FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

Filing Date: **1997-12-18** | Period of Report: **1997-10-31**
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FILER

INITIO INC

CIK:**50505**| IRS No.: **221906744** | State of Incorp.:**NV** | Fiscal Year End: **0430**
Type: **10QSB** | Act: **34** | File No.: **000-09848** | Film No.: **97740133**
SIC: **5961** Catalog & mail-order houses

Mailing Address
2500 ARROWHEAD DR
CARSON CITY NV 89706

Business Address
2500 ARROWHEAD DR
CARSON CITY NV 89706
7028832711

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

10 - QSB

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended October 31, 1997

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES E EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 0-9848

INITIO, INC.
(Exact name of small business issuer as specified in its charter)

Nevada	22-1906744
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2500 Arrowhead Drive, Carson City, Nevada 89706
(Address of principal executive offices) (Zip Code)

Issuer's telephone number, including area code: (702) 883-2711

None
(Former name, former address and former fiscal year, if changed since last report.)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past twelve (12) months (or for suchshorter period that the issuer was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
YES X NO

State the number of shares outstanding of each of the issuer's classes of common equity, as of the close of the latest practicable date:

Class	Outstanding December 10,1997
Common stock, $.01 par value	4,801,964

TRANSITIONAL SMALL BUSINESS DISCLOSURE FORMAT (Check One): YES ____ NO X

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INITIO, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Six Months Ended October 31,		Three Months Ended October 31,	
	1997	1996	1997	1996
NET SALES	$4,167,864	$4,269,519	$3,057,510	$3,110,604
COSTS AND EXPENSES				
Cost of Merchandise Sold	$1,447,047	$1,628,543	$1,160,973	$1,230,076
Advertising	$1,486,105	$1,510,923	$1,075,485	$1,149,221
GROSS MARGIN	$1,234,712	$1,130,053	$821,052	$731,307
General & Administrative (including Fulfillment)	$1,425,095	$1,451,313	$895,285	$898,766
OPERATING (LOSS)	($190,383)	($321,260)	($74,233)	($167,459)
OTHER INCOME (EXPENSE)				
Interest (Expense) net of interest income of $31,968 and $32,495 for the six months ended October 31, 1997 and 1996 and $16,155 and $17,146 for the three months ended October 31, 1997 and 1996, respectively	($127,195)	($172,060)	($69,643)	($100,825)
Gain on Marketable Securities	$180,378	$183,706	$125,322	$168,494
Total Other (Income)	$53,183	$11,646	$55,679	$67,669
NET (LOSS)	($137,200)	($309,614)	($18,554)	($99,790)
Loss per Share (Note 1(k)):				
(Loss) per Common Share	($0.03)	($0.07)	$0.00	($0.02)
Weighted Average Shares	4,727,735	4,679,664	4,778,849	4,679,664

The accompanying notes to the consolidated financial statements are an integral part of these statements.

INITIO, INC.

CONSOLIDATED BALANCE SHEETS

	October 31, 1997	April 30, 1997
ASSETS	(Unaudited)	(Audited)
CURRENT ASSETS:		
Cash	$247,033	$300,360
Marketable Securities	$926,882	$636,072
Inventory	$3,768,470	$3,247,406
Prepaid Advertising	$1,003,938	$360,597
Assets Held for Sale (Note 9)	$324,953	$324,953
Total Current Assets	$7,053,736	$5,550,336
FIXED ASSETS, at Cost (Note 3)	$2,956,453	$2,947,327
Less: Accumulated Depreciation and Amortization	$1,198,725	$1,116,178
	$1,757,728	$1,831,149
TRADE NAMES, CUSTOMER LISTS, AND RELATED		
INTANGIBLE ASSETS	$1,462,872	$1,462,872
Less: Accumulated Amortization	$173,716	$155,430
	$1,289,156	$1,307,442
OTHER ASSETS	$11,484	$12,174
TOTAL ASSETS	$10,112,104	$8,701,101

