual Com- pensation Salary (\$)	Other Annual Com- pensation (\$)	Long Term Compensation/ Options	Other Compen- ation(\$)
Joseph L. Murphy, President and Chief Executive Officer	2002	325,000	202,807	100,000	37,009
	2001	325,000	57,640	-	9,526
	2000	302,083	65,430	-	8,616
Mark Murphy, Vice President Operations	2002	97,243	5,000	12,000	-
Jerrold Walkenfeld, Principal Accounting Officer	2002	90,921	13,920	-	-

EMPLOYMENT AGREEMENT

Mr. Joseph L. Murphy has an employment agreement (the "Agreement") with the Company which provides for a base salary of

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\$325,000 per year. As additional compensation, Mr. Murphy receives five percent (5%) of the Company's annual pre-tax profits. On August 14, 2001, the Board amended the Agreement to extend the term of Mr. Murphy's employment until May 19, 2006 and to award Mr. Murphy 200,000 restricted shares of Common Stock as additional compensation for services rendered and to be rendered pursuant to the Agreement. During Fiscal 2002, the Company also granted Mr. Murphy a one-time bonus of \$100,000 to compensate him for taxes incurred due to the stock bonus referred to above.

STOCK OPTION PLAN

On August 26, 1996, the Company adopted a stock option plan (the "1996 Plan"). The 1996 Plan provides for the issuance of incentive and non-statutory stock options to employees, consultants advisors and/or directors for a total of up to 100,000 shares of Common Stock. The 1996 Plan was amended by the Board of Directors in September 1998 to increase the authorized number of shares thereunder from 100,000 to 250,000 shares. A majority of the Company's shareholders approved the amendment to the 1996 Plan in October 1998. The exercise price of options granted may not be less than the fair market of the shares on the date of grant (110% of such fair market value for a holder of more than 10% of the Company's Common Stock). The 1996 Plan will terminate on August 26, 2006.

AGGREGATED OPTION EXERCISES IN LAST FISCAL
YEAR AND FISCAL YEAR-END (FYE) OPTION VALUES

Name	Shares Acquired On Exercise	Value Realized(1)	Number Of Unexercised Options At FYE Exercisable/ Unexercisable	Value of Unexercised In-the-Money Options At FYE Acquired (\$) Exercisable/ Unexercisable (1)
----	-----	-----	-----	-----
Joseph L. Murphy	-	-	200,000 (2) / 100,000	51,500 (2) / 72,000
Mark Murphy	-	-	0 / 12,000	0 / 8,640
Joseph E. O'Grady	-	-	5,000 / 22,000	5,350 / 19,340
Daniel M. Sullivan	-	-	5,000 / 22,000	5,350 / 19,340