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SERVICE: Assessment and Consulting; Interim and Crisis Management

INDUSTRY: Apparel

The Company. \$250 million women's intimate apparel company. Office facilities in Northeast; manufacturing facilities in Florida and the Caribbean basin; distribution center in the Southeast; 70+ company-owned retail outlets across the U.S. and Puerto Rico. Approximately 5000 employees.

The Problem. Acquired during Chapter 11 by several prominent distressed-debt investors, the Company emerged from Chapter 11 in 1998 with new senior management, a clean balance sheet and a new credit facility. Following some early post-Chapter 11 successes, however, the Company's results faltered; underperformance on the business plan and covenant breaches ensued. A variety of solutions proposed by management failed to improve results (the year 2000 eventually ended with (\$5.5) million EBITDA). The Company's Board and majority owner asked Masson & Company to assist.

The Engagement. Masson & Company was initially retained to: (a) provide the Board with a candid assessment of management, organization, business prospects, information systems, accounting and financial controls, cash management and vendor / lender relations; (b) directly assist the CFO in daily cash management and forecasting; and, (c) develop and run weekly actual-to-forecast review sessions to establish accountability and promote improvement.

The Results.

- We promptly put into place cash management and forecasting tools to enable the Company to begin to control and conserve cash.
- In relation to (a) above, we reported to the Board that the Company was in substantial disarray. The CEO was not properly attentive to his job, the CFO was not up to the tasks before him, the SVP – Sales was running day-to-day operations and there were considerable additional shortcomings below the executive ranks. Vendors were becoming increasingly hostile, the lender was worried and frustrated and employee morale was declining. There was evidence of theft by one executive.
- The Board terminated the CEO and retained Masson & Company in January, 2001 to assume the role of acting CEO.
- We prepared a rigorous, bottoms-up budget forecast and made all senior executives accountable to a single, EBITDA-targeted plan.
- We cut expenses and downsized the organization to 4300 employees. We terminated the CFO and certain other executives, filling the gaps with internal and external replacements.
- We refinanced the existing lender with a new lender and obtained additional equity capital via a subscription convertible note offered to existing shareholders.
- We initiated and executed a successful effort to locate and hire a new CEO and turned the Company over to him in August 2001. Masson & Company was asked to remain on the Board.
- Despite several months of raw material shortages and the effects of September 11, the Company finished 2001 with EBITDA of \$3.5 million.