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Borrowings under Line of Credit (Note 7)	$2,350,000	$1,850,000
Accounts Payable	$1,219,889	$458,515
Accrued Expenses & Other Current Liabilities	$244,882	$154,794
Customers' Unshipped Orders	$70,543	$38,152
Total Current Liabilities	$3,885,314	$2,501,461
Mortgage Payable (Note 8)	$894,450	$914,092
TOTAL LIABILITIES	$4,779,764	$3,415,553
Commitments (Note 6)		
STOCKHOLDERS' EQUITY:		
Common Stock, $0.01 par value, Authorized, 10,000,000 shares; Issued 5,209,535 and 5,081,535 shares at October 31, and April 30, 1997, respectively	$52,095	$50,815
Additional Paid-In Capital	$8,754,903	$8,682,183
Accumulated Deficit	($3,258,148)	($3,120,948)
Treasury Stock, at Cost, 407,571 and 391,871 shares at October 31, and April 30, 1997, respectively	($517,994)	($476,781)
Unrealized Gain on Marketable Securities	$301,484	$150,279
TOTAL STOCKHOLDERS' EQUITY	$5,332,340	$5,285,548
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$10,112,104	$8,701,101

The accompanying notes to the consolidated financial statements
are an integral part of these statements.

INITIO, INC.

<TABLE>

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

<CAPTION>

<S>	COMMON STOCK Shares Issued <C>	Par Value <C>	ADDITIONAL PAID-IN CAPITAL <C>	ACCUMULATED (DEFICIT) <C>	TREASURY SHARES (at Cost) <C>	UNREALIZED (LOSS) ON MARKETABLE SECURITIES <C>	TOTAL <C>
BALANCE, April 30, 1996 (Audited)	5,071,535	$50,715	$8,670,283	($2,996,761)	($476,781)	$5,714	$5,253,170
Net (Loss) for the Six Months Ended October 31, 1996				($309,614)			$309,614
Unrealized Gain on Marketable Securities						$40,460	$40,460
BALANCE, October 31, 1996 (Unaudited)	5,071,535	$50,715	$8,670,283	($3,306,375)	($476,781)	$46,174	$4,984,016
Issuance of Common Stock	10,000	$100	$11,900				$12,000
Net Income for the Six Months Ended April 30, 1997				$185,427			$185,427
Unrealized Gain on Marketable Securities						$104,105	$104,105
BALANCE, April 30, 1997 (Audited)	5,081,535	$50,815	$8,682,183	($3,120,948)	($476,781)	$150,279	$5,285,548
Issuance of Common Stock	60,000	$600	$5,400				$6,000
Options Exercised	68,000	$680	$67,320				$68,000
Purchase of Treasury Shares					($41,213)		($41,213)
Net (Loss) for the Six Months Ended October 31, 1997				($137,200)			($137,200)
Unrealized Gain on Marketable Securities						$151,205	$151,205
BALANCE, October 31, 1997 (Unaudited)	5,209,535	$52,095	$8,754,903	($3,258,148)	($517,994)	$301,484	$5,332,340

</FN>
</TABLE>

The accompanying notes to the consolidated financial statements
are an integral part of these statements.

INITIO, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	SIX MONTHS ENDED October 31, 1997	October 31, 1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	($137,200)	($309,614)
Adjustments to Reconcile Net Loss to Net Cash		
Used In Operating Activities:		
Depreciation and Amortization	$100,833	$105,534
Gain on Marketable Securities	($180,378)	($183,706)
Decrease (Increase) in:		
Inventory	($521,064)	($407,595)
Prepaid Advertising	($643,341)	($1,008,211)
Prepaid and Other Assets	($100,821)	($269,970)
(Decrease) Increase in:		
Accounts Payable, Accrued Expenses and Other Current Liabilities	$851,462	$1,044,500
Customers' Unshipped Orders	$32,391	$37,511
Net Cash (Used In) Operating Activities	($598,118)	($991,551)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital Expenditures	($9,126)	($13,485)
Purchase of Marketable Securities	($257,363)	($640,651)
Proceeds Received from Sale of Marketable Securities	$298,135	$840,013
Net Cash Provided by Investing Activities	$31,646	$185,877
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Borrowings under Line of Credit	$500,000	$1,050,000
Mortgage	($19,642)	($18,110)
Issuance of Common Stock	$74,000	$0
Purchase of Treasury Shares	($41,213)	$0
Net Cash Provided By Financing Activities	$513,145	$1,031,890
NET INCREASE (DECREASE) IN CASH	($53,327)	$226,216
CASH, AT BEGINNING OF PERIOD	$300,360	$461,917
CASH, AT END OF PERIOD	$247,033	$688,133
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$159,163	$204,555

The accompanying notes to the consolidated financial statements
are an integral part of these statements.

INITIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) NATURE OF BUSINESS - Initio, Inc., a Nevada Corporation, (the "Company") through its wholly-owned subsidiary, Deerskin Trading Post, Inc. is a direct mailspecialty catalog company. It markets men's and women's leather outerwear, apparel, footwear, accessories and small leather goods through its Deerskin Catalogs andgifts and housewares through its Joan Cook Housewares Catalogs. The Company alsooperates one retail closeout outlet in Danvers, Massachusetts. The Deerskin Catalogbusiness is highly seasonal with principal sales occurring between early Novemberand early December. The Joan Cook line is significantly less seasonal although the Company experiences some increase in demand in the holiday season.

(b) BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of Initio, Inc., and itswholly-owned subsidiary, Deerskin Trading Post, Inc. All intercompany transactions have been eliminated.

(c) USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions thataffect the reported amounts of assets and liabilities at the date of the financialstatements and the reported amounts of revenues and expenses during the reportingperiod. Actual results could differ from those estimates.

(d) REVENUE RECOGNITION
Revenue is recognized as merchandise is shipped to customers. Payments received formerchandise not yet shipped are reflected as "Customers' Unshipped Orders," a current liability.

The Deerskin and Joan Cook catalogs have significantly different refund rates which relate to the size, color, fit and items damaged in transit of the merchandise sold.
In each period, the Company accrues a reserve for returns and exchanges which it anticipates will occur related to the sales of the period. Such accrual is based upon the Company's historical experience.

Revenue on retail sales is recognized at the point of sale.

(e) PREPAID ADVERTISING
Costs of producing and mailing catalogs are deferred and amortized over the estimated productive life of each mailing based on projected sales. As prescribedunder SOP 93-7, the Company only capitalizes as assets those costs which areincremental direct costs with independent third parties and payroll and payroll-related costs of employees who are directly associated with, and devote time to, the advertising. In addition, individual advertising efforts are established as stand alone cost pools which are amortized on a cost pool basis over the estimated period of benefit determined based upon estimated future revenues. As required, the Company assesses the realizability of the assets created based on the likelihood of achieving the estimated revenues on a quarterly basis. As of October 31, 1997 no writedowns were required to report the capitalized advertising expenses at net realizable value. Prepaid advertising includes costs incurred for catalogs to be mailed in the future. Catalog and space advertising costs associated with test programs are expensed as incurred.

Advertising costs related to non-test space promotions are initially deferred, then expensed to the extent of gross profits realized until fully recovered; therefore, only after advertising costs have been fully recovered, does a particular promotion make any contribution to operating income. Deferred costs are reviewed quarterly for recoverability and adjusted, if necessary.

(f) INVENTORY
Merchandise inventory is valued at the lower of cost or market, using the first-in, first-out (FIFO) cost method.

Included in inventory costs are certain costs involved in the preparation, maintenance and storage of the inventory for sale. These costs are calculated as a percentage of inventory and are reviewed and monitored periodically.

(g) FIXED ASSETS
Fixed assets are stated at cost and are depreciated by the straight line method, using estimated useful lives which approximate 40 years for buildings and 3 to 10 years for equipment.

Improvements to leased premises are amortized over the lesser of their estimated useful lives or the remaining term of the lease.

Repair and maintenance costs are charged directly to expense. Renewals and betterments of fixed assets are charged to fixed assets. Upon retirement or other disposition of property, or when the asset is fully depreciated, whichever is sooner, the cost and related depreciation or amortization are removed from the accounts.

Fixed assets held for sale are stated at net book value, which is less than current fair market value.

