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UNITED STATES TARIFF COMMISSION

WOMEN'S FOOTWEAR
DON GUSTIN SHOE CO., INC.
PATERSON, N. J.

Report to the President
on Worker Investigation No. TEA-W-208
Under Section 301(c)(2) of the Trade Expansion Act of 1962



TC Publication 620
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October 1973

UNITED STATES TARIFF COMMISSION

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Note.--The whole of the Commission's report to the President may not be made public since it contains information that would result in the disclosure of the operations of an individual concern. This published report is the same as the report to the President, except that the above-mentioned information has been omitted. Such omissions are indicated by asterisks.

REPORT TO THE PRESIDENT

U.S. Tariff Commission,
October 29, 1973

To the President:

In accordance with sections 301(f)(1) and (f)(3) of the Trade Expansion Act of 1962 (TEA) (76 Stat. 885), the U.S. Tariff Commission herein reports the results of an investigation made under section 301(c)(2) of that Act in response to a petition filed on behalf of a group of former workers.

On August 28, 1973, the Commission received a petition filed on behalf of the former workers of the Don Gustin Shoe Co., Inc., Paterson, N.J., a subsidiary of Patinos, Inc., for a determination of eligibility to apply for adjustment assistance under the said act. On September 4, 1973, the Commission instituted an investigation (TEA-W-208) to determine whether, as a result in major part of concessions granted under trade agreements, articles like or directly competitive with footwear for women (of types provided for in items 700.43, 700.45, and 700.55 of the Tariff Schedules of the United States), produced by the aforementioned firm are being imported into the United States in such increased quantities as to cause, or threaten to cause, the unemployment or underemployment of a significant number or proportion of workers of such firm or an appropriate subdivision thereof.

Public notice of the investigation was published in the Federal Register (38 F. R. 24690) on September 10, 1973. No public hearing was requested and none was held.

In the course of its investigation, the Commission obtained information from former officials of the Don Gustin Shoe Co., Inc.; officials of the United Shoe Workers of America, AFL-CIO; fieldwork by the Commission's staff; official government statistics; and its own files.

Finding of the Commission

On the basis of its investigation, the Commission finds (Commissioner Leonard dissenting, and Commissioner Young not participating) that articles like or directly competitive with footwear for women (of the types provided for in items 700.43, 700.45, and 700.55 of the Tariff Schedules of the United States) produced by Don Gustin Shoe Co., Inc., Paterson, N.J., are, as a result in major part of concessions granted under trade agreements, being imported into the United States in such increased quantities as to cause unemployment or underemployment of a significant number or proportion of the workers of such firm or an appropriate subdivision thereof.

Considerations Supporting the Commission's Finding 1/

This investigation relates to a petition filed on behalf of the former workers of Don Gustin Shoe Co., Inc., Paterson, N.J., a wholly-owned subsidiary of Patinos, Inc., also of Paterson, N.J., under section 301(a)(2) of the Trade Expansion Act of 1962 (TEA) for a determination of their eligibility to apply for adjustment assistance. Gustin Shoe Company which ceased operations in December 1972, manufactured women's high fashion footwear, mostly with uppers of leather, that retailed for approximately \$24 a pair. We would like to note here that, despite repeated attempts by the Commission staff to secure from Patinos, Inc., vital information required for its determination, it was not until October 25--two days before the finding and report were due to the President--that the Commission was able to obtain such information.

As we have stated in previous cases, the Commission, in order to make an affirmative determination under section 301(c)(2) of the TEA, must find that the following four criteria are met:

- (1) Articles like or directly competitive with those produced by the workers concerned are being imported in increased quantities;
- (2) The increased imports are in major part the result of concessions granted under trade agreements;
- (3) A significant number or proportion of workers are unemployed or underemployed or are threatened with unemployment or underemployment, and
- (4) The increased imports resulting in major part from trade-agreement concessions have been the major factor causing or threatening to cause the unemployment or underemployment.

1/ Commissioner Ablondi concurs in the result.

We find that each of these requirements has been met in this investigation, and therefore have made an affirmative determination.

Increased imports are a result in major part of trade-agreement concessions

The workers at Gustin Shoe produced women's high fashion footwear of cement construction that retailed for approximately \$24 a pair. During the last five years of operation, about 80 percent of the output of the footwear produced in the plant had uppers of leather, and the remaining 20 percent had uppers of vinyl.

U.S. imports of women's dress and casual footwear have increased sharply in recent years. Foreign producers shipped nearly 200 million pairs of such nonrubber footwear into the United States in 1972 compared with 133 million pairs in 1968. Imports of women's dress and casual footwear supplied about a half of apparent U.S. consumption of such footwear in 1972 but only about a fourth in 1968. The growth in imports was even more pronounced for women's dress shoes. U.S. imports of women's dress shoes totaled an estimated 50 million pairs in 1972 contrasted with an estimated 21 million pairs in 1968. The share of apparent annual U.S. consumption of women's dress shoes supplied by imports was an estimated 25 percent in 1972 compared with 9 percent in 1968. This substantial growth of imports which started in 1968 coincides with the first trade-agreement concession of the Kennedy Round.

We have determined that the increased imports cited above have resulted in major part from trade-agreement concessions within the meaning of the statute.

The workers are unemployed

Gustin Shoe ceased operation in December 1972, and the workers employed at that time were laid off.

Imports are the major factor causing unemployment

From the evidence in this investigation, there clearly was an internal management decision by Patinos to substitute imports for domestic production. Prior to 1972, only a negligible portion of the footwear sold by the company was imported; however, from February 1972 to January 1973, sales of imported shoes, which were generally of the same type of women's footwear as was produced by Gustin Shoe, amounted to * * * , constituting nearly * * * percent of total sales. During this period, total sales by Patinos doubled from * * * to * * * , while the value of production at Gustin Shoe decreased from * * * to * * * , or by approximately * * * . Clearly, the increased imports, which were brought about by the trade-agreement concession, caused the cessation of domestic production at Gustin Shoe, and resulted in the unemployment of the former employees of that plant.

Conclusion

Based on the foregoing considerations, we conclude that the petitioning unemployed workers have met the statutory requirements for eligibility to apply for adjustment assistance, and we have, therefore, made an affirmative determination.

Dissenting Views of Commissioner Leonard

My determination in the instant case is negative because the increase in imports of any footwear like or directly competitive with that produced by Don Gustin Shoe Co., Inc., Paterson, N.J., a subsidiary of Patinos, Inc., also of Paterson, N.J., is not the result in major part of concessions granted under trade agreements. My reasoning in support of this determination is set forth in the statement of my views in the Commission's report on nonrubber footwear submitted to the President on January 15, 1971. 1/

1/ Nonrubber Footwear: Report to the President on Investigation No. TEA-I-18 . . . , TC Publication 359, pp. 31-47.

INFORMATION OBTAINED IN THE INVESTIGATION

Description of Articles Under Investigation

From 1966 until its closing in December 1972, the Don Gustin Shoe Co., Inc., of Paterson, N.J., a subsidiary of Patinos, Inc., also of Paterson, N.J., produced women's high fashion footwear of cement construction. Approximately 80 percent of the footwear was made with uppers of leather, and 20 percent, with uppers of vinyl. The wholesale price of the footwear produced by this firm ranged from \$10 to \$12 a pair, and the retail price was approximately \$24 a pair. The footwear produced by the plant was sold under the Patinos label.

The principal features of women's shoes that determine the occasion or activity for which a particular pair is suitable--and thus the trade designations such as "dress," "casual," and "slippers"--are the cut of the uppers, the style and height of the heels, the material used for the uppers, the kind of ornamentation, and the material and construction of the sole. In general or commercial usage, however, these descriptive terms for footwear may have various meanings. Some of them are specifically defined for tariff purposes in the headnotes (including the statistical headnotes) to subpart 1A of schedule 7 of the Tariff Schedules of the United States Annotated (TSUSA). 1/

In terms of U.S. retail sales, so-called dress shoes (a term not defined in the TSUSA) are more important than any other type of footwear for women and misses. The term "dress shoes," originally

1/ For further discussion of these descriptive terms plus additional information in regard to nonrubber footwear (e.g., factors affecting U.S. consumption and marketing channels), see U.S. Tariff Commission, Nonrubber Footwear: Report to the President on Investigation No. TEA-I-18 . . ., TC Publication 359, 1971.

limited only to shoes worn on formal occasions, is now also used to describe footwear of the types generally worn for street wear and for business and social activities. Depending upon fashion designs, dress shoes may be open- or closed-heel shoes with straps, laces, or tongues over the instep and may include high-heeled sandals with open toes, open heels, and uppers of narrow strips of leather or other materials. Women's shoes intended for formal wear and regarded as dress shoes are sometime referred to as evening shoes, slippers, or sandals. The term "dress shoes" does not include footwear especially made for athletic, occupational, and leisure activities.

The materials used for the uppers of dress shoes are usually finer (i.e., less sturdy) than those of other types of footwear. Uppers may be of calf, kid, or reptile leathers; of silk, rayon, linen, satin, brocade, velvet, or metallic fabrics; or of supported vinyls or other plastics.

Women's footwear for casual wear, not considered dress shoes, includes certain sandals, wedge-heeled shoes, flats, clogs, loafers, desert boots, moccasins, and sneakers. Casual shoes usually have a lower heel than dress shoes and are constructed to withstand harder wear.

The range of styles and quality of footwear increased greatly during the 1960's as a result of new materials, technological developments in production, and new fashions in wearing apparel; and this trend has continued into the 1970's.

