9-806-028
REV: JULY 27, 2009

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Cutter & Buck (A)

July 2002

Fran Conley, interim CEO at publicly traded Cutter & Buck (NASDAQ: CBUK), a Seattle-based golf apparel company, found herself home on a hot Friday night, poring over spreadsheets. Her husband Gerry was off for the evening, so she decided to take advantage of the time alone to try to better understand why profits at Cutter & Buck had disappeared over the past couple of years while annual sales of around $170 million had stayed flat. Conley (see **Exhibit 1** for Conley's resume) had asked her credit department to send some detailed information when it became apparent that something was not right. At the end of fiscal-year 2000 (ending April 30, 2000), multiple large distributor shipments totaling $5.8 million in revenue had been made. Some of the goods had later been shifted from one distributor to another, and approximately $3.8 million had returned to the corporation at the end of FY 2001 as unsold inventory. Conley, who had only been interim CEO for three short months but had served on the board of the company for over 10 years, did not even know the company had distributors, so something was certainly wrong! (See **Exhibit 2** for the distributor spreadsheets.)

Conley had been drafted to the interim CEO position by her fellow board members after longtime CEO and company cofounder Harvey Jones resigned in April 2002. (See **Exhibit 3** for the press release issued when Jones resigned.) Conley agreed to manage the company while they worked to identify the kind of CEO they would need moving forward. (See **Exhibit 4** for a timeline depicting events at Cutter & Buck.) She had never anticipated that her temporary position would become so all consuming and that the problems she would uncover would be so threatening. The company's 10-K was scheduled to be filed the following Monday, but with Conley's discovery of the distributor shipments she had little faith in the historical numbers, let alone any confidence in what they planned to file for FY 2002. How had it all gotten so messy?

History of the Company—1990 to IPO

Cutter & Buck was founded in 1990 by Jones and Joey Rodolfo, initially as an upscale men's apparel manufacturer. The two men had a history of joint ventures, some of which had been successful, others not. Conley, through her venture capital firm Roanoke Venture Capital, was one of the early investors in Cutter & Buck, investing $3.5 million out of a $30 million fund. In 1991 Conley joined the board.

Professor William A. Sahlman and Research Associate Victoria W. Winston prepared this case. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

Very quickly Cutter & Buck started to focus on the golf apparel market. Larry Mounger, who was CEO of outerwear company Pacific Trail, had joined the Cutter & Buck Board in 1990 and brought a wealth of industry knowledge to the position. He recalled:

> Around 1993 one of the two partners suggested to the board that golf apparel was a market that we needed to look into as a new opportunity. It ended up being a sensational decision. Cutter & Buck took the golf world by storm. The vibrant colors, the designs; it was fresh and exciting. The overall business dramatically improved, and our upscale men's apparel all of a sudden took a back seat with our focus becoming golf. This was all just based on gut and instinct, and it worked.

By 1994 Cutter & Buck had expanded into the corporate apparel market. Corporations, usually through third-party marketing organizations, would buy Cutter & Buck apparel with their own logo insignia embroidered on it. The customized apparel would be sold by the corporations through a catalogue or given away as promotional items. Building on the success of the two businesses, Cutter & Buck quickly moved into specialty retail, providing clothing to upscale retail businesses that also wanted their own labels created as logos on apparel.

Cutter & Buck designed their products up front and distributed them on the back end. Assembly was initially done in the U.S., but it soon became apparent that offshore manufacturing was more cost-effective. So by 1993 Cutter & Buck had started to manufacture apparel in Thailand, China, Hong Kong, Turkey, and India while doing the embroidery in a warehouse in nearby Renton, Washington. It was one of the 15 biggest embroidery operations in the U.S.

By 1995 53% of Cutter & Buck's revenue was from the golf market, 26% from the corporate market, and 21% from specialty retail. Jones felt there was great potential to broaden the Cutter & Buck business, and his board agreed. In 1995 the company decided to go public to allow them to raise capital for further expansion beyond their core business.