(h) INTANGIBLE ASSETS
The Company's policy for measuring impairment of the value of its intangible assets arising from the acquisition of the Joan Cook catalog is to compare the sum of expected future cash flows from the catalog's operations over the remaining amortizable life of such intangible assets with the unamortized value on its books. If the sum of the expected future cash flows is greater than the amount of the intangible assets unamortized book value, no adjustment is required.

Management believes the asset Trade Names, Customer Lists, and Related Intangible Assets is so interconnected that it cannot reasonably be separated. This is in accordance with APB Opinion No. 16, "Business

Combinations."

Trade names, customer lists, and related intangible assets are being amortized on a straight line basis over 40 years based upon the fact that the Joan Cook name has high consumer recognition and in the opinion of management constitutes a non-wasting asset.

(i) STOCK BASED COMPENSATION
In October 1995, the Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock-Based Compensation". This statement establishes a fair value based method of accounting for an employee stock option or similar equity instrument but allows companies to continue to measure compensation cost for those plans using the intrinsic value based method of accounting prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees". Companies electing to continue using the accounting under APB Opinion No. 25 must, however, make pro forma disclosures of net income and earnings per share as if the fair value based method of accounting defined in SFAS No. 123 had been applied (Note 5). These disclosure requirements are effective for fiscal years beginning after December 15, 1995. The Company has elected to continue accounting for its stock-based compensation awards to employees and directors under the accounting prescribed by APB Opinion No. 25 and to provide the disclosures required by SFAS No. 123. As required, the Company has adopted SFAS No. 123 to account for stock-based compensations awards to outside consultants.

(j) RECENTLY ISSUED ACCOUNTING STANDARDS
In March 1995, the FASB issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying value. Adoption of this statement in the first quarter of 1997 did not have a material effect on the Company's financial position.

In 1997, the Financial Accounting Standards Board issued SFAS No. 128, "Earnings per Share." This statement establishes standards for computing and presenting earnings per share ("EPS"), replacing the presentation of currently requird primary EPS with a presentation of Basic EPS. For entities with complex capital structures, the statement requires the dual presentation of both Basic EPS and Diluted EPS on the face of the statement of operations. Under this new standard, Basic EPS is computed based on the weighted average number of shares actually outstanding during the year. Diluted EPS includes the effect of potential dilution from the exercise of outstanding dilutive stock options and warrants into common stock using the treasury stock method. SFAS No. 128 is effective for financial statements issued for periods ending after December 15, 1997, and earlier application is not permitted. The Company does not expect the adoption of this statement to have a material effect on its financial position or results of operations.

In 1997, the Financial Accounting Standards Board issued SFAS No. 130, "Reporting Comprehensive Income." This statement establishes standards for reporting and display of comprehensive income and its components in a full set of general purpose financial statements. The objective of the statement is to report a measure of all changes in equity of an enterprise that result from transactions and other economic events of the period other than transactions with owners ("comprehensive income"). Comprehensive income is the total of net income and all other non-owner changes in equity.

(k) EARNINGS (LOSS) PER COMMON SHARE
Earnings (Loss) per common share for the periods presented are based on the weighted average number of common shares outstanding during the period together with outstanding options and warrants to the extent such are dilutive, assuming that the exercisable options and warrants discussed in Note 5 had been exercised at October 31, 1997.

NOTE 2-MARKETABLE SECURITIES
On May 1, 1994, the Company adopted SFAS No. 115, "Accounting For Certain Investments in Debt and Equity Securities." This Statement requires the classification of debt and equity securities based on whether the securities will be held to maturity, are considered trading securities or are available for sale. Classification within these categories may require the securities to be reported at their fair market value with unrealized gains and losses included either in current earnings or reported as a separate component of stockholders' equity, depending on the ultimate classification.

All marketable securities are classified as available for sale. These securities are stated at estimated fair value based upon market quotes. Unrealized gains and losses are computed on the basis of specific identification and are included as a separate component of Stockholders' Equity. Realized gains, realized losses, and declines in value, judged to be other than temporary, are included on the Statement of Operations.