Simultaneously, consumer interest in a wider variety of footwear also increased, reflecting the changing age structure of the population, increasing per capita income, and a growth in time for leisure activities. Following these developments, women's footwear styles began to fluctuate greatly as a result of frequent changes in women's fashions, in which the distinction between dress and casual shoes and attire diminished.

For many years the principal type of dress shoe worn by women in the United States was the classic pump--a closed-toe, closed-back, slip-on shoe without fasteners, with lightweight soles, and with heels of 2 inches or higher. With the advent of new fashions in wearing apparel the pump declined in popularity in the late 1960's. In 1967 the chunky style (monster) shoe appeared on the fashion scene and continued to be very popular until 1968, marking the beginning of a style revolution in women's footwear. In 1969 clogs (an open-back scuff usually with a platform sole) became a popular fashion item, and remained in vogue in 1973.

In the late 1960's form fitting calf-length boots became fashionable, along with the miniskirt and other new dress fashions, and continued to be popular throughout 1970 and 1971. The popularity of boots during this period undoubtedly had an adverse effect on the demand for other types of women's footwear. However, with the switch by women to other types of wearing apparel, such as pants suits, which did not complement boot designs, the market for such boots diminished

of \$8 to \$20 a pair). Women's imported leather footwear made by the turn process and dutiable under TSUS item 700.20 does not differ significantly in appearance from the leather dress shoes entered under items 700.43 and 700.45; the imports of turned footwear under item 700.20, however, have been small.

Women's imported footwear with supported-vinyl uppers, dutiable under TSUS item 700.55, has in recent years consisted predominantly of two groups: (1) Street shoes of sturdy construction, produced in a single width for each particular length for sale at self-service counters in variety stores, discount stores, and department-store basements and (2) folding slippers, sandals, and other inexpensive footwear. It is believed that before 1970 only a negligible portion of the annual imports of women's dress shoes and boots admitted under item 700.55 retailed at more than \$10 a pair. In the years 1971 through mid-1973, annual imports of such footwear retailing at more than \$10 a pair (mostly just over that price) probably accounted for less than 10 percent of the total imports.

Rates of duty

In the Tariff Act of 1930, women's leather footwear of cement-process construction was originally dutiable under paragraph 1530(e) at 20 percent ad valorem. Such footwear is provided for in the TSUS, which became effective on August 31, 1963, under items 700.43 and 700.45. The rate of duty was reduced for the first time effective January 1, 1968, pursuant to concessions granted during the Kennedy Round of negotiations. The current rate for item 700.43 is 15 percent, and that for item 700.45 is 10 percent.

Prior to the Kennedy Round, the rate of duty on turn or turned shoes (now provided under TSUS item 700.20) was first reduced on January 1, 1932, from 20 percent ad valorem to 10 percent, pursuant to section 336 of the Tariff Act of 1930. The 10-percent rate, which was bound against increase in a concession granted to Switzerland, effective February 15, 1936, was reduced to 5 percent pursuant to a concession, effective May 30, 1950, granted under the General Agreement on Tariffs and Trade (GATT). The current rate for item 700.20 is 2.5 percent.

Supported vinyl was not used for uppers until the late 1940's or early 1950's. Prior to the effective date of the TSUS, imports of women's supported-vinyl-upper footwear, which were dutiable under various provisions of the Tariff Act, were classified principally--

- (1) By similitude, at the rate of 20 percent ad valorem applicable to leather footwear provided for in paragraph 1530(e). 1/
- (2) Under paragraph 1537(b) as articles in chief value of rubber, at the trade-agreement rate of 12.5 percent ad valorem, where the soles were of india rubber and constituted the chief value of the footwear in question.
- (3) Under paragraph 1539(b) at the reduced rate of 21 cents per pound plus 17 percent ad valorem where the footwear was in chief value of a product having a synthetic resin as the chief binding agent.

1/ The principal kinds of footwear with supported-vinyl uppers now being imported (i.e., those with soles of vinyl or other plastics) would have been dutiable by virtue of the similitude provisions under par. 1530(e) at a rate of 20 percent ad valorem.

In the TSUS a rate of 12.5 percent ad valorem was established for item 700.55 as the trade-agreement rate to replace the wide range of rates previously applicable to the various types of footwear provided for in this item. 2/ The current rate on footwear with supported-vinyl uppers is 6 percent ad valorem.

Table 1 in the appendix shows the reductions in rates of duty resulting from trade-agreement concessions granted under the GATT for footwear of the types now dutiable under items 700.20, 700.43, 700.45, and 700.55. Tables 2 through 4 shows U.S. imports of women's shoes admitted under the TSUS items mentioned above and the applicable rates of duty.

U.S. Consumption, Production, and Imports

During the period 1965-72, apparent annual U.S. consumption of all women's footwear (including dress and casual) rose from an estimated 386 million pairs in 1965 to a peak of 455 million pairs in 1969, and then declined to 421 million pairs in 1972. Annual U.S. production of such footwear declined from 319 million pairs in 1965 to 223 million pairs in 1972. Annual imports almost tripled during this period, and their share of the market increased without interruption from 17 percent to 47 percent. Imports accounted for 55 percent of the market in the first half of 1973 as shown in the following tabulation.

2/ The column 2 rate of duty for item 700.55 is 35 percent.

Nonrubber footwear for women: U.S. production, imports for consumption, and apparent consumption, 1965-72, January-June 1972 and January-June 1973

Period	Production <u>1/</u>	Imports <u>2/</u>	Apparent consumption <u>3/</u>	Ratio of imports to apparent consumption
	<u>Million pairs</u>	<u>Million pairs</u>	<u>Million pairs</u>	<u>Percent</u>
1965-----	319	67	386	17
1966-----	323	70	393	18
1967-----	290	96	386	25
1968-----	322	133	455	29
1969-----	271	139	410	34
1970-----	260	165	425	39
1971-----	237	180	417	43
1972-----	223	198	421	47
January-June:				
1972-----	117	111	228	49
1973-----	104	127	231	55

1/ Production represents the output of women's and misses' footwear as reported by the U.S. Bureau of the Census, plus shipments to the U.S. mainland from Puerto Rico.

2/ Partly estimated from the official statistics for footwear of the kinds described in pt. 1A of schedule 7 of the TSUSA except imports of zoris (very inexpensive thonged sandals of rubber or plastics) and footwear described in items 700.32, 700.51, 700.52, 700.53, and 700.60 (e.g., slippers, certain protective footwear, and certain other footwear of rubber or plastics). Includes imports of misses' footwear, which have been negligible compared with those of women's.

3/ Computed from U.S. production plus imports without an allowance for exports, which in 1972 amounted to about 1 million pairs.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

U.S. imports of women's footwear entered under TSUS items 700.20, 700.43, 700.45, and 700.55 in the aggregate accounted for 90 percent of the imports of nonrubber footwear in 1972. A negligible part of imports were entered under item 700.20, about 15 percent under item 700.43, 30 percent under item 700.45, and 45 percent under item 700.55. Italy and Spain have been the principal suppliers of women's leather footwear; the Republic of China (Taiwan) and Japan, the principal suppliers of women's vinyl footwear.

Data on U.S. consumption of women's dress shoes are not reported in official statistics. It is estimated, however, that during 1965-72 apparent annual U.S. consumption (production plus imports) of such footwear followed an irregular trend, rising from about 204 million pairs in 1965 to about 231 million in 1968 but declining to 200 million in 1972.

Estimated domestic production of women's dress shoes during this period reached a peak of about 210 million pairs in 1968 and then declined to 150 million pairs in 1972. Estimated imports rose from 4 million pairs in 1965 to 50 million pairs in 1972. The share of apparent annual U.S. consumption of women's dress shoes supplied by imports increased from 2 percent in 1965 to 31 percent in the first half of 1973, as shown in the following table.

Dress shoes for women: U.S. production, imports for consumption, and apparent consumption, 1965-72, January-June 1972, and January-June 1973.

Period	Production <u>1/</u>	Imports <u>2/</u>	Apparent consumption <u>3/</u>	Ratio of imports to apparent consumption
	Million pairs	Million pairs	Million pairs	Percent
1965-----	200	4	204	2
1966-----	206	7	213	3
1967-----	188	11	199	6
1968-----	210	21	231	9
1969-----	177	28	205	14
1970-----	165	36	201	18
1971-----	156	43	199	22
1972-----	150	50	200	25
January-June:				
1972-----	80	29	109	27
1973-----	70	31	101	31

1/ Dress shoes are believed to account for about 2/3 of the total annual output of nonrubber footwear for women and misses.

2/ In recent years, dress shoes are estimated to have accounted for about 1/4 of the total annual imports of women's and misses footwear.

3/ Data represent estimated production plus estimated imports without an allowance for exports, which in 1972 accounted for less than 1 million pairs.

Source: Estimated by the U.S. Tariff Commission, based on official statistics of the U.S. Department of Commerce.

Data on U.S. consumption, production, and imports of women's casual shoes also are not reported separately in official statistics. Estimates of these data are shown in the following table. The table indicates that during the last 7-year period while domestic production was on a downward trend and imports more than doubled, apparent consumption fluctuated from 180 million pairs in 1966 to 224 million pairs in both 1968 and 1970. The import share of domestic consumption increased from 35 percent in 1965 to 74 percent in the first half of 1973.

Women's casual footwear: Estimated production, imports for consumption, and apparent consumption, 1965-72, January-June 1972, and January-June 1973.

