

HYPOTHETICAL: THE PERILS OF ZEUS

Zeus Athletic, Ltd. and subsidiaries market athletic clothing and shoes worldwide under the Apollo (men's gear) and Artemis (women's gear) trademarks.

Zeus Athletic, Ltd. ("Zeus Parent"), incorporated in Bermuda, is a holding company. The shares of Zeus Parent are held by the public and are publicly traded. Zeus Parent owns operating subsidiaries in many locations, including Zeus Switzerland, Zeus Italy, Zeus Portugal, Zeus Alberta Canada, Zeus Delaware, Zeus Japan, Zeus Brazil. (Zeus Portugal and Zeus Italy divide the distribution in the Euro zone countries.)

Each subsidiary is organized under the law of the jurisdiction in which it operates and each has a board of directors and officers as required under local law. One hundred percent of the shares of the subsidiaries are owned by Zeus Parent.

Zeus Delaware, with offices in Carmel, California, acts as the administrative headquarters for the company groups and handles coordination of the financial functions of the business.

The Zeus subsidiaries are responsible for wholesale distribution and retail sales of Apollo and Artemis product through company-owned stores and through sales to other specialty retailers. Some subsidiaries also "source" product for the group by entering into contracts with manufacturers in Portugal, Brazil, Italy, China, Sri Lanka, India and Viet Nam. (Zeus Alberta deals with some Asian manufacturers.)

The company maintains a cash management system and "sweeps" cash into cash consolidation accounts located in Humongous Global Bank, N.A. ("HGB"), in New York and disburses cash to subsidiaries based on weekly forecasts of cash needs of the company.

HGB has made revolving financing available to Zeus. Last year Zeus acquired Super Duper Golf Manufacturing Co. for \$200 million U.S. There have been difficulties in assimilating the golf business, and there are allegations of pollution at Super Duper's plant in Texas. (Super Duper plans on moving all manufacturing offshore next year.)

Sales in the Apollo and Artemis clothing and shoe lines have declined. Carmel's management has stopped going to the golf course and they are scrambling to manage the cash needs of the global businesses. They have begun "stretching" the trade – the manufacturers from whom Zeus purchases through the subsidiaries.

Officers of Zeus Portugal, Zeus Italy, Zeus Brazil, Zeus Alberta have received calls from vendors about the late bills.

These officers contact local counsel to ask "what shall I do?"