Unrealized gains on marketable securities amounted to $301,484 and $150,279 at October 31, and April 30, 1997 respectively.

NOTE 3-FIXED ASSETS

	October 31, 1997	April 30, 1997
Building & Other Leasehold Improvements	$2,235,190	$2,235,190
Equipment	$ 721,263	$ 712,137
	$2,956,453	$2,947,327
Less: Accumulated Depreciation and Amortization	$1,198,725	$1,116,178
	$1,757,728	$1,831,149

When an asset is fully depreciated, its cost and related depreciation or amortization is removed from the fixed assets accounts.

NOTE 4-INCOME TAXES

Under the liability method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The effect on deferred taxes of changes in tax rates is recognized as income in the period.

At October 31, 1997, the Company has available for federal income tax purposes, net operating loss carryforwards (NOL) and other net future tax deductions totaling approximately $3,400,000; approximately $63,000 of the NOL expires in 2004, the balance thereafter.

The future tax benefit of such NOL is recorded as an asset to the extent that management assesses the realization of such future tax benefits to be "more likely than not." At October 31, 1997, the deferred tax asset created as a result of net operating loss carryforwards has been fully reserved against.

NOTE 5 - STOCKHOLDERS' EQUITY

Stock Option Plan -

The Company has two Stock Option Plans, the 1991 Stock Option Plan (the "1991 Plan") and the 1996 Stock Option Plan (the "1996 Plan"). The Company accounts for awards granted to employees, directors and key employees under APB Opinion No. 25, under which compensation cost has been recognized for stock options granted at an exercise price less than the market value of the options on the grant date. Had compensation cost for all stock option grants in fiscal years 1998 and 1997 been determined consistent with SFAS No. 123, the Company's net loss and loss per share would have been increased to the following pro forma amounts:

		Six Months Ended October 31, 1997	Six Months Ended October 31, 1996
Net loss:	As Reported	($137,200)	($309,614)
	Pro Forma	($144,952)	($309,614)
Primary EPS:	As Reported	($.03)	($0.07)
	Pro Forma	($.03)	($0.07)

The effects of applying SFAS No. 123 in this pro forma disclosure are not indicative of future amounts. SFAS No. 123 does not apply to awards prior to 1995, and additional awards in future years are anticipated.

In April 1996, the Company granted two officers/directors stock options, exercisable immediately and expiring in five years, to each purchase 125,000 shares of the Company's common stock at $2.00 per share.

The 1991 Plan was approved and adopted in December 1991. Pursuant to the 1991 Plan, a total of 350,000 shares of Common Stock were made available for the grant of stock options. Under the Company's 1991 Plan, options have been granted to key employees and directors for terms of up to ten years at an exercise price not less than the fair value of the shares at the dates of grant and are exercisable in whole or in part at stated times from the date of grant. No further grants will be issued under the 1991 Plan. At October 31, 1997, 108,900 options were exercisable with respect to the 1991 Plan.

The 1996 Plan was approved and adopted in October 1996 and subsequently approved by the stockholders. The Company's 1996 Plan authorizes the granting of stock options, the exercise of which would allow up to an aggregate of 500,000 shares of the Company's common stock to be acquired by the holders of said options. The awards can take the form of Incentive Stock Options ("ISOs") or Non-qualified Stock Options (NQSOs"). Stock Options may be granted to key employees, directors and consultants. ISOs and NQSOs are granted in terms not to exceed ten years. ISOs granted under this Plan generally vest 20% immediately upon grant, with an additional. 20% vesting on each subsequent anniversary of the grant date. Vesting requirements other than the aforementioned are set forth by the Board of Directors when the award is granted. Options may be exercised in whole or in part. The exercise price of the ISOs is the market price of the Company's common stock on the date of grant. The exercise price of NQSOs shall be determined by the board of directors when granted. Any plan participant who is granted ISOs and possesses more than 10% of the voting rights of the Company's outstanding common stock must have an option price of at least 110% of the fair market value on the date of grant and the option must be exercised within five years from the date of grant. Under the Company's 1996 Plan, options have been granted to key employees and directors for terms of up to ten years, at exercise prices ranging from $1.75 to $2.00 and are exercisable in whole or in part at stated times from the date of grant up to four years from the date of grant. At October 31, 1997, 269,414 options were exercisable under the Company's 1996 Plan.