Period	Production <u>1/</u>	Imports <u>2/</u>	Apparent consumption <u>3/</u>	Ratio of imports to consumption
	Million pairs	Million pairs	Million pairs	Percent
1965-----	119	63	182	35
1966-----	117	63	180	35
1967-----	102	85	187	45
1968-----	112	112	224	50
1969-----	94	111	205	54
1970-----	95	129	224	58
1971-----	81	137	218	63
1972-----	73	148	221	67
January-June:				
1972-----	37	82	119	69
1973-----	34	96	130	74

1/ Casual shoes are believed to account for about 1/3 of the total annual output of nonrubber footwear for women and misses.

2/ Because of the large volume of low-heeled sandals and other inexpensive footwear entered, casual shoes are estimated to have accounted for about 3/4 of the total annual imports of women's and misses' footwear in recent years.

3/ Data represent estimated production plus estimated imports without an allowance for exports, which in 1972 amounted to less than 1 million pairs.

Source: Estimated by the U.S. Tariff Commission from official statistics of the U.S. Department of Commerce.

Distribution by Price Range

As indicated earlier in this report, the women's shoes produced by Gustin Shoe retailed for about \$24 a pair. As shown in the tabulation below, about 11 percent of domestic production of women's shoes in 1972 was sold at the wholesale level of \$10.01 to \$12.00 (\$20 to \$24 at the retail level).

Women's nonrubber footwear: Percentage distribution of domestic production, by manufacturer's selling price, 1972 and 1968

Manufacturer's selling price ^{1/}	1972	1968
	Percent	Percent
\$1.00 or less-----	-	19.2
\$1.01 to \$2.00-----	0.9	
\$2.01 to \$3.00-----	5.6	
\$3.01 to \$4.00-----	19.9	
\$4.01 to \$5.00-----	16.1	48.7
\$5.01 to \$6.00-----	11.0	
\$6.01 to \$7.00-----	4.5	
\$7.01 to \$8.00-----	7.4	
\$8.01 to \$9.00-----	6.6	29.3
\$9.01 to \$10.00-----	13.3	
\$10.01 to \$12.00-----	11.0	
\$12.01 to \$14.00-----	2.0	
\$14.01 to \$16.00-----	1.2	2.8
\$16.01 to \$18.00-----	3	
\$18.01 to \$20.00-----	1	
\$20.01 or more-----	1	
Total-----	100.0	100.0

^{1/} The retail selling price is generally twice the value of the manufacturer's selling price.

Source: Footwear Production by Manufacturer's Selling Price, 1972, U.S. Bureau of the Census.

In 1972, about 22 million pairs of imported footwear of leather, with an average dutiable value of about \$1.70 a pair, were entered under TSUSA items 700.4310 and 700.4340 (table 5); about 51 million pairs of imported footwear of leather, with an average dutiable value of \$5.12 a pair, were entered under item 700.4540; and nearly 90 million pairs of imported footwear of vinyl, with an average dutiable value of \$1.22 a pair, were entered under item 700.5545.

Data with respect to the estimated retail selling price of the above imported footwear are shown in the tabulation below.

Women's nonrubber footwear: Percentage distribution of imported footwear, by estimated retail selling price, 1972

Estimated retail selling price	1972 <u>Percent</u>
\$3 or less-----	33
3.01-6.00-----	23
6.01-10.00-----	13
10.01-16.00-----	18
16.01-22.00-----	8
22.01-28.00-----	3
More than 28.00-----	2
Total-----	100

Source: Estimated by the U.S. Tariff Commission based on imports entered under items 700.4310, 700.4340, 700.4540, and 700.5545 in 1972. Such imports accounted for about 82 percent of the total imports for women and misses in that year.

U.S. and Foreign Wage Rates

The table on the following page shows the published average hourly earnings and the estimated compensation per hour received by shoe workers in six countries in 1964, 1970, and 1971. It should be noted, however, that there are several difficulties involved in comparing these data. First, the definition for "shoe industry" varies among nations; in only two countries--Italy and the United States--are shoes specifically broken out from more encompassing industry classifications. This definitional problem makes it difficult to isolate the "shoe industry" in each country. Second, as footnote 1 to the table indicates, published hourly earnings in the various nations differ in composition. Third, total compensation for workers includes varying factors in the six countries.

Hourly earnings of production workers and estimated total compensation per hour worked by them in specified industries related to footwear in 6 countries, 1964, 1970, and 1971

(In U.S. dollars)

Country	Industry	Published average hourly earnings 1/			Estimated compensation per hour worked 2/		
		1964	1970	1971	1964	1970	1971
Brazil-----	Clothing and shoes----	3/ \$0.23	4/ \$0.28	5/	5/	5/	5/
Italy-----	Shoes 6/-----	.42	.65	\$0.90	\$0.71	\$1.19	\$1.67
Japan-----	Leather products 7/----	.37	.78	.92	.41	.88	1.03
Spain-----	Shoes, leather, and clothing.	.23	.38	.46	5/	8/ .57	8/ .68
Taiwan-----	Leather and leather products. 7/	.12	.18	5/	9/ .14	9/ .21	5/
United States-----	Footwear, excluding rubber.	1.77	2.43	2.53	2.10	2.96	3.09

1/ Published earnings do not represent the same items of labor compensation in each country because of differences in the treatment of various supplementary benefits. Earnings generally refer to gross cash payments to wage workers before deductions for taxes and social security, and include overtime pay, shift differentials, regular bonuses and premiums, and cost-of-living adjustments. Holiday, vacation, and sick leave pay, bonuses not paid regularly each pay period, and other supplementary benefits are included by some countries and excluded by others. The earnings data are per paid hour for some countries and per hour worked for other countries.

2/ Compensation refers to all payments made by employers directly to their workers before deductions of any kind, plus employer contributions to legally required insurance programs and private welfare plans for the benefit of employees. The figures on additional compensation per hour worked as a percent of published earnings are the best estimates currently available to the Bureau of Labor Statistics. The estimates are based primarily on labor cost or labor compensation surveys adjusted to the listed years on the basis of other available data.

3/ Average for 1966.

4/ Average for 1969; monthly earnings of 211.60 cruzeiros converted to an hourly basis by assuming 195 hours of work per month.

5/ Not available.

6/ Approximately 15 percent of the workers in the Italian shoe industry are home workers who are paid at a lower wage rate than the factory workers in the industry.

7/ The shoes shipped from Japan and Taiwan to the United States are principally of plastics. Separate data are not available on the plastics footwear industries of these two countries. Approximately half of the workers in the Japanese plastic shoe industry are home workers who are paid at a lower rate than the factory workers in that industry. Apparently none of the workers in the Taiwan plastic shoe industry are home workers.

8/ The compensation factor included in this figure is employer social security payments, which range from 40 to 50 percent of payroll.

9/ The published earnings data are computed per hour worked and include overtime pay, regular premiums, and bonuses; family allowances; the market value of payments in kind; and wages paid to persons absent from work. Compensation figure also includes annual bonuses.

Source: Based on data provided by U.S. Bureau of Labor Statistics, from the following: Brazil--Yearbook of Labour Statistics 1971, International Labour Office, Geneva; Italy--Social Statistics (various issues), Statistical Office of the European Communities, Luxembourg and Brussels; Japan--Year Book of Labor Statistics (various issues), Ministry of Labor, Tokyo; Spain--Monthly Bulletin of Statistics (various issues), National Institute of Statistics, Madrid; and Taiwan--Report of Taiwan Labor Statistics 1971, Department of Reconstruction, Provincial Government of Taiwan.

Note.--The exchange rates used to convert other currencies into U.S. dollars for 1971 are the average rates of exchange during 1971. Part of the increases in wages for Italy and Japan in 1971 are attributable to the change in the rates in 1971.

A-17 through A-23

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APPENDIX A
STATISTICAL TABLES

Table 1.--U.S. rates of duty applicable to women's and misses' footwear of the types provided for in specified TSUS items, July 1, 1934, and GATT concessions to Jan. 1, 1972

TSUS item No.	Abbreviated description	Rate of duty		
		July 1, 1934 ^{1/}	GATT concession ^{2/}	
			Rate	Effective date
		Percent ad val.	Percent ad val.	
	Leather footwear:			
700.20	Turn or turned-----	10 ^{3/}	5	May 30, 1950-Dec. 31, 1967.
			4	Jan. 1, 1968-Dec. 31, 1969.
			3	Jan. 1, 1970-Dec. 31, 1971.
			2.5	Jan. 1, 1972.
	"Other" (including cement process):			
700.43	Valued not over \$2.50 per pair----	20	19	Jan. 1-Dec. 31, 1968.
			18	Jan. 1-Dec. 31, 1969.
			17	Jan. 1-Dec. 31, 1970.
			16	Jan. 1-Dec. 31, 1971.
			15	Jan. 1, 1972.
700.45	Valued over \$2.50 per pair-----	20	18	Jan. 1-Dec. 31, 1968.
			16	Jan. 1-Dec. 31, 1969.
			14	Jan. 1-Dec. 31, 1970.
			12	Jan. 1-Dec. 31, 1971.
			10	Jan. 1, 1972.
700.55	Footwear having uppers of supported vinyl.	Princi- pally 20 ^{4/}	^{5/} 12.5	Aug. 31, 1963-Dec. 31, 1967.
			11	Jan. 1-Dec. 31, 1968.
			10	Jan. 1-Dec. 31, 1969.
			8.5	Jan. 1-Dec. 31, 1970.
			7	Jan. 1-Dec. 31, 1971.
			6	Jan. 1, 1972.

^{1/} Except as noted, the rate on July 1, 1934, was the same as the original rate in the Tariff Act of 1930, effective June 18, 1930.

