



Edgar Brandt
Advisory SA

■ **XXXXXXXXXXXXXXXXXX**

EBA Monitoring Report

July 2009

SAMPLE

Recipient

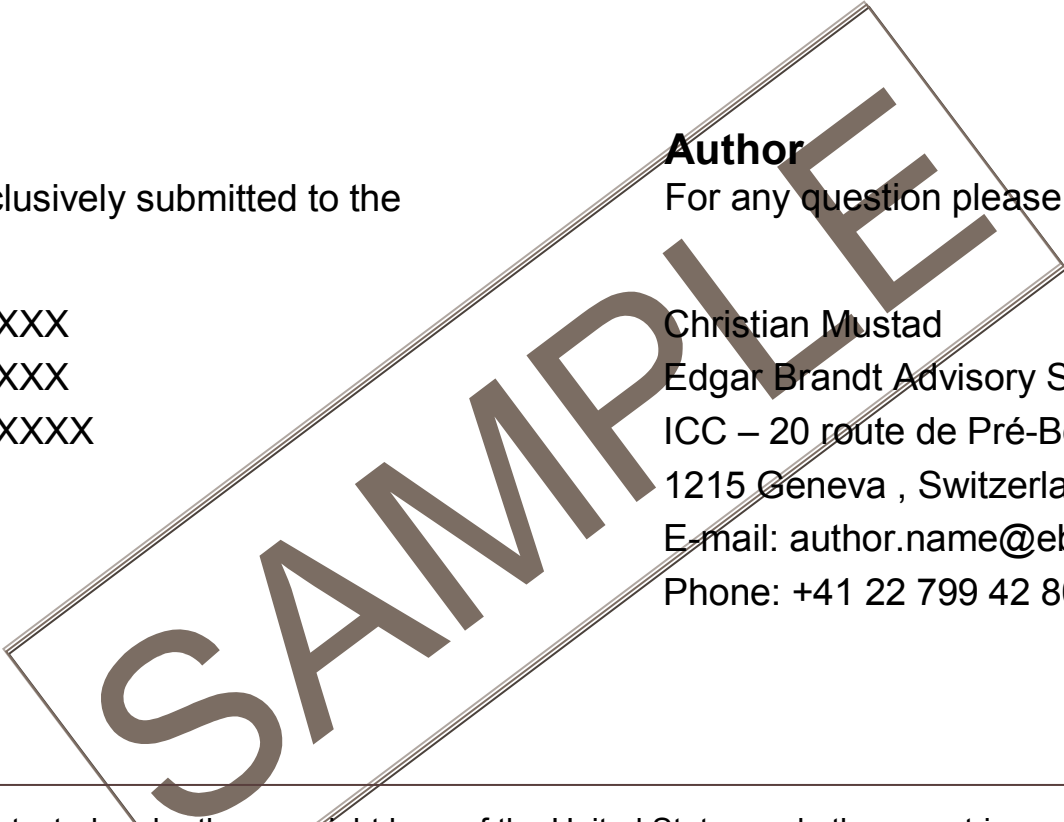
This report is exclusively submitted to the attention of:

XXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXX
ZIP CODE
Geneva
Switzerland

Author

For any question please contact:

Christian Mustad
Edgar Brandt Advisory SA
ICC – 20 route de Pré-Bois
1215 Geneva , Switzerland
E-mail: author.name@eb-advisory.com
Phone: +41 22 799 42 80