The following table reflects activity under the plan for the six months ended October 31, 1997 and 1996:

	Six Months Ended October 31, 1997		Six Months Ended October 31, 1996	
	Shares	Weighted Average Exercise Price	Weighted Average Exercise Shares	Price
Outstanding at beginning of year	505,332	$1.735	408,900	$1.735
Granted	-		-	
Exercised	(46,000)	$1.00	-	
Forfeited	(2,688)	$1.75	-	
Cancelled	(672)	$1.75	-	
Outstanding at end of quarter	455,972	$1.81	408,900	$1.735
Exercisable at end of quarter	378,314	$1.511	397,600	$1.728

The following table summarizes information about stock options outstanding at October 31, 1997:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 10/31/97	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at 10/31/97	Weighted Average Exercise Price
$1.00 to $1.50	56,400	0.28	$1.00	56,400	$1.00
$1.51 to $2.38	399,572	7.74	$1.92	321,914	$1.58
$1.00 to $2.27	455,972	6.81	$1.81	378,314	$1.51

NOTE 6-COMMITMENTS

(a) LEASES

The Company rents premises for warehousing and administrative purposes. Future minimum rental payments under noncancelable operating leases, including ground leases, expiring at various dates through 2037, as of October 31,1997 are as follows:

Year Ending April 30,

1998	$ 60,029
1999	$ 70,270
2000	$ 13,650
2001	$ 1,050
2002	$ 1,050
Thereafter	$ 43,750

	$189,799

Rent expense for the six months ended October 31, 1997 and the fiscal year ended April 30, 1997 was $66,894 and $128,933 respectively.

(b) LETTERS OF CREDIT
Outstanding letters of credit, issued primarily for imported merchandise, approximated $183,000 and $430,000 at October 31,and April 30, 1997, respectively.

NOTE 7 - SHORT TERM BORROWINGS
On September 7, 1994, Deerskin Trading Post, Inc., signed an agreement with United Jersey Bank , now Summit Bank ("the Bank"), for a line of credit secured by the Company's assets and guaranteed by the Company. Periodic amendments and modifications detail other terms and conditions.

An amendment was signed on January 31, 1997 for a line of $3,300,000 including amounts subject to letters of credit issued by the Bank on the Company's behalf, and bears interest at the Bank's base rate plus 3/4% with interest payable monthly. Maturity is January 31, 1998. Such agreement contains various formula provisions which the Company is presently in compliance with.

The Company anticipates this will be sufficient to meet its capital requirements through the maturity date of the loan.

Direct borrowings under this line of credit amounted to $2,350,000 and $1,850,000 at October 31, and April 30,1997, respectively. The Company's interest rate was 9.25% on both October 31 and April 30, 1997.

NOTE 8 - MORTGAGE
On March 20, 1995 Deerskin Trading Post, Inc. signed an agreement with Sierra Bank of Nevada for a $1,000,000 construction loan to finance the approximately 34,800 sq. ft. expansion of its Carson City warehouse which was put into service in October 1995. This loan is secured by the Carson City real property and bears interest at 9 1/4% per annum with interest paid monthly through October 1995 at which time it converted to a five year adjustable rate (with the first rate adjustment possible in October 2000) fifteen year mortgage with monthly principal and interest payments due to fully amortize the loan by August 31, 2010. The mortgage balance at October 31, 1997, amounted to $933,065; the current portion, $38,615, is included in "Accrued Expenses and Other Liabilities."

NOTE 9 - SUBSEQUENT EVENT
As of December 3, 1997 the Company entered into an agreement for the sale of the Peabody facility at a price which represents a gain of approximately $200,000. It is anticipated that the closing will take place in the fourth quarter of the fiscal year ended April 30, 1998, at which time the Company will recognize the gain and will review the need for a reserve for the costs associated with the relocation of the Peabody operations, which will take place subsequent to the closing.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Condition

The most significant changes in the Company's balance sheet from April

30, 1997, the end of the preceding fiscal year, to October 31, 1997 are as follows:

- Cash decreased $53,000 to $247,000 at October 31, 1997 from $300,000 at April 30, 1997, mainly attributable to increases in inventory and prepaid advertising.