^{2/} For concessions granted in the Kennedy Round, effective Jan. 1, 1968, the table shows staged rates scheduled to become effective up to and including Jan. 1, 1972.

^{3/} Effective Jan. 1, 1932, the statutory rate of 20 percent ad valorem was reduced to 10 percent ad valorem, pursuant to sec. 336 of the Tariff Act of 1930.

^{4/} Supported vinyl was not used for shoe uppers until the late 1940's or early 1950's. When footwear with supported vinyl uppers was imported during the 1950's and early 1960's, it was generally dutiable, by virtue of the similitude provisions of par. 1559, at the rate provided for "similar" leather footwear in par. 1530(e). The column 2 rate for item 700.55 is 35 percent.

^{5/} The trade-agreement rate established in the TSUS, effective Aug. 31, 1963, under authority of the Tariff Classification Act of 1962 (Public Law 87-456) to replace the wide range of rates previously applicable to the various types of footwear provided for in this TSUS item.

Note.--Pursuant to Presidential Proclamation No. 4074, effective from Aug. 16 to Dec. 19, 1971, the rates of duty on most imported products were increased by the temporary imposition of an additional duty of 10 percent ad valorem or less, as provided for in new subpt. C to pt. 2 of the appendix to the TSUS.

Table 2.--Leather footwear for women and misses made by the turn or turned process (item 700.20): U.S. rates of duty and imports for consumption, 1939, 1946, and 1955-72, January-June 1972, and January-June 1973

Period	Rate of duty	Quantity
	Percent ad valorem	1,000 pairs
1939-----	1/ 10	5
1946-----	10	4
1955-----	2/ 5	10
1956-----	5	97
1957-----	5	209
1958-----	5	434
1959-----	5	402
1960-----	5	664
1961-----	5	882
1962-----	5	1,067
1963-----	5	916
1964-----	5	864
1965-----	5	1,053
1966-----	5	1,106
1967-----	5	1,361
1968-----	4	1,905
1969-----	4	2,459
1970-----	3	2,398
1971-----	3	1,604
1972-----	2.5	1,589
January-June:		
1972-----	2.5	674
1973-----	2.5	622

1/ Effective Jan. 1, 1932, the statutory rate of 20 percent ad valorem was reduced to 10 percent pursuant to sec. 336 of the Tariff Act of 1930.

2/ GATT concession, effective May 30, 1950.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 3.--Leather footwear for women and misses, made principally by the cement process (items 700.43 and 700.45): U.S. rates of duty and imports for consumption, 1939, 1946, 1955-72, January-June 1972, and January-June 1973 ^{1/}

Period	Rate of duty		Quantity	
	700.43	700.45	700.43	700.45
	Percent ad valorem	Percent ad valorem	Million pairs	Million pairs
1939-----	20		2	
1946-----	20		1	
1955-----	20		1	
1956-----	20		1	
1957-----	20		2	
1958-----	20		9	
1959-----	20		5	
1960-----	20		7	
1961-----	20		9	
1962-----	20		12	
1963-----	20		17	
1964-----	20		19	
1965-----	20		21	
1966-----	20		28	
1967-----	20		38	
1968-----	19	18	34	20
1969-----	18	16	29	27
1970-----	17	14	37	35
1971-----	16	12	33	44
1972 ^{2/} -----	15	10	25	61
January-June:				
1972-----	15	10	19	32
1973-----	15	10	13	41

^{1/} Statutory rate under par. 1530(e) for 1939 and 1946 through Aug. 30, 1963, and under TSUS item 700.40 for Aug. 31, 1963, through 1967. Effective Jan. 1, 1968, new items 700.41 (sandals of buffalo leather), 700.43, and 700.45 replaced item 700.40.

^{2/} U.S. imports of sandals under item 700.41 amounted to 2 million pairs in this year.

Source: Compiled from official statistics of the U.S. Department of Commerce and partly estimated.

Table 4.--Footwear having supported-vinyl uppers for women and misses (item 700.5545): U.S. rates of duty and imports for consumption, 1934, 1964-72, January-June 1972, and January-June 1973

Period	Rate of duty	Quantity	Value	Unit value
	Percent ad valorem	1,000 pairs	1,000 dollars	Per pair
1934-----	<u>1/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>
1964-----	<u>3/</u> 12.5	27,574	12,429	\$0.45
1965-----	12.5	29,579	13,564	.46
1966-----	12.5	33,239	17,024	.51
1967-----	12.5	49,767	27,704	.56
1968-----	11	68,579	46,603	.68
1969-----	10	70,777	55,820	.79
1970-----	8.5	77,288	73,757	.95
1971-----	7	86,942	104,196	1.20
1972-----	6	89,776	104,907	1.22
January-June:				
1972-----	6	49,382	53,625	1.09
1973-----	6	54,317	63,856	1.18

1/ During the period before the TSUS became effective, footwear with supported-vinyl uppers (with soles other than india rubber) was generally dutiable by virtue of the similitude provisions of par. 1559 of the Tariff Act of 1930, at a rate provided for similar leather footwear in par. 1530(e), principally 20 percent ad valorem. The column 2 rate for item 700.55 is 35 percent.

2/ Not available.

3/ Rate established in the TSUS, effective Aug. 31, 1963.

Source: Compiled from official statistics of the U.S. Department of Commerce (data for 1964 and 1965 are partly estimated).

Note.--Data are not available on U.S. imports of footwear with supported-vinyl uppers for the years prior to 1964. Such imports were probably negligible in the mid-1950's.

Table 5.--Nonrubber footwear for women: U.S. imports,
by selected TSUSA items,1968-72

TSUSA item no.	Description	1968	1969	1970	1971	1972
		Quantity (1,000 pairs)				
	Footwear of leather:					
	Valued not over \$2.50					
	per pair:					
700.4310	Casual footwear:					
	For women-----	19,024	12,015	11,905	8,298	4,189
700.4340	Cement footwear:					
	For women-----	11,891	13,532	21,159	20,008	17,685
	Valued over \$2.50 per					
	pair:					
700.4510	Casual footwear:					
	For women-----	1,428	1,922	2,489	3,554	6,348
700.4540	Cement footwear:					
	For women-----	16,884	22,734	28,471	37,563	51,250
700.5545	Supported vinyl uppers:					
	For women and misses--	68,579	70,777	77,288	86,942	89,776
	Total-----	117,806	120,980	141,312	156,365	169,248
		Value (1,000 dollars)				
	Footwear of leather:					
	Valued not over \$2.50					
	per pair:					
700.4310	Casual footwear:					
	For women-----	27,539	17,749	18,238	13,256	7,084
700.4340	Cement footwear:					
	For women-----	19,265	22,144	35,614	34,437	30,153
	Valued over \$2.50 per					
	pair:					
700.4510	Casual footwear					
	For women-----	5,293	7,899	10,007	13,711	24,701
700.4540	Cement footwear:					
	For women-----	76,236	112,866	146,161	193,846	262,403
700.5545	Supported vinyl uppers:					
	For women and misses--	46,603	55,820	73,757	104,196	109,907
	Total-----	174,936	216,478	283,778	359,446	434,248
		Unit value (per pair)				
	Footwear of leather:					
	Valued not over \$2.50					
	per pair:					
700.4310	Casual footwear:					
	For women-----	\$1.44	\$1.48	\$1.53	\$1.60	\$1.69
700.4340	Cement footwear:					
	For women-----	1.62	1.64	1.68	1.72	1.70
	Valued over \$2.50 per					
	pair:					
700.4510	Casual footwear					
	For women-----	3.70	4.11	4.02	3.86	3.89
700.4540	Cement footwear:					
	For women-----	4.51	4.96	5.13	5.16	5.12
700.5545	Supported vinyl uppers:					
	For women and misses--	.67	.79	.95	1.20	1.22
	Average-----	1.48	1.79	2.01	2.30	2.57

Source: Compiled from official statistics of the U.S. Department of Commerce.

Appendix B
Offering Circular for Patinos, Inc.

OFFERING CIRCULAR

APPENDIX B

SECURITIES AND EXCHANGE COMMISSION

RECEIVED ORIGINAL

JAN 21 1972

RECD - B.S.I.

PATINOS, INC.

AM 7,8,9,10,11,12,1,2,3,4,5,6 PM

100,000 Shares of Common Stock (\$0.02 Par Value)

JAN 20 1972

THESE ARE SPECULATIVE SECURITIES (SEE "RISK FACTORS TO BE CONSIDERED", PAGE 3.) PRIOR TO THIS OFFERING THERE HAS BEEN NO QUOTED MARKET FOR THE COMPANY'S COMMON STOCK AND THE PUBLIC OFFERING PRICE HAS BEEN DETERMINED BY NEGOTIATION BETWEEN THE COMPANY AND THE UNDERWRITERS.

THESE SECURITIES ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION. THE COMMISSION DOES NOT PASS UPON THE MERITS OF ANY SECURITIES, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF ANY OFFERING CIRCULAR OR OTHER SELLING LITERATURE.

Table with 4 columns: Offering Price to Public, Underwriting Discounts/Commissions, Proceeds to the Company. Rows include Per Share, Total Minimum, and Total Maximum.

