

Audit Committee Meeting Credit Watch Update

Risks

Actions Taken

| | |
|---------------------|--|
| K Mart | Has secured a \$2 billion Secured DIP Credit Line to fund operations while in bankruptcy. Reported losses of \$1 billion through April. Store closings completed. We are limiting exposure to \$500m and do not see a need to increase the line at this point. |
| Maurice | Lost \$8mm at K Mart but still made money in 2001. Sufficient cash and credit line to pay vendors. |
| Rivolier | Important French Customer. Worked out plan to pay down current receivables to stay within credit line and still receive product. Currently in compliance with plan. |
| Faber Brothers Inc. | Received 2nd position on accounts receivable and inventory to alleviate credit restrictions. Monitoring progress by review of quarterly financial statements |
| Ellett Brothers | Management buyout completed. Received and reviewed financial statements and lowered credit line to \$2.6mm based on losses incurred in the transaction. |
| Bangers | Continues to pay down current receivables in order to receive product and remain within credit line. Waiting on new financials. |