- Marketable securities are considered available for sale and are carried at fair market value. The unrealized holding gains of $301,000 and $150,000 at October 31, and April 30, 1997, respectively, are excluded from earnings and reported as separate components of stockholders' equity until realized in accordance with Statement of Financial Accounting Standards No. 115 ("SFAS No. 115"), "Accounting for Certain Investments in Debt and Equity Securities".

- Inventory increased $521,000 to $3,768,000 from $3,247,000. The increase in inventory is a seasonal requirement to support the Company's planned, mailorder sales for the current fiscal year. The Company continues to closely monitor its inventories.

- Prepaid advertising increased $643,000 to $1,004,000 at October 31, 1997 from $361,000 at April 30, 1997. This increase is primarily attributable to the normal mailing schedule and amortization of costs associated with the production and mailing of catalogs through the fiscal year.

- Prepaid and Other Current Assets increased $101,000 to $782,000 at October 31, 1997 from $681,000 at April 30, 1997 resulting primarily from increases in receivables and in prepaid expenses including capitalized costs involved in the purchasing of the inventory for sale, which costs are calculated as a percentage of inventory which increased during this period. These costs are reviewed periodically and adjusted when necessary.

- Borrowings under the Line of Credit increased $500,000 to $2,350,000 at October 31, 1997 from $1,850,000 at April 30, 1997 to provide cash for use in operating activities; primarily the increases in inventory, prepaid advertising, and prepaid and other current assets.

The Company's line of credit with Summit Bank for $3,300,000 including amounts subject to letters of credit issued by the Bank on the Company's behalf, bears interest at the Bank's based rate plus 3/4% with interest payable monthly. Maturity is January 31, 1998. Such agreement contains various formula provisions which the Company is presently in compliance with. In the event that the Company should fail to reach an agreement with the Bank to extend the company's line of credit beyond January 31, 1998, the Company would be required to seek alternative sources of financing. The Company is presently negotiating alternative arrangements with several financial institutions but there can be no assurance that the Company will be able to negotiate such alternative sources of financing or that if it should do so it will not be on terms less favorable to the Company than those presently existing. The Company's ability to pursue its normal business activities are dependent upon obtaining such extension of its existing line of credit or alternative financing. Such alternative sources of financing might include debt and/or equity or quasi-equity financing.

- Accounts Payable and Accrued Expenses and Other Current Liabilities increased $852,000 from $613,000 at April 30, 1995 to $1,465,000 at October 31, 1997. This increase is attributable to: the increase in trade payables for the purchase of inventory to support sales which increase during this period, the increase in prepaid advertising for catalog preparation and mailings which also increase this period, and to an increase in the required accruals for refunds, which are reflect in the net sales.

- Customer's Unshipped Orders for which checks have been received increased $33,000 to $71,000 at October 31, 1997 from $38,000 at April 30, 1997. The increase is a result of the normal seasonal increase in customer orders during the period.

Results of Operations

Three months and six months Ended October 31, 1997 vs. October 31, 1996.

Because of the seasonal nature of the Company's business, the results of the interim period are not necessarily indicative of results for the entire year.

- Net Sales for the three months ended October 31, 1997, decreased 1.7% or $53,000 to $3,058,000 from $3,111,000 for the three months ended October 31, 1996. Net Sales for the six months ended October 31, 1997 decreased to $4,168,000 from $4,270,000 for the six months ended October 31, 1996, a decrease of $102,000 or 2.4%.

Deerskin catalog Net Sales for the six months ended October 31, 1997 decreased to $1,847,000 from $1,940,000 for the six months ended October 31, 1996, a decrease of $93,000 or 4.8%; for the three months ended October 31, 1997 net sales decreased 2.1% or $32,000 to $1,519,000 from $1,551,000 for the three months ended October 31, 1996. This decrease resulted from a somewhat reduced circulation plan and lower responses from some prospect mailings.

