D.PORTHAULT – Summary of key issues

1. Critical, winning acquisition criteria

Based on various communications with both Mandataire Judiciaire and Administrator, key decision factors are:

- 100% employment guarantee at the Cambrai production *site (HR costs: approx. EUR 120 k incl. social charges)*
- Repayment of all social and state charges (EUR 1.1m)
- Long term (3-4 years), valid BP and strategy
- Investor's "soft" factors and credentials ("What does he bring to the business?")

2. Debt break-down

	(in EUR '000's)
Social charges and taxes	1,100
General Suppliers and prof. services (uncontested)	514
Montaigne Lease	900 [1]
Cambrai Lease (CM CIC)	586 [2]
TOTAL	3,100

1. The Montaigne lease debt must to be settled if one wishes to preserve the right to sell the key fee. A firm EUR 3.7m, EUR 1.8m annual lease offer is in the hands of realtor. Agreement with landlord to sell key is still pending (meeting in next few days), however he previously indicated that he would, based on incremental revaluation of lease of 40%, which potential buyers have also agreed to. Also refer to protective 2.5 clause of lease agreement. Question: Does the bank guarantee of EUR 700k also needs to be rebuilt to avoid lease "resiliation"?

2. Include capital repayment of EUR 261k, which was suspended during the interest only "Redressement" period (see legal issues below)

3. Acquisition price – minimum capital requirements

scenario 1 – "secure Montaigne lease for later sale of key fee" *(in EUR 000's)*		*scenario 2 – "abandon Montaigne"* *(in EUR 000's)*	
Montaigne debt	900	Social charges and taxes	1,100
Bank guarantee Montaigne (optional) [2]	700	Non-contested suppliers debt	520
Social charges and taxes	1,100	Cambrai lease [1]	586
Non-contested suppliers debt	520	TOTAL	2,200
Cambrai lease [1]	586		
TOTAL	3,800		

1. of which 261 on escrow, over remainder ot lease period
2. Will depend on agreement with landlord as to whether necessary

4. BP capital requirements, 12 months (base case)

Key assumptions – Revenues (EUR 4.66m in 2011)

- Retail figures are only slightly lower than 2011 *levels (- 10%, EUR – 270k),* as current trading and very loyal client base is relatively unaffected
- Hospitality sales continue to suffer and stay low during the period and at post,Redressment, *2011* levels (EUR 900k vs EUR 2m in 2010-2009). Aggressive sale efforts and re acquistion of French market (see "commercial agent" below) bear fruits after one year only
- B2B sales increase to EUR 650k from EUR 180k, thanks to large order book and active client acquisitions initiatives (yachts, jets, interior designers)
- Wholesale US are maintained at normalized levels, also thanks to increased prices going forward
- Harrods has now fully paid for itself and can be expected to generate a profit *of annual EUR 350k*
- Incremental Sales from planned transactional website *(EUR 120k)*

Conclusion: *In spite of goodwill destruction, thanks to i.) new revenue streams and ii.) renewed confidence in DP iii.) Harrods being fully amortized and iv.) "reinvigorated" sales team and efforts, overall revenue levels are maintained (EUR 4.66m), conservatively, at "annus horribilis" 2011 levels*

Key assumptions – Costs (EUR 7.1m in 2011)

- EUR 550k to EUR 650k of annual cost savings to be expected from relocation of Paris retail outlet (based on numerous site visits)
- Extraordinary cost of EUR 550k are non recurring in 2012 (Post redressement costs, litigations, investment in Harrods)
- Marginal net HR costs savings due to lay-offs of 5 non performers of EUR 220k

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Conclusions: *During the period, based on above assumptions*, ***basic cash flow liquidity needs are estimated at EUR 900k to EUR 1,100k***

Key assumptions – Investments (First phase,12 months)

- Paris retail outlet: EUR 0.8 to 1 m key fee / bank guarantee EUR 300 to 400k / refit EUR 200 to 300k
- New wholly owned concessions: EUR 350k to EUR 450k per location (ex Tsum, Middle East)
- Buy out of commercial agent, hospitality France: EUR 150 to 200k
- PR and marketing: EUR 250k
- Transactional website (incl. photography, rights, inventory): EUR 150K
- Adequate MIS and IT: EUR 35k
- Allowance new product dev. (ex. New lines, yachts etc): EUR 30k

Conclusions*: approx*. ***EUR 2.6 to 3.4m are required for the strategic implementation of a 12 month BP***

5. Legal issues
   - Secure agreement with Cambrai lessor CM CIC (TBD with legal rep.)
   - Potential Prud'homme liability: Jean-Francois Muller, hearing in July 2012 (low risk however, worst case at EUR 70k to EUR 100k)

6. Open issues
   - Obtain clarity on country specific DP rights and trademarks (I obtained comfort re DP trademarks from Administrator; also see expert opinion in dataroom)
   - Argentan production site (printing only, 3 people, leased and very old infrastructure)
   - SNDP Inc (USA)

7. To discuss
   - Montaigne EUR 3.7 firm offer and pending actions with landlord
   - Potential bid from Wertheimer family (my sources have indicated Qatari have withdrawn from bid)
   - Other