The Industry

Cutter & Buck was classified as a manufacturer and distributor of high-end apparel. The sportswear segment of the apparel industry was highly competitive. They were often compared to Ashworth, another small publicly traded company that specifically served the golf apparel market. Additionally they competed head-to-head with large sports shoe companies that had migrated into the apparel market such as Nike, Inc. and Reebok, International Ltd. (See **Exhibit 5** for comparative financial data.) Many of their competitors were significantly larger and more diversified and had substantially greater resources available for developing and marketing their products.

Cutter & Buck's two primary distribution channels, golf pro shops and corporate accounts, were highly fragmented, with no single brand representing more than 10% of the market. There was substantial competition in all distribution channels from other apparel companies and distributors of promotional products and apparel. Cutter & Buck believed that its ability to compete effectively was based primarily on product differentiation, product quality, and its knowledge of how to serve the unusual demands of both golf and corporate markets.[1]

The golf market had historically comprised small retail shops on golf courses, called "green grass customers." Their inventory is largely made up of shirts and jackets, with the course or resort's logo

[1] Cutter & Buck 10-K, FY 2000.

embroidered on the fabric. The clothing is manufactured in bulk, and then each item is custom embroidered.

Since its founding Cutter & Buck had done an excellent job of building a strong brand in the golf market. (See **Exhibit 6** for pictures of clothing from their catalogue.) President Jones personally had served as a strong brand evangelist and was thought of by many as "Mr. Cutter & Buck." Board member Mounger elaborated:

> In the apparel business branding is everything. People pay a premium for what they perceive to be a better brand. With brand differentiation there are usually quality differences between the products but typically not enough to justify the increased price. Cutter & Buck did a terrific job of building that brand. Ashworth and Nike Golf were considered competitors, but awareness of Cutter & Buck and our image was comparatively very high. Part of that was attributable to the way that we distributed the product. We made a strategic decision not to sell to department stores but only to pro shops and upscale specialty stores. The corporate business also helped our branding and reinforced the upscale image.

Cutter & Buck—1995 IPO through 2002

Cutter & Buck raised $9.4 million through its initial public offering and continued its aggressive growth. By 1997 the company had grown to $46 million in revenues and held a second public offering, raising an incremental $14.6 million. While golf and corporate sales continued to thrive, the landscape in specialty retailing had changed substantially and was no longer a profitable business for Cutter & Buck. Specialty apparel stores were being squeezed by Wal-Mart, and many large department stores went out of business, which hurt Cutter & Buck's sales to this market.

In 2000 Cutter & Buck described its mission as follows:

> We design and market distinctive upscale sportswear and outerwear under the Cutter & Buck brand. . . . Our goal is to become one of the most recognized and respected brands of sportswear and outerwear in the world. Our products feature distinctive designs and rich detailing using predominately natural fiber textiles. We merchandise our products as lifestyle collections targeted to men and women who seek classical American styles updated with the latest textile and fashion innovations. We have established a strong brand following with upscale golfers, and are using that awareness and loyalty to broaden into a well-known fashion brand.

In early 2000 Cutter & Buck migrated beyond its wholesaling roots into retail, ultimately opening 14 national stores in the subsequent 18 months. Board member Mounger recalled:

> The influx of capital from the IPO allowed us to go into retail stores, which, in retrospect, was a big mistake. Originally the plan was to have a single showcase store, where people could see the merchandise. This was a good idea and worked directly to support our branding efforts. But then, almost suddenly, the retail strategy went out of control and we had 14 stores across the United States, and it became a major focus of the company.

At the same time Cutter & Buck opened a European international subsidiary in Amsterdam to service golf locations throughout Europe. It was a sales, administrative, and distribution center and was run by Harvey Jones's brother, Phillip Jones.