(1) The Company has engaged the Underwriters, as its agents, to sell the securities being offered hereby on a "best efforts, 60% or none" basis. Thus, if 60% of the shares offered hereby or 60,000 shares, are not sold and paid for by February 25, 1972 then all monies collected from subscribers for the securities so offered, which will be maintained in a special bank account, at the Chelsea National Bank, 111 John Street, New York, New York, in the name of "J. D. Winer & Co., Inc. and Darwood Associates, Inc., for the subscribers of Patinos, Inc.'s stock", during the period of this offer, will be promptly returned in full to the subscribers without interest and the offering will be terminated. If less than all the shares offered hereby are sold, the aggregate underwriting commissions to be received by the Underwriters, will be proportionately reduced, except that if the minimum number of shares offered are not sold, then the

(Notes continued on following page)

This Offering involves:

- (a) Special risks concerning the Company. (See "Risk Factors to be Considered", page 3.)
(b) Immediate substantial dilution of the book value of the Common Stock from the public offering price. (See "Dilution", page 4.)
(c) Significant additional underwriting compensation through the issuance to J. D. Winer & Co., Inc. and Darwood Associates, Inc. (the "Underwriters") of up to 10,000 Warrants to purchase common stock of the Company (assuming the sale of 100,000 shares) and indemnification. (See "Risk Factors to be Considered", page 3, "Underwriting", page 10 and "Warrants", page 11.)

J. D. WINER & CO., INC.
5 HANOVER SQUARE
NEW YORK, NEW YORK

DARWOOD ASSOCIATES, INC.
25 BROAD STREET
NEW YORK, NEW YORK

The Date of this Offering Circular is October 26, 1971, as amended on January 21, 1972.

Underwriters will not be entitled to any commissions. The Company has also agreed to pay the Underwriters an aggregate expense allowance of \$15,000 divided in proportion to the number of shares sold by each, for which the Underwriters need not account, subject to the minimum number of shares being sold.

(2) Subject to the minimum number of shares being sold, the Company has agreed to issue and sell to the Underwriters at a price of one cent per Warrant, a maximum of 10,000 Warrants at the rate of 1 Warrant for each 10 shares of Common Stock sold, divided in proportion to the number of shares sold by each, to purchase up to 10,000 shares of the Company's Common Stock. The Warrants are exercisable at \$6.00 per share. The Warrants expire five (5) years from the date hereof and are not exercisable, assignable or transferable for a 13-month period from the date hereof and thereafter will not be the subject of a public offering unless registered under the Securities Act of 1933 or qualified under Regulation A. (See "Underwriting" and "Warrants".)

(3) Before deducting expenses payable by the Company such as accounting fees, counsel fees, blue sky expenses and printing fees estimated at \$35,000 (including the Underwriters' expense allowance in the sum of \$15,000 referred to in Note 1 above). (See "Underwriting".) If all or 60% of the shares offered hereby are sold, the net proceeds to the Company will be approximately \$415,000 or \$235,000, respectively, after deducting all of the expenses referred to above and the underwriting commissions.

(4) Does not include substantial additional underwriting compensation to be received by the Underwriters. (See (c) below.)

No dealer, salesman or other person has been authorized by the Company or the Underwriters to give any information or to make any representations not contained in this Offering Circular; and, if given or made, such information or representations must not be relied upon as having been authorized by the Company or by the Underwriters. This Offering Circular does not constitute an offer or solicitation by anyone in any state in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The offering of the Common Stock by the Underwriters as agents for the Company is subject to prior sale when, as and if delivered to and accepted by the Underwriters, and to approval of certain legal matters by Aranow, Brodsky, Bohlinger, Benetar, Einhorn & Dann, Esqs., counsel for the Company and Buchman & Buchman, Esqs. and Feldshuh & Frank, Esqs., counsel for the Underwriters. The Underwriters reserve the right to withdraw, cancel, and/or reject orders in whole or in part.

AS OF THE DATE HEREOF THERE IS NO MARKET FOR THE COMPANY'S COMMON STOCK. IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK OF THE COMPANY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. IF STABILIZING IS ENGAGED IN, THE UNDERWRITERS MAY INITIALLY BE A DOMINATING INFLUENCE AND THEREAFTER A FACTOR OF DECREASING IMPORTANCE IN THE MARKET. UNDER SUCH CIRCUMSTANCES, THE MARKET PRICE OF THE COMMON STOCK MAY NOT BE A PRICE DETERMINED SOLELY BY SUPPLY AND DEMAND, BUT MAY BE A PRICE IN EXCESS THEREOF, AND AT THE EXPIRATION OF ANY STABILIZATION PERIOD, SUCH MARKET MAY CEASE TO HAVE THE SUPPORT, IF ANY, THERETOFORE FURNISHED BY THE UNDERWRITERS.

THE COMPANY

PATINOS, INC. (together with its subsidiaries, the "Company"), a New Jersey corporation, was organized on September 12, 1966. The Company is engaged in the manufacture of high fashion ladies' shoes appealing to the younger woman. These shoes are sold to leading department stores and specialty shops under the brand names Patinos, Gustinettes and Projections.

The Company's principal offices are maintained at 246 Knickerbocker Avenue, Paterson, New Jersey 07503 and the telephone number is 201-271-7373.

Risk Factors to be Considered

Prospective investors should be aware of all of the facts set forth in this Offering Circular and particularly of the following:

1. To a considerable degree the development of the Company is, and its future will be, dependent on Don Gustin, its President and controlling stockholder. If Mr. Gustin's services should become unavailable to the Company, it could be adversely affected.

2. The offering price has been arbitrarily determined by negotiations between the Company and the Underwriters and bears no relation to stock value, earnings, or other established criteria of value. There is presently no market for the shares of Common Stock of the Company and there is no assurance that a regular trading market for such shares of Common Stock will develop at the conclusion of this offering, or that the shares being offered may be resold at this offering price or any other price.

3. This offering is made on a "best efforts, 60% or none" basis. All funds received from the subscribers will be placed in a special bank account at the Chelsea National Bank, 111 John Street, New York, New York, in the name of "J. D. Winer & Co., Inc. and Darwood Associates, Inc., for the subscribers of Patinos, Inc.'s stock", to be maintained for the benefit of subscribers, until such time as subscriptions for at least 60,000 shares have been received. In the event a minimum of 60,000 shares have not been sold by February 25, 1972, all subscriptions theretofore received will be promptly refunded in full to such subscribers without interest, and without any expense to the subscriber and the offering will be terminated. If the Underwriters receive subscriptions to purchase 60,000 shares, any subscriptions thereafter received may be accepted without provision for refund of any money in the event that more than 60,000 shares, but less than 100,000 shares are sold. (See Cover Page and "Underwriting".)

4. Darwood Associates, Inc., one of the Underwriters herein, was registered with the National Association of Securities Dealers, Inc. on July 8, 1971, and this is its first underwriting. Therefore, there can be no assurance that at least 60,000 of the shares offered hereby will be sold.

5. The Company is engaged in a highly competitive business, and is in competition with many companies, some of which are larger and have a substantial history, background and record of successful operations in the industry, and which also have greater financial resources than the Company. (See "Competition.")

6. The Company's Certificate of Incorporation does not provide for cumulative voting. Therefore, since the Company's present stockholders will own more than 50% of the Company's outstanding voting shares, they will be able to elect all of the Company's directors and accordingly, will continue to control the management and policies of the Company. (See "Description of Capital Stock.")

7. The Company has paid no dividends to the holders of the Common Stock and does not expect to pay dividends in the foreseeable future.

8. Since this offering is being made on a "best efforts, 60% or none" basis, there can be no assurance that all the shares offered hereby will be sold or that if sold the proceeds will be sufficient to accomplish the purposes for which they are intended. If only 60% of the shares are sold, the net proceeds to the Company, after deducting expenses and commissions, will be approximately \$235,000. See "Use of Proceeds." Accordingly, the Company may experience difficulty in raising sufficient funds to accomplish the purposes for which this offering was intended. In that event the value of the shares offered hereby may be substantially reduced.

9. Reference is made to the fact that Warrants to purchase up to 10,000 shares of the Company's Common Stock will be granted to the Underwriters at a price of one cent per Warrant. The Warrants are exercisable at \$6.00 per share. (See Cover Page, "Underwriting" and "Warrants.") The exercise price of the Warrants should not be construed as an indication of the present or future value of the Common Stock of the Company. For the life of the Warrants the holders thereof will be given at nominal cost the opportunity to profit from a rise in the market for the Company's Common Stock with a resulting dilution in the interest of the stockholders. During the term of the Warrants, the Company may be deprived of favorable opportunities to obtain additional capital if it should be needed for the purposes of the business and the holders of the Warrants may be expected to exercise them at a time when the Company in all likelihood will be able to obtain equity capital, if then needed, by sale of a new offering on terms more favorable than those provided in the Warrants.

DILUTION

As of September 30, 1971, the 200,000 outstanding shares of Common Stock had a net tangible book value of \$468,828 or \$2.34 per share. If all of the shares of Common Stock offered hereby are sold, the net tangible book value of the outstanding shares of Common Stock will be approximately \$883,828 or \$2.94 per share and if only 60,000 shares are sold, such net tangible book value will be \$703,828 or approximately \$2.71 per share. This increase in the net tangible book value of approximately \$.60 per share (\$.36 if only 60,000 shares are sold) will be attributable to, and the immediate dilution of \$2.06 (\$2.29 if only 60,000 shares are sold) from the \$5 per share public offering price will be absorbed by the cash payments made by the purchasers of the Common Stock offered by this Offering Circular. Assuming all of the 100,000 shares of Common Stock offered hereby are sold, the public will own one-third of the 300,000 shares of Common Stock to be issued and outstanding for an aggregate investment of \$500,000 and the present Common Stockholders will own two-thirds of said stock. If only 60,000 shares are sold, the public will own approximately twenty-three percent of the 260,000 shares outstanding for an investment of \$300,000 and the present stockholders will own approximately 77% of said stock. If 100,000 shares are sold the net tangible equity of the present Common Stockholders will increase from \$468,828 to approximately \$590,000 (\$540,000 if 60,000 shares are sold) and the net tangible equity of the public purchasers will decrease from \$500,000 to approximately \$295,000 (or from \$300,000 to \$162,600 if 60,000 shares are sold.) The above calculations do not give effect to the proceeds which may be received from the possible exercise of any of the Warrants (See "Underwriting" and "Warrants.")