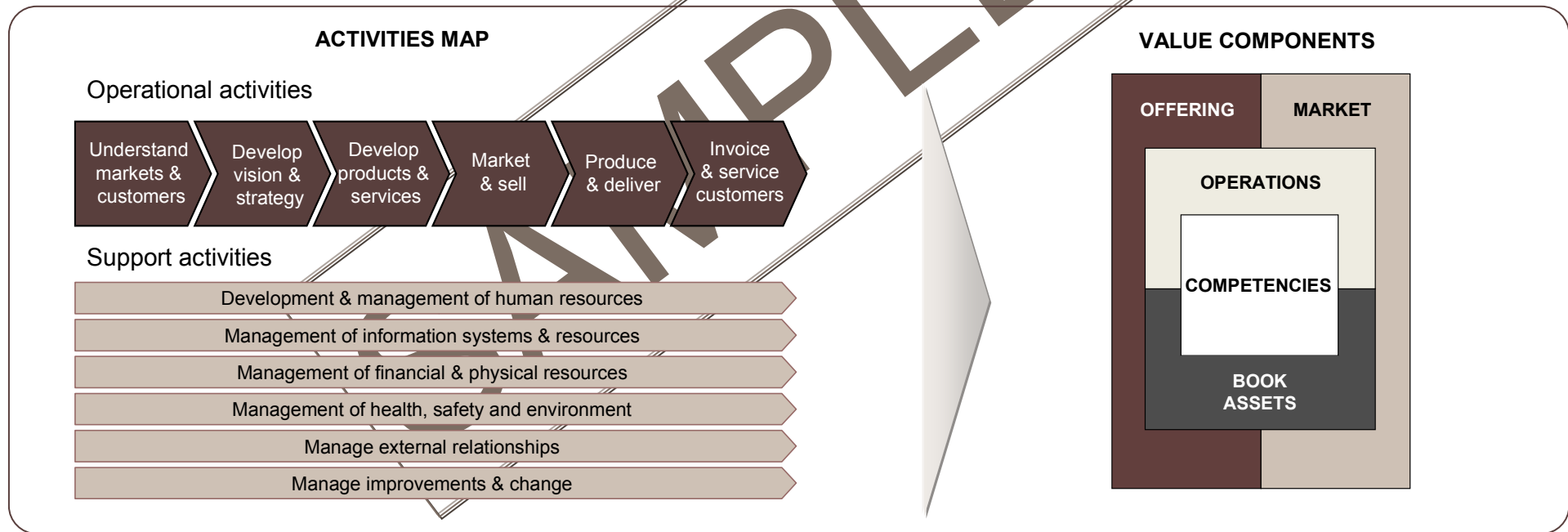


This document is protected under the copyright laws of the United States and other countries as an unpublished work. This document contains information that is proprietary and confidential to Edgar Brandt Advisory SA which shall not be disclosed outside or duplicated, used, or disclosed in whole or in part for any purpose other than providing information to the exclusive recipient mentioned on this page. Any use or disclosure in whole or in part of this information without the express written permission of Edgar Brandt Advisory SA is prohibited.

© 2009 Edgar Brandt Advisory SA. (Unpublished). All rights reserved.

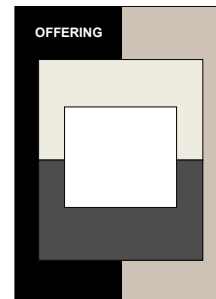
Monitoring framework

Value is the result of actions. In order to provide the most insightful information the situation of a company, our monitoring is grounded on the systematic capture of the status of the company's main processes. The performance these processes (or activities) determines how value is being created or destroyed within the company. The analysis is structured along the different components of a company's value; the relevance of its offering, its command of the market, the efficiency of its operations, its level and use of competencies, and the way it manages its physical and financial assets.



The content of this document reflects information gathering activities conducted by Edgar Brandt Advisory SA personnel in accordance with our methodology at the company to which this report is dedicated. All information provided is the result of interviews conducted with company management and employees.

The content of this report therefore does in no way represent an audit in accordance with generally accepted auditing or attestation standard. We express no opinion and provide no other form of assurance under audit or attestation standards on the Target's financial statements or specified elements.

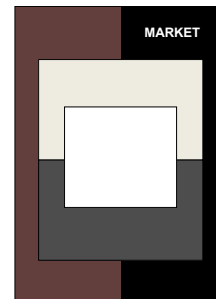


Findings – Offering

	Assesement	Versus previous report
Understand markets and customers Determine customer needs and wants Measure customer satisfaction Monitor changes in market or customer expectations	Value detrimental	Value detrimental
	Value detrimental	Value detrimental
	Value detrimental	Value detrimental
Develop vision and strategy Monitor the external environment Define the business concept and strategy	Value neutral	Value neutral
	Value neutral	Value neutral
Design products or services Develop new product or service concept and plans Design, build, and evaluate prototype products or services Refine existing products or services Test effectiveness of new or revised products or services Prepare for production Manage the product or service development process	Value generating	Value generating
	Value neutral	Value neutral
	Value neutral	Value neutral
	Value neutral	Value neutral
	Value neutral	Value neutral
	Value generating	Value generating

Key findings:

- Customers and market feedback in general is missing. Discussions of findings from the previous report has brought to light that for the xxxx models at least, formal customers' focus groups having used in the product development phase. That is still only one model in the range.
- Detailed sales statistics are an essential way to obtain market feedback and understand how products are received. This is still not available at xxxxx.
- The lack of customer/market input is a clear sources for the current weaknesses of the product range:
 - Lack of coherent visual identity.
 - No clear sign of range extent (i.e. What is and is not a xxxx product.)
 - Recent contractions and extensions of range lack traceable rationale.
- The example of the aborted xxxx xxxx further highlights the lack of coherence and discipline in the product development process, one that is so key for niche products such as those offered by xxxx.
- The upcoming autumn/winter collection is characterized by increased common visual clues across the range and a slightly more focused range, thus signaling an improvement in product development strategy and design.