Joan Cook catalog Net Sales for the six months ended October 31, 1997 increased to $1,587,000 from $1,503,000 for the six months ended October 31, 1996, an increase of $84,000 or 5.6%. For the three month period ended October 31, 1997 sales were $905,000 compared to $938,000 for the comparable period ended October 31, 1996, a decrease of $33,000 or 3.5%. This decrease is primarily attributable to reduced responses from prospect mailings.

Space advertising Net Sales for the six months ended October 31, 1997 decreased to $568,000 from $681,000 for the six months ended October 31, 1996, a decrease of $113,000 or 16.6%; for the three month periods the increase was $8,000 or 1.6%, to $512,000 from $504,000.

- Cost of merchandise decreased as a percentage of Net Sales to 34.7% and 38.0% for the six months and three months ended October 31, 1997, respectively, from 38.2% and 39.5% for the comparable periods ended October 31, 1996. The actual cost of merchandise for the six months ended October 31, 1997 was $1,447,000 and $1,629,000 for the comparable period ended October 31, 1996. Cost of merchandise for the three months ended October 31, 1997 was $1,161,000 and $1,230,000 for the three months ended October 31, 1996. These results reflect somewhat less markdowns and a slightly increased gross margin.

- Advertising cost was $1,486,000 or 35.7% of Net Sales, for the six months ended October 31, 1997, compared to $1,511,000 or 35.4% of Net Sales for the six months ended October 31, 1996. For the three months ended October 31, 1997, advertising cost was 35.2% of Net Sales or $1,075,000 compared to 36.9% of Net Sales or $1,149,000 for the three months ended October 31, 1996. The decreased Advertising cost as a percentage of Net Sales resulted from the more efficient circulation and improved customer response rates in the six months ended October 31, 1997.

- General and Administrative expenses, including fulfillment expenses which include the costs of telephone, order entry, credit card fees, data processing, packaging materials, labeling, refurbishing of merchandise, packing supplies and outgoing freight charges, increased as a percentage of Net Sales to 34.2% from 34.0% for the six months ended October 31, 1997. Costs for the six months ended October 31, 1997 were $1,425,000 compared to $1,451,000 for the six months ended October 31, 1996. For the three months ended October 31, 1997 General and Administrative costs were $895,000 or 29.3% of Net Sales, compared to $899,000 or 28.9%.

- As a result of all the foregoing, Operating Loss for the three months ended October 31, 1997 decreased to $74,000 compared to $167,000 for the three months ended October 31, 1996. Operating Loss for the six months ended October 31, 1997 decreased to $190,000 from $321,000 for the comparable period in the prior year.

- Realized Gains on Marketable Securities was $180,000 for the six months ended October 31, 1997 and $184,000 for the six months ended October 31, 1996. For the three months ended October 31, 1997, the Realized Gains on Marketable Securities was $125,000, compared to gains of $168,000 for the three months ended October 31, 1996. These gains resulted from the liquidation of several security positions which were in the Company's investment portfolio and the realization of profits on those which appreciated in value and the losses on those which declined.

- As a result of the foregoing, as well as an decrease of $45,000 in Net Interest Expense for the six months ended October 31, 1997 compared to October 31, 1996, Net Loss is $137,000 for the six months ended October 31, 1997, compared to $310,000 for the six months ended October 31, 1996, a decrease of $173,000. Net Loss for the three months ended October 31, 1997 was $19,000 compared to $100,000 for the three months ended October 31, 1996. This represents a decrease of $81,000.

Forward Looking Statements

The foregoing management discussion and analysis contains certain forward-looking statements which are based on current information and management assumptions including, among other factors, changing marketing and economic conditions. Actual results may differ materially from the forward-looking statements container herein.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INITIO, INC.

Date: December 18, 1997	/s/ Martin Fox --- Martin Fox President and Office of the Chief Executive
Date: December 18, 1997	/s/ Daniel DeStefano --- Daniel DeStefano Chairman of the Board and Office of the Chief Executive
Date: December 18, 1997	/s/ Audrey C. Remes --- Audrey C. Remes Treasurer and Chief Financial Officer

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