Neither effort proved to be a success. (See **Exhibit 7** for income statements, balance sheets, and cash flow statements for FY 2000, 2001, and 2002 [through the end of Q3].) The retail stores never broke even, nor were they projected to ever be profitable, given that their cost per square foot was substantially above the industry average. Skip Kotkins, who served as a board member and was CEO of Skyway Luggage, remarked, "The retail stores were palaces, temples to brand identity!" Board member Jim Towne reflected:

> We were naive in so many ways. One success doesn't necessarily guarantee another, but with our successful company, management began to think it was better than it really was. I was concerned when we went into retail and I would go into one of our stores. Our shop in Palm Springs, for example, compared to the Tommy Bahamas four doors away, had very little traffic. The Cutter & Buck store was neat and fastidious, just as our warehouses and offices were. But customers seemed reluctant to come in and mess up the shirts!
>
> Management tried to enter the tennis market because it seemed similar to the golf market but failed there. Management tried to sell golf shoes, since the company sold shirts and pants into the golf segment so well, but entrenched competitors and brand preferences foiled that effort. Baseball caps seemed like an easy product extension, but that really didn't work either. Then came the major effort to run our own retail stores, which was again a major disappointment. These were all good opportunities if done properly, but not done properly, as was the case, each failure was expensive and the opportunity was ruined for the future.

The European subsidiary was neither profitable nor well managed. While the board was very concerned, they also had faith that senior management would fix the problems. Mike Morgan, a lawyer with Seattle-based Lane Powell Spears Lubersky (Lane Powell), had provided legal counsel to Cutter & Buck almost since its founding. His background was in the apparel industry, as he served as counsel to Seattle-based Nordstrom's as well. With no legal expertise on staff, Morgan played an important role to Cutter & Buck in advising management and the board on a variety of issues and sat in on most board meetings. With such a small board of directors, six members prior to the departure of former management, Morgan's involvement was very important to running the company. Morgan observed:

> Cutter & Buck had always had a very strong and professional board, but initially they were almost deferential towards Harvey [Jones, the founder]. They always asked the right questions, but perhaps they weren't aggressive enough in getting answers. I don't believe they were intentionally misled by management, but they were certainly provided the information that management wanted them to have and not much more. This became very clear when the company started to expand in a variety of directions to take on a number of corporate initiatives, some of which didn't make much sense.

For the first time in its history, nothing seemed to be going right for Cutter & Buck. It had become very unfocused, entering a range of new markets without doing sufficient analysis either before or after doing so. Managers who were successful running one business line were asked to manage others that required completely different expertise. By March of 2001, these problems were compounded by a general economic downturn; Cutter & Buck reported its first-ever quarterly loss, and inventory levels swelled to $61 million. Cutter & Buck's stock price had fallen precipitously (see **Exhibit 8** for historical stock prices), and a number of analysts had dropped coverage of the company altogether.

Nearly a year later, Whitney Tilson, president of New York-based T2 Partners (known then as Tilson Capital Partners), started looking at the company. He ran a value-oriented investment fund that focused on buying the stocks of good companies that had fallen out of favor, so Cutter & Buck's troubles actually placed the stock in Tilson's sweet spot. He commented:

> I initially read about Cutter & Buck in a January 2002 *Barron's* article that profiled small-cap companies whose stocks were beaten down. Cutter & Buck's stock had fallen by nearly 75% from its peak, to around $6.50 per share, thanks to a weak economy that was affecting most industries but hit the golf industry especially hard. Dot-com companies and their investment banks were no longer hosting corporate golf outings, course usage was way down and, overall, the industry was really a mess, plagued by overcapacity and excess inventory.
>
> Though Cutter & Buck in early 2002 was not earning a profit, it was not losing lots of money either, and it had proven profit potential of more than $1.00 per share—in fact, at its peak in the fiscal year ending in April 2000, Cutter & Buck had earned $1.06 per share on net profit margins of 7.0%.
>
> To learn more about the company and industry, I flew to Orlando to attend the PGA Golf Convention, where I met Cutter & Buck's management, saw the latest product lines of the company and its competitors, and talked to sales reps from a variety of companies. I came to the conclusion that Cutter & Buck's problems would most likely be resolved within a year or two and saw no reason why it couldn't return to earning at least $1.00 per share once the economy improved and industry capacity and inventory levels returned to normal levels. With this level of earnings, I figured the stock would rise to at least $12–$15, based on private market valuations and peer multiples.
>
> Equally importantly, I thought there was very low downside risk thanks to Cutter & Buck's strong balance sheet. The company had paid down debt drastically, so I felt confident that no matter how bad things got, Cutter & Buck would survive its difficulties. Also, I calculated the company's liquidation value—current assets minus all liabilities—at $6.56 per share. So with a potential double on the upside and very little apparent downside, I bought more than 2% of the company over five months in early 2002 at an average price of $6.59 per share.