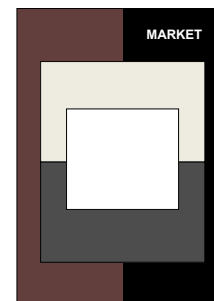
Findings – Market

	Assessment	Versus previous report
Market and sell Develop sales and marketing strategies Sell products and services Manage customer orders		
Invoice and service customers Bill the customer Provide customer service Respond to customer inquiries		
Manage external relationships With shareholders & board Manage government relations Build lender relationships Manage other stakeholders		

	Value generating
	Value neutral
	Value detrimental

Key findings:

- Brand attributes are still ambiguous, reflecting the initial controversy between a “performance” and a “wellness” message.
- The partial shift from direct to distributors sales has introduced discontinuity in communication content and focus. Significant initial efforts have not been maintained, blurring the image of xxxxx on several markets. A clear sign of that fact is the difficulty in obtaining from management a clear and comprehensive picture of communication spend and impact.
- Xxxxx’s products are innovative, and require explanation to potential customers at points of sale. The question therefore is: why would this happen at any point of sale? Answer: It will happen if the differentiated positioning of xxxx’s products reinforce the positioning of the retail outlet. This should be taken into account in selecting distribution channels, but hasn’t as of yet. Distribution strategy is not fully functional.
- It has to be noted that the last episode of delayed stores delivery - and subsequent orders cancellations - has had an impact on the important xxxxx market, further weakening an already feeble overall market grip.
- Recent cost-cutting measures have limited the time and resources available to customer service. Management believes that the current set-up for customer service is sufficient, but admits that the situation needs close monitoring.



Findings – Market

ONGOING INITIATIVES:

Review of all major European distributors agreements:

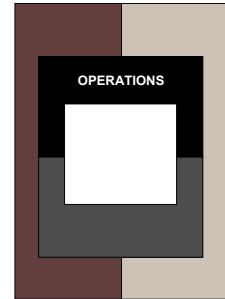
- Anomalies detected in several distribution agreements following the departure of the previous CFO/COO (see previous report) have convinced the CEO that a complete review of distribution agreements for European distributors was required.
- Distributors for the following markets have been deemed non suitable for the following markets: xxxxx, xxxxxxxxx, and xxxxxxxx. Initial contact have been made with potential replacements and contract terms are being negotiated.
- European market not affected by this review and consolidation are: xxxxxx and xxxxxx, the two major European markets for xxxxx histotically.
- The process should be finalized by the end of August.

Marketing re-think:

- A London based advertizing agency (Xxxx Design) has been hired to propose new and updated contents for xxxxx's branding and communication efforts. The contract mentions three main deliverables:
 - Brand architecture development.
 - Brand manifesto.
 - Logo design.
- First echoes of work done by the agency signal that the ongoing analysis could also have an impact on product development.
- The first presentation of deliverables is due at the beginning of September.



Findings – Operations



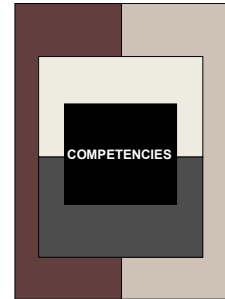
Key findings:

- The current set-up with Xxxxx in Vietnam has produced good results from quality, cost and timing perspectives. Contract terms are solid.
- As the company relies on one supplier for all its products, it could be expected, from a risk management standpoint to have a plan B in place. This would mean at least a continuous monitoring of other potential suppliers and some level of planning.
- The recent efforts to assess Spain as a center for warehousing/custom clearance for the European market constitute a distraction given other priorities and the fact that the solution in place today in Antwerp was decided upon after careful analysis.
- Given the size of the company, too much effort and resources have been put over the year on IT, with little result (4 ERP systems in 5 years between US and European operations). The recent decision to move all operations on the US system may improve the situation. To be follow-up.

	Assessment	Versus previous report
Produce and deliver products and services		
Plan for and acquire necessary resources	Value neutral	▶
Convert resources or inputs into products	Value generating	▶
Transport and deliver products	Value generating	▶
Manage production and delivery process	Value generating	▶
Manage information resources and technology		
Manage information technology	Value neutral	▲
Execute environmental, health and safety management program		
	Value neutral	▶

	Value generating
	Value neutral
	Value detrimental

Findings – Competencies



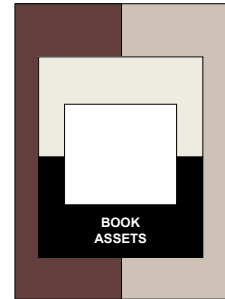
	Assessment	Versus previous report
Develop and manage human resources		
Create and manage human resources strategy	Value neutral	▲
Identify performance competencies	Value detrimental	▶
Manage deployment of personnel	Value generating	▶
Develop and train employees	Value neutral	▶
Motivate and retain employees	Value generating	▶
Manage labor-management relationships	Value neutral	▶
Manage changes in employment status	Value generating	▶
Manage information resources and technology		
Manage information resources	Value detrimental	▶