USE OF PROCEEDS

The net proceeds from the sale of the entire 100,000 shares offered hereby will be approximately \$415,000 after the payment of underwriting commissions and expenses estimated at \$85,000 and if only 60,000 shares are sold, the net proceeds will be approximately \$235,000 after the payment of underwriting

commissions and expenses estimated at \$65,000. Such proceeds from the sale of all or only 60,000 shares will be used substantially as follows:

	<u>If 100,000 shares are sold</u>	<u>If 60,000 shares are sold</u>
1. Expansion of marketing operations, including enlargement of sales organization, participation in additional trade shows to obtain more national distribution and other promotional activities	\$ 100,000.00	\$ 80,000.00
2. Expansion of production facilities in Florida*	200,000.00	155,000.00
3. Working Capital	115,000.00	—

* See "Plans for Expansion."

If more than the minimum number of shares, but less than the maximum number are sold, additional proceeds will first be divided between purposes 1 and 2 above set forth in a ratio of approximately one-third to two-thirds until the maximum amounts to be used for such purposes are attained and any excess will then be added to working capital.

Proceeds may also be used for acquisitions should favorable opportunities arise. At the present time the Company is not considering any acquisitions. If any acquisitions are made, it is intended that they will be in the same or related fields as the Company's present business.

To the extent that the funds are not currently used or not required for current expenses, they may be temporarily invested in certificates of deposit, short-term government obligations or other commercial paper.

CAPITALIZATION

The capitalization of the Company (i) as of January 1, 1972 and (ii) after giving effect to the issuance of all of the shares offered hereby, is as follows:

<u>Title of Class</u>	<u>Authorized</u>	<u>Outstanding as of dates of this Offering Circular</u>	<u>Amount to be outstanding if all shares sold</u>
Common Stock, par value \$.02 per share	2,000,000 shs.	200,000 shs.(1)	300,000 shs.(1)
Warrants	10,000	—	10,000 (2)

(1) Does not include 20,000 shares reserved for issuance upon the exercise of stock options which may be granted under the Company's Key Employee Stock Option Plan and 10,000 shares reserved for issuance upon the exercise of warrants to be sold to the Underwriters.

(2) See Cover Page, "Risk Factors to be Considered", "Underwriting" and "Warrants."

See "Properties" with respect to the leases of the Company.

BUSINESS

The Company and its subsidiaries, Cupidon Corp., Don Gustin Shoe Co., Inc., Gustinettes, Inc. and Sharon Shoe Corp., design, manufacture and sell high fashion shoes made to appeal to the younger woman. Although the history of the Company dates back to 1947 when Don Gustin Shoe Co., Inc. was

incorporated under the name Gustinettes, Inc., Don Gustin, President and controlling stockholder, took control of the Company in 1962 and set it on a new course which has resulted in a substantial increase in annual sales since that time.

For the fiscal year ended January 31, 1967, sales volume was \$995,734; for the fiscal year ended January 31, 1968, \$1,305,542; for the fiscal year ended January 31, 1969, \$1,571,711; for the fiscal year ended January 31, 1970, \$2,170,173; for the fiscal year ended January 31, 1971, \$1,858,207; and for the eight months ended September 30, 1971, \$1,445,796. The decline in sales volume during the fiscal year ended January 31, 1971 was the result of a management decision, based on its analysis of market conditions, to restrict production and sales efforts. Despite the reduction in sales volume, profits increased over the prior year because of a reduction of expenses. (See "Statement of Consolidated Earnings.")

In 1962 Don Gustin introduced the Patinos line of shoes designed to appeal to the age group of approximately sixteen to twenty-five. By 1967, the line was expanded so as to attract the young matron as well as the younger girl. Since 1969 boots have also been sold under the Patinos label. At the present time the Patinos line sells in a retail range of from about \$18 to \$45.

A little more than a year ago the Company introduced its Projections line. Shoes sold under this label are designed to appeal to the mod generation. The styling is more extreme than that of the Patinos line. Items with the Projections label sell in a range of between \$25 and \$60 at retail.

Under the Gustinettes label the Company sells slippers and evening shoes for women of all ages. These products produce the smallest part of the Company's volume of sales.

The Company seeks to keep abreast of fashion and to introduce new styles to meet changing tastes. Its shoes have been featured in leading fashion magazines, particularly those catering to teenagers and young women.

Substantially all of the Company's shoes are manufactured at its plants in New Jersey and Florida. The Company has been manufacturing in Florida for only about three years. A very small portion of the shoes sold under the Company's labels are imported or manufactured by others here. Similarly, only an insignificant portion of the shoes manufactured by the Company are sold under the labels of other firms.

The Company presently is arranging to increase substantially its importation of shoes manufactured by others. There is no assurance that the sale of imported shoes will prove successful.

Well over ninety percent of the Company's shoes are made of leather. However, the Company also produces shoes using velvets, satins and brocades. The shoes produced include flats, low heels, wedges, clogs and boots. The raw materials used by the Company are in plentiful supply and the Company is not dependent on any one or a few sources of supply.

The Company's products are sold by a sales force of five (see "Employees" below) directly to leading department and specialty stores such as B. Altman & Co., Franklin Simon, Gimbels, Lord & Taylor, Bloomingdales, Marshall Field, Saks Fifth Avenue, Joseph Magnin and Neiman-Marcus. Sales are greatest in a number of large cities including New York, Philadelphia, Washington, Dallas, Chicago, Los Angeles and San Francisco. No one customer accounts for as much as ten percent of the Company's sales.

Plans for Expansion

It is anticipated that, with the proceeds of the offering, the Company will expand its operations. Although the Company's shoes are sold in stores on the east and west coasts and in the midwest, such sales are concentrated in a limited number of larger cities. The Company intends to expand its sales force by one to three salesmen or sales representatives and to show its products at more trade shows. Greater distribution requires greater productive capacity and, therefore, the Company also plans to expand its production facilities in Florida by moving to larger quarters and acquiring additional machinery and equipment.

Employees

The Company has approximately 200 employees. About 180 of these are production employees and the others are engaged in designing, clerical, supervisory and administrative duties. The production employees are equally divided between the Company's plants in Paterson, New Jersey and Hialeah, Florida. The former, but not the latter employees are covered by a union contract expiring in February, 1973.

One regular employee of the Company and four independent non-exclusive sales representatives act as salesmen of the Company's products.

The Company has not suffered any material work stoppages because of labor disputes. The Company believes that its relations with its employees are satisfactory.

Properties

The Company leases plants in Paterson, New Jersey and Hialeah, Florida. The plant in Paterson, which also serves as corporate headquarters, contains about 20,000 square feet. About 8,000 pairs of shoes can be produced each week at the plant, which is owned by Don Gustin, the President and controlling stockholder of the Company. The plant is occupied under a lease, dated June 1, 1971, expiring May 31, 1976. The rental is \$18,000 per annum and the tenant must also pay the taxes on the property. The Company believes that the terms of the lease are no less favorable to it than those which could be obtained from an independent landlord.

The Hialeah plant, which contains about 12,000 square feet, is capable of producing 2,500 to 3,000 pairs of shoes per week. The plant is leased from an unaffiliated landlord at a rental of \$800 per month under a lease expiring on April 30, 1972. The lease can be renewed for five years at a rental of \$850 per month during the first two years of such renewal and \$900 per month thereafter.

A showroom is maintained by the Company at 47 West 34th Street, New York City. The showroom is rented under a lease expiring April 30, 1972 at a rental of \$5,550 per annum.

Competition

The shoe business is very competitive. The Company must compete with many larger and more substantial companies. However, the Company does not attempt to compete with the manufacturers of lower priced shoes produced in great quantities and depending on a greater mass market. Instead, the Company seeks to appeal to younger women seeking high fashion products and willing to spend more to obtain them.

MANAGEMENT

Directors and Officers

The directors and officers of the Company are as follows:

<u>Name and Address</u>	<u>Office</u>
Don Gustin 633 Iroquois Street Oradell, New Jersey	President and Director
Pat Magnolo 25-12 150th Street Flushing, New York	Vice-President and Director
Charles Blodi 24 Willow Grove Way Englishtown, New Jersey	Treasurer and Director
Helaine Gustin 633 Iroquois Street Oradell, New Jersey	Secretary and Director
Sigmond Enoch 1399 Miami Gardens Drive Miami, Florida	Director
Al Gerd 5838 Collins Avenue Miami Beach, Florida	Director

Mr. Gustin has been associated with the shoe business since graduating from New York University in 1949. His experience encompasses manufacturing, design, marketing and sales. He has been the principal stockholder, an officer and a director of the Company for approximately nine years.

Mr. Magnolo has been associated with the Company since 1964. He is in charge of production at the Company's Paterson plant. He was formerly a principal in Papagallo Shoe Company.

Mr. Blodi has been employed by the Company for approximately four years. Prior to that he had many years of accounting and financial experience with companies outside the shoe industry.

Mr. Enoch, who became a director this year, is now retired. He was formerly head of his own automotive servicing company for more than thirty years.

Mr. Gerd has been in charge of the Florida operations of the Company since 1968. He previously headed his own shoe company and has been employed by I. Miller Shoe Company and U.S. Shoe Company.