By January of 2002 the board (see **Exhibit 9** for a list of directors and their bios for FY 2002) had, for the first time ever, lost confidence in management. On top of having spread itself too thin and entering far too many ancillary businesses, the company was also going through a classic shift from an entrepreneurial, rapidly growing start-up organization to a larger, slower-growing company. A more formal structure was needed, both organizationally and culturally, and it was not clear that the current management could provide it.

Cutter & Buck had grown quickly, and management control systems, which might have allowed management to better understand the successes and failures of specific efforts, were inadequate. The company had the systems to file financial statements with the Securities and Exchange Commission (SEC) and investors but was weak in its understanding of market, sales, and merchandise data. But that was just part of the problem. Board member Towne remarked, "The board was troubled by the culture at the company as well. It was a very gentle, happy culture, which had worked well earlier but wasn't by 2002. There just wasn't enough discipline or constructive challenging of ideas or projects." Conley shared that sentiment and elaborated:

> The company under Harvey Jones had been too nice. There was a real paternalism that ended up being demoralizing. There was also a real lack of confronting anyone with a performance issue; the individual would just get transferred to a new department where they would continue not to perform. There was also a lack of bargaining on behalf of the company. Employees did not feel empowered or responsible for getting good deals with outside vendors

> on the company's behalf. To turn the business around this all had to change. The culture needed to change as well.

The board was having weekly telephone meetings with Harvey Jones and President Marty Marks in which they asked for detailed updates and progress reports. While there was no indication or warning of fraudulent behavior, there was a strong feeling that the business was not well run. By late January of that year, the board had concluded that the company's challenges had outgrown Jones, and he and the board agreed to a change. The board thought Conley was the logical choice for the interim replacement, and she was willing to assume that role. She had sat on the board for a long time, had strong strategic skills, and was highly analytical, something the board believed would be necessary in understanding the business problems better. Board member Mounger explained, "Fran had been involved in turnarounds. She was very strong in finance, had been a cost accountant for a bank, and had a good business mind, so she was the logical candidate. I don't think that any of us, including Fran, thought this would be a long-term situation but rather a six-month interim assignment."

Conley Takes Over—April 2002

Conley knew when she took over the leadership of Cutter & Buck that she had two immediate problems: she had inherited a "broken" business that needed to be turned around, and she needed to find a full-time CEO who could replace her as soon as possible.

On April 19, 2002, the board accepted CEO Harvey Jones's resignation, and Conley took over. On April 20, with a fiscal year-end of April 30, Conley hit the ground running. She knew from talking with people inside and outside the company that they needed to shut down the women's fancy apparel business and just take the write-off. They did that immediately. On April 29, after discussions with Conley, Marks resigned. By fiscal year-end Conley had already closed down a failing product line, made year-end closing decisions, accepted the resignation of the president, and accelerated the shutdown of some retail stores and the European subsidiary.

As Conley dove in deeper it became obvious that Cutter & Buck was much more of a turnaround than had been imagined by the board. She could not get good headcounts or cost figures or gross-margin analysis. The retail stores were not performing. The warehouse was in need of management. There were 300 people in the embroidery area, and there were no productivity measurements. On the product end of things, the stock-keeping unit (SKU) count had been rising by 30% a year, with very little sense as to what was selling and what was not. Conley learned that many aspects of the company were basically unmanaged. Board member Kotkins observed:

> There were wholesale product lines like shoes and hats, and all those things were unprofitable and had to be cut. On the retail side, management had discovered pretty early on that you can't run a retail outlet on the same inventory that you have in a warehouse for your wholesale customers. You need many more SKUs when you go into retail; you need to be able to show more variety. In order to keep the volume up they had been throwing everything at the wall and hoping that something might stick. Because there were only 14 stores, there were no economies of scale to support all the additional SKUs. A ton of working capital was tied up in inventory.