Value generating	Value neutral	Value detrimental
------------------	---------------	-------------------

Key findings:

- The recent cost cutting exercise has had an impact on skills available within the company.
 - Covered: logistics, product development, R&D, sales.
 - Need attention: marketing (marketing head has left) and finances.
- Several elements gathered during our review confirm the strong impression that the development of the company has been mired by a lack of skills in terms of building up a company. It appears that the 5 CFO/COOs in 5 years might have been “corporate profiles” more used to managing an existing (and big) structure rather than building one up from scratch. This issue will have to be addressed head-on when looking for the next COO/CFO.
- Very little has been done to integrate into the company’s ERP some of the key operational know-how that could secure both productivity and the capitalization of competencies. The fact that specific coding developed with PWC specialists on VAT ended up not being integrated in the ERP is the most striking evidence of that weakness at Xxxxxx.

Findings – Book assets



	Assessment	Versus previous report
Manage financial and physical resources		
Manage financial resources	Value detrimental	▼
Process finance and accounting transactions	Value detrimental	▼
Report information	Value detrimental	▲
Manage fleet assets	Value neutral	▶
Manage fixed assets	Value generating	▶
Manage facilities	Value neutral	▶
Produce and deliver products and services		
Manage inventories	Value generating	▶
Design products or services		
Manage intellectual property	Value generating	▶

	Value generating
	Value neutral
	Value detrimental

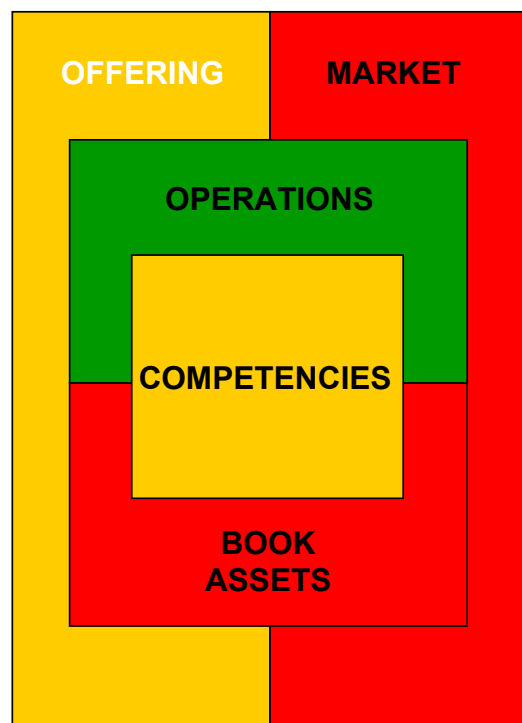
Key findings:

- The recent departure of Xxxxx, CFO/COO in charge has revealed massive flaws in the company's set-up:
 - Complete lack of basic « 4 eyes » controls covering the accounting transactions. (Allowed the last CFO to execute fraudulent transactions).
 - No enforced discipline in setting financial conditions for distributors => impact on financial resources.
- Recent issues with the financing of orders and the outcome that was found (full cash payment to the supplier) signal a lack of forecasting and planning of cash flows.
- The first installment of a regular financial reporting is due at the end of July, after 5 years; and no readily available financial forecast is available.
- The major banking relationship has been switched from UBS to Crédit Suisse following UBS's inability to deliver on an LC solution. The new set-up is seen as satisfactory by the CEO. However, no framework agreement has been signed. To be followed up.

Summary

The initial discussions we had with you before initiating monitoring of Xxxx in April highlighted your misgivings about the state of affairs within the company. These misgivings have been confirmed. The most significant weaknesses have been discussed with management during our review and we believe that the issues we raised were fully understood and accepted by management. The comments below summarize the situation of the company and its ability to generate value.

The concrete steps that can be suggested to management will be the subject of our next conference call scheduled July 31st, 10 am.



Offering:

Despite being on the market for 5 years now, it cannot be said that the range of product has been validated by the market (range coherence and image, no market feedback loop). As a consequence, sales forecast for the years to come (09 is conservative, but 2010-11 figures forecast acceleration) is just as uncertain as it was at the beginning of Xxxxx.

Market:

Very little focus and continuity in communication over the years, and no consistency in distribution channels => very limited market grip. Ongoing work with UK agency should bring improvements to the situation in this area.

Operations:

Operations is the one bright spot. The current set-up is satisfactory. Making sure that a plan B exists in case of problem would further secure the situation.

Competencies:

The key weakness in that area is the chronic lack of management skills that are need when a company is being built up from the ground. This problem has yet to be solved. The finance and communication functions need to be monitored closely.

Book assets:

Dangerous deficiencies have been detected in the management of financial resources and cannot be allowed to endure.