Helaine Gustin is the wife of Don Gustin and has performed design and illustrating work for the Company on a part time basis since 1962.

Remuneration

No officer or director of the Company received aggregate direct remuneration of \$30,000 or more during its last fiscal year except Don Gustin, who received \$34,650. Mr. Gustin is presently receiving compensation at the rate of \$35,000 per annum. All present directors and officers (6 persons) received direct aggregate remuneration of \$107,830.45 from the Company during the fiscal year ended January 31, 1971.

Two of the Company's subsidiaries have profit sharing retirement plans for the benefit of all full-time non-union employees of those subsidiaries with at least sixteen months service. During the year ended January 31, 1971, \$2,360 was contributed to said plans for the benefit of Don Gustin and \$6,384 was contributed for the benefit of all directors and officers. At January 31, 1971 the accumulated contributions in such plans for the benefit of Mr. Gustin was \$8,885.

Certain Transactions

See "Business-Properties" for the description of a lease between the Company and Don Gustin.

In August, 1971 the authorized capital of the Company was changed from 2,500 shares of Common Stock without par value to 2,000,000 shares of Common Stock with a par value of \$.02 per share. At the same time its outstanding shares were split 340 to 1 and it acquired all of the issued and outstanding stock of four affiliated companies, Cupidon Corp., Don Gustin Shoe Co., Inc., Gustinettes, Inc. and Sharon Shoe Corp. from their then shareholders. As a result of these transactions the Company's outstanding stock increased to 200,000 shares of Common Stock distributed among Don Gustin (170,640 shares), Tessie Enoch (8,500 shares), Pat Magnolo (4,760 shares), Sigmond Enoch (500 shares) and Helaine Gustin, as custodian for Barry, Robert and Sharon Gustin, respectively (5,200 shares each or a total of 15,600 shares). Don Gustin then made a gift of 5,200 shares to his wife Helaine, reducing his holdings to 165,440 shares.

PRINCIPAL SHAREHOLDERS

The following table sets forth the ownership of the Common Stock of the Company by each person who owned beneficially and of record 10% or more of such stock and by all directors and officers as a group on January 1, 1972 and as adjusted to reflect the sale of 100,000 shares offered hereby. (See "Cover Page" and "Dilution.") :

Name and Address	Shares Owned	Percentage of Shares	
		Before Offering	After Offering
Don Gustin 633 Iroquois Street Oradell, New Jersey	165,440(1)	83%	55%
All Officers and Directors as a group	176,400(2)	88%	30%

(1) Excludes 15,600 shares owned by Mrs. Gustin as custodian for the three children of Mr. and Mrs. Gustin and 5,200 shares owned by Mrs. Gustin.

(2) Excludes 15,600 shares owned by Mrs. Gustin as custodian for the three children of Mr. and Mrs. Gustin.

DESCRIPTION OF COMMON STOCK

The Company has an authorized capital of 2,000,000 shares of Common Stock, \$.02 par value. The holders of Common Stock have no preemptive rights and the Common Stock has no redemption, sinking fund or conversion provisions. Each share of Common Stock is entitled to one vote on any matter submitted to the shareholders, to equal dividend rights and to equal rights in the assets of the Company available for distribution to holders of Common Stock upon liquidation. All of the shares of Common Stock are, and the shares offered will be, when issued, fully paid and non-assessable.

Non-cumulative Voting

The Common Stock of the Company has non-cumulative voting rights, which means that the holders of more than 50% of the shares voting for the election of directors can elect all of the directors of the Company, if they choose to do so, and in such event the holders of the remaining shares will not be able to elect any of the directors.

Reports to Shareholders

The Company intends to distribute annual reports to its shareholders as promptly as practicable after the end of each fiscal year. Each annual report will contain financial statements prepared and accompanied by a report of independent Certified Public Accountants.

Transfer Agent and Registrar

Assuming the successful completion of this offering, the transfer agent for the Common Stock of the Company will be the Registrar and Transfer Company, 34 Exchange Place, Jersey City, New Jersey.

STOCK OPTION PLAN

In August, 1971, the Board of Directors of the Company adopted, and the stockholders approved, an Employee Stock Option Plan for the issuance of qualified stock options to officers and key employees (who may be directors) of the Company pursuant to Section 422 of the Internal Revenue Code of 1954, as amended. Under the Plan the Board of Directors may grant options for the purchase during a five-year period of up to 20,000 shares of Common Stock at an option price of not less than 100% of the market value of such shares at the time the options are granted. Each option will be exercisable as to fifty percent of the shares no earlier than 24 months after the grant, and no earlier than 36 months after grant as to the balance. All options are non-transferable and are exercisable only during employment by the Company or (except in the case of certain terminations of employment prior to retirement) within three months thereafter. No option may be exercised more than five years from the date of grant. Options granted under the Plan may, at the discretion of the Board of Directors, be granted anti-dilution protection.

No options have been granted under the Plan and no determination has been made as to what options will be granted in the future.

UNDERWRITING

The Underwriters, J. D. Winer & Co., Inc. and Darwood Associates, Inc., have entered into an agreement ("Underwriting Agreement") with the Company under which the Underwriters will use their best efforts to offer to the public, from the effective date hereof until February 25, 1972, 100,000 shares of the Company's Common Stock, but not less than 60,000 shares, at the price stated on the cover page of this Offering Circular. During such period, funds received from subscribers will be deposited in a special account at Chelsea National Bank, 111 John Street, New York, New York, either for payment to the Company in the event that at least 60,000 shares are sold, or for return to subscribers without interest or deduction for expenses of this offering, if less than 60,000 shares are sold.

The Company has been advised by the Underwriters that they propose to offer such Common Stock in part directly to retail purchasers at the public offering price set forth on the Cover Page hereof and in

part to dealers (who are members of the National Association of Securities Dealers) at a price which allows a concession from the public offering price of not exceeding \$.25 per share. The Underwriting Agreement provides that, subject to the minimum number of shares being sold, the Company will pay to the Underwriters a commission of 10% of the public offering price with respect to the sale of the shares offered hereby and a non-accountable expense allowance in the aggregate amount of \$15,000 both divided in proportion to the number of shares of Common Stock sold by each, as well as the Blue Sky fees of Buchman & Buchman, counsel to J. D. Winer & Co., Inc. a Co-Underwriter, to a maximum of \$1,000 in the aggregate plus disbursements.

Certain reciprocal agreements of indemnity between the Company and the Underwriters, including agreements of indemnification for certain liabilities under the Securities Act of 1933, as amended, are contained in the Underwriting Agreement.

The Company has agreed, upon the sale of at least 60,000 shares offered hereby, to use its best efforts for a period of five years to elect one designee of the Underwriters, satisfactory to the Company, to the Board of Directors. The Underwriters have not designated their nominee, but when designated, the Underwriters have agreed that such nominee will not be an officer, director, partner, employee or affiliate of the Underwriters. The Underwriting Agreement also provides that, for a period of three years, the Underwriters will have a right of first refusal as to any future public or private offerings of the Company's securities, at prices and terms not less favorable to the Company than offered by others.

The obligation of the Underwriters to offer the securities offered hereby is subject to the accuracy of the representations and warranties of the Company contained in the Underwriting Agreement, the performance by the Company of its covenants contained therein, and the approval of certain legal matters by counsel for the Underwriters.

The Company has agreed to sell to the Underwriters Warrants to purchase up to a maximum of 10,000 shares of the Company's Common Stock at a price of one cent per warrant. See "Warrants."

The foregoing is a summary of the principal terms of the Underwriting Agreement, which summary does not purport to be complete, and reference is hereby made to a copy of the Underwriting Agreement, which is on file as an exhibit to the Notification under Regulation A filed with the New York Regional Office of the Securities and Exchange Commission, for all of the terms of said Agreement.

WARRANTS

In connection with the offering, Warrants to purchase up to an aggregate of 10,000 shares of the Common Stock of the Company will be sold to the Underwriters, at a price of one cent per Warrant (See "Underwriting.") The Underwriters will receive one Warrant for every ten (10) shares of the Company's Common Stock sold to the public, subject to the minimum number of shares being sold. The Warrants will expire five (5) years from the date hereof and are not exercisable, transferable or assignable for thirteen months from the date hereof and are exercisable thereafter at the exercise price of \$5.00 per share, subject to anti-dilution provisions.

Any resales by the Underwriters of such Warrants and/or the underlying shares will be made in conformity with the applicable provisions of the Securities Act of 1933, as amended. In the event that the Underwriters wish to make a public offering of the Shares issued pursuant to the exercise

of the Warrants at any time after thirteen months from the date hereof, the Company will qualify the same for sale pursuant to an exemption under Regulation A under the Securities Act of 1933, as amended. In addition, the Company has agreed to include the Common Stock issuable upon exercise of the Warrants, at no cost to the holders thereof, in any registration statement or offering circular filed by the Company.

LEGAL MATTERS

Legal matters in connection with this offering have been passed upon in behalf of the Company by Aranow, Brodsky, Bohlinger, Benetar, Einhorn & Dann, Esqs., 469 Fifth Avenue, New York, New York 10017 in behalf of J. D. Winer & Co., Inc. a Co-Underwriter, by Buchman & Buchman, Esqs., 10 East 40th Street, New York, New York 10016 and in behalf of Darwood Associates, Inc. a Co-Underwriter, by Feldshuh & Frank, Esqs., 144 East 44th Street, New York, New York 10017.

EXPERTS

The audited financial statements of the Company included herein have been examined by Silberman, Waltzer, Markus & Gentile, independent Certified Public Accountants, and have been included herein in reliance on their opinion and their authority as experts.

