



420 Lexington Avenue  
Suite 2045  
New York, NY 10170-0013  
212.867.4005 TEL  
212.867.4161 FAX  
[www.massonco.com](http://www.massonco.com)

SERVICE: Assessment and Consulting

INDUSTRY: Food

The Company. \$140 million direct marketer of in-home food programs and related products. Approximately \$45 million bank debt and \$84 million public acquisition debt. Headquarters in New York State; 61 telemarketing centers, 83 branch sales offices and 39 warehouses across the United States. Approximately 2500 employees.

The Problem. The Company was acquired by management and a private equity investor in May 1997. Shortly thereafter, the Company's performance began to deteriorate and, though a new CEO was recruited in early 1999, the Company's sub-par performance continued. By the summer of 1999, the bank lender had become nervous and was pressing for repayment. Public debt holders were calling the Company.

The Engagement. Masson & Company was initially retained in July 1999 to: (a) conduct a Situation Assessment and, (b) review and recommend operational and financing alternatives available to the Company. Following this initial engagement, Masson & Company was retained to: (a) assist in developing a new sales offering; (b) manage a radical restructuring of the Company's telemarketing budget; and, (c) conduct an independent review of the Company's 2000 budget.

#### The Results.

- Masson & Company principals spent approximately 60 man days on-site; interviewed more than 30 members of management and key employees; conducted multiple in-state and out-of-state field visits; participated in sales calls and product deliveries; and met with potential joint-venture partners and acquirers.
- Our Situation Assessment, delivered in mid-September 1999, included, among other things: (a) five items with the immediate potential to impair the Company's ability to remain in business; (b) four opportunities we uncovered to quickly shore up the Company's financial results; (c) two areas of risk to the Company's security and data integrity; and, (d) a candid assessment of management's strengths and weaknesses.
- Our Situation Assessment unfortunately also reported that we could find no core competencies that the Company could build upon or otherwise leverage to reverse the decline in its business performance, a decline we believed to be fundamental and irreversible absent a change in the Company's underlying business model. We prepared a detailed financial projection model which showed that none of management's suggested remedial measures, whether alone or in concert, was sufficient to arrest the Company's decline.
- Our discussions with potential joint venture partners and acquirers, combined with our knowledge of the financial restructuring process, enabled us to advise that no financial or transactional alternative by itself would produce acceptable results for the current owners.
- We recommended a 12 - 18 month operating plan designed to minimize the pace of decline in the Company's operating and financial performance. We believed such a plan would enable the Company to conserve cash and avoid covenant default, thus buying time to pursue five avenues for altering the Company's business model that we suggested.
- Neither management nor the private equity investor agreed with us that the Company's business model was fundamentally flawed. Accordingly, the Company did not seek to redirect its business in any fundamental way and we were not retained to perform any additional work.
- The Company went into Chapter 11.