LITIGATION

The Company is not a party to any litigation, nor to the best of its knowledge is any litigation threatened against the Company which in any way would materially affect the conduct of its business.

ADDITIONAL INFORMATION

Information in addition to that contained in this Offering Circular is set forth in the Notification on Form 1-A (of which this Offering Circular is a part) which the Company has filed with the New York Regional Office of the Securities and Exchange Commission.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
PATINOS INC.
Paterson, New Jersey

We have examined the consolidated balance sheet of Patinos, Inc. and consolidated subsidiaries as of January 31, 1971 and September 30, 1971, and the related statements of consolidated earnings for the two years and eight months then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We were unable to observe the taking of physical inventories or confirm receivables at January 31, 1969, January 31, 1970 and September 30, 1971. However, we were able to satisfy ourselves as to the inventories and receivables at January 31, 1970 by means of other auditing procedures.

Because of the limitation in the scope of our examination, as explained in the preceding paragraph, we were unable to render any opinion on the accompanying balance sheet as at September 30, 1971 nor on the statements of consolidated earnings for the year ended January 31, 1970 and the eight months ended September 30, 1971. However, in our opinion, the accompanying consolidated balance sheet at January 31, 1971 and statement of consolidated earnings for the year ended January 31, 1971 present fairly the financial position of Patinos, Inc. and consolidated subsidiaries as at January 31, 1971 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

SILBERMAN, WALTZER, MARKUS & GENTILE

New York, New York
January 11, 1972

PATINOS, INC.
AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

ASSETS

	<u>January 31, 1971</u>	<u>September 30, 1971</u>
	(Audited)	(Unaudited)
CURRENT ASSETS:		
Cash	\$ 27,911	\$ 7,381
Accounts Receivable—Trade—(Note B)	401,807	463,913
Inventory (Note C)	251,987	348,418
Prepaid Expenses	7,505	17,206
Sundry Receivables	3,945	3,285
Total Current Assets	\$693,155	\$840,203
FIXED ASSETS (Note D)		
Machinery and Equipment	\$159,042	\$164,241
Lasts and Dies	192,313	220,981
Furniture and Fixtures	17,168	17,496
Transportation Equipment	7,565	16,656
Total	\$376,088	\$419,374
Less: Accumulated Depreciation	297,531	78,557
		101,378
OTHER ASSETS:		
Security Deposits	\$ 9,535	\$ 9,170
Goodwill	2,000	2,000
Total Assets	\$783,247	\$952,751
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts Payable—Trade	\$155,030	\$136,002
Customer Credit Balances	26,907	32,223
Loans and Notes Payable (Due in 1 Year)	72,560	149,307
Accrued Expenses and Taxes	122,095	160,374
Total Current Liabilities	\$376,592	\$477,906
LONG-TERM LIABILITIES:		
Loans and Notes payable (Due After 1 Year)	\$ 8,513	\$ 3,317
Security Payable	700	700
Total Liabilities	\$385,805	4,017
		\$481,923
STOCKHOLDERS' EQUITY: (Note F)		
Common Stock—Par Value \$.02 per share Authorized 2,000,000 shares		
Issued and Outstanding 200,000 shares	\$ 4,000	\$ 4,000
Capital Contributed in Excess of Par Value	122,739	122,739
Retained Earnings	270,703	344,089
Total Stockholders' Equity	\$397,442	\$470,828
Total Liabilities and Stockholders' Equity	\$783,247	\$952,751

PATINOS, INC.
AND CONSOLIDATED SUBSIDIARIES
STATEMENT OF CONSOLIDATED EARNINGS

The following statement of consolidated earnings of Patinos, Inc. and subsidiaries for the two years ended January 31, 1971 and the eight months ended September 30, 1971, reflects the operations of the Company and companies acquired in a transaction on August 9, 1971 accounted for as a pooling of interests and also reflects the recapitalization of the Company. (See Note A of Notes to Financial Statements.) The Statement for the year ended January 31, 1971 has been examined by Silberman, Waltzer, Markus and Gentile, independent certified public accountants. The Statement should be read in conjunction with the notes below, the Financial Statements and related notes, and the accountants report appearing elsewhere in the Offering Circular. With respect to the figures for the year ended January 31, 1970 and the eight months ended September 30, 1971, which are unaudited, management of the Company believes all adjustments (which comprise only normal recurring accruals) necessary to present fairly the results of operations for the year ended January 31, 1970 and the eight months ended September 30, 1971 have been made.

	Year Ended January 31		Eight Months Ended September 30, 1971
	1970 (Unaudited)	1971 (Audited)	(Unaudited)
Net Sales	\$2,170,173	\$1,858,207	\$1,445,796
Cost of Sales	1,646,955	1,289,014	1,034,085
Gross Profit	\$ 523,218	\$ 569,193	\$ 411,711
Selling, Administrative and General Expenses	455,750	408,685	292,615
Operating Profit	\$ 67,468	\$ 160,508	\$ 119,096
Other Income (Note 1)	873	5,444	—
Earnings Before Income Taxes	\$ 68,341	\$ 165,952	\$ 119,096
Federal and State Income Taxes	20,500	82,195	45,708
Net Earnings	\$ 47,841	\$ 83,757	\$ 73,388
Earnings Per Share of Common Stock	\$ 0.22	\$ 0.42	\$ 0.37
Number of Shares of Common Stock Outstanding—200,000			

Note 1—Other income was derived primarily from unclaimed customer credits written off.

PATINOS, INC.
AND CONSOLIDATED SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

NOTE A—PRINCIPLES OF CONSOLIDATION

Pursuant to a plan of reorganization, on August 9, 1971 the Company increased its authorized capital stock from 2,500 shares of common stock, without par value, to 2,000,000 shares of common stock, par value \$.02 per share, and 34,000 of the new shares were issued in exchange for all of the then outstanding capital stock on the basis of 340 shares for 1. In addition, the Company acquired, for 166,000 shares of authorized but unissued common stock of the Company, all of the capital stock of Don Gustin Shoe Co., Inc., Gustinettes, Inc., Sharon Shoe Corp. and Cupidon Sales Corp. The Company has recorded its investment in Don Gustin Shoe Co., Inc., Gustinettes, Inc., Sharon Shoe Corp. and Cupidon Sales Corp. at \$356,282 which reflects the value of the net assets of these subsidiaries, and which amount is reflected on the Company's consolidated balance sheet in the amount of \$3,320 in capital stock, \$122,419 in capital contributed in excess of par value and \$230,543 in retained earnings. All intercompany transactions have been eliminated from the consolidated Financial Statements.

NOTE B—ACCOUNTS RECEIVABLE—TRADE

Accounts Receivable—Trade are reflected net of an allowance for doubtful accounts. Such allowances for doubtful accounts were \$58,581 and \$63,233 as of January 31, 1971 and September 30, 1971, respectively. An aging of the accounts receivable as of September 30, 1971 reflects the following:

Current	\$249,164
30-60 days	147,122
60-90 days	46,078
Over 90 days	84,782
Total	\$527,146

Management for the Company believes the allowance for doubtful accounts is sufficient to cover any losses arising from bad debts on these receivables.

NOTE C—INVENTORIES

Inventories used in the computation of cost of goods sold are stated at the lower of cost or market. The amounts included in the computation at the end of each period were as follows:

	Year Ended		Eight Months Ended
	Jan. 31 1970	Jan. 31 1971	September 30, 1971
Raw Materials	\$ 31,268	\$118,655	\$165,256
Work in Process	101,740	117,014	117,426
Finished Goods	24,887	16,318	65,256
	\$157,895	\$251,987	\$348,418

NOTE D—FIXED ASSETS

Fixed Assets are recorded at cost less accumulated depreciation. Depreciation is computed, generally, using the straight line method at the following rates:

Machinery and Equipment	12½%
Lasts and Dies	12-18 months
Furniture and Fixtures	10%
Transportation Equipment	25%

PATINOS, INC.
AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS—(Continued)

Normal maintenance and repairs are charged to expenses as incurred. When assets are sold or otherwise disposed of, the allowance for depreciation is charged with the accumulated depreciation on such asset since its acquisition. Any gain or loss is reflected in the statement of earnings.

NOTE E—CONTINGENT LIABILITIES

The Company presently occupies its plants and showroom under leases expiring on April 30, 1972, May 31, 1976 and April 30, 1972 at yearly rentals of approximately \$9,984, \$18,000, and \$5,559 respectively.

NOTE F—CAPITAL STOCK

The accompanying Financial Statements and notes have been adjusted to reflect the stock split, recapitalization and reorganization described in Note A above.

NOTE G—STOCK OPTION

The Company has adopted a stock option plan whereby key employees of the Company may be given options to purchase stock at a price not less than 100% of the fair market value of the shares at the time the options are granted. Under the plan, 20,000 shares of the Company's common stock have been reserved for option. No options have been granted under the plan.

NOTE H—EMPLOYEES' BENEFIT PLAN

Employees of two of the Company's subsidiaries participate in profit-sharing retirement plans established on July 27, 1967 and October 15, 1970. All full-time non-union employees of these subsidiaries with sixteen months service on the anniversary date of the plans are eligible for participation. Contributions to the plans are made at the discretion of the subsidiaries' Boards of Directors.

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PATINOS, INC.

100,000 Shares

Common Stock

(\$0.02 Par Value)

OFFERING CIRCULAR

**October 26, 1971,
as amended on
January 21, 1972**

**J. D. Winer & Co., Inc.
Darwood Associates, Inc.**