Conley's fear that the management information end of the business was well behind what it should have been proved true. She recalled:

> As a board member we'd seen management reports from the CEO, president, and CFO. But whenever we'd drill down on the data or ask questions, the answers we'd get were unsatisfactory. When I got inside the company, I couldn't imagine where the numbers had come from as there were few management systems in place to provide them. It seemed that the SEC reports were accurate, but beyond that there were problems, there was very little management information.

As part of getting familiar with the organization, Conley started regular weekly meetings with senior management, something that had never happened before. Conley formed what she called the Leadership Team, which was the 10 or so vice presidents at Cutter & Buck. The key question she put before them was why, when two years prior the company had $150 million in revenue and profits of over $10 million, were they now at $174 million in revenue but suffering a $10 million loss? Part of the loss was attributable to rampant costs in the warehouse, and they were working to fix that. Excess product and inventory write-offs associated with too many SKUs certainly contributed to the loss as well. But the discrepancy was too large for those to be the only answers. In the process of asking the question, one of the vice presidents, Joni Barrott, mentioned that some of it might have to do with the starting of the distributor business in 2000. Conley and the board were unaware of a distributor business. When Conley started asking others about it, it was all a bit vague.

July 2002

On July 24 Conley asked her credit department to create a spreadsheet that showed all the billings and payments to the distributors since FY 2000. She was given four different spreadsheets, one for each distributor, which she made into a single spreadsheet (see **Exhibit 2**). It was late Friday night on July 26, 2002, when she put it all together and started to see large shipments from one distributor to another. The numbers were big, big enough that someone would have had to have known about it, but Conley did not know who. To make matters worse, Cutter & Buck needed to file its 10-K (the annual financial report required by the SEC of all publicly traded companies) on the following Monday.

Conley decided to sleep on it, but early Saturday morning she was on the telephone with Morgan, Cutter & Buck's legal counsel. By 10 o'clock the two of them were sharing a cup of coffee in Morgan's office in downtown Seattle as Conley walked him through her discovery. While it was not all immediately apparent, Conley led Morgan through the transfer of funds from one distributor to another and the return of inventory after the fiscal year had closed. Cutter & Buck had a history of early shipments, a practice in retail that was not illegal but was a bit like putting a company on a financial treadmill where getting out of the cycle became increasingly difficult. Once a company borrowed from future sales it became hard to stop, because they would probably need to do the same thing three months later to make the next quarterly goal. But the distributor transfers were clearly a different thing, and the proximity of the large transactions to the company's year-end was troubling. Conley and Morgan wondered whether someone had intentionally pushed numbers specifically to meet sales goals or maintain high growth rates.

It was clear to both Morgan and Conley that they needed to understand exactly what had gone on but that they also needed to find out if there were more oddities that the board had not been aware of. They had to decide how important it was and whether to file the 10-K. They also needed to renew their bank credit line, which was expiring shortly. They spent the rest of the afternoon on the telephone alerting all of their board members to the discovery. As board member Towne observed of that conversation:

> The accounting problem, the discovery of the distributor channel, meant that maybe there was something that the board didn't know about, and in a small company the board should know about something like this. We didn't have distributors as far as we knew. It was a red flag, and when we started to dig, it couldn't be explained away. The "revenue" from these transactions allowed people to make bonuses and allowed the company to claim something like 28 consecutive quarters of sales growth and 22 consecutive quarters of profitability.

The Backdrop: Corporate Scandal and Sarbanes-Oxley

In July 2002 the Sarbanes-Oxley Act was passed and the Enron and WorldCom accounting scandals were at full tilt. There had been significant tightening of rules by the SEC and the government for publicly traded companies. Many new rules were in place, but they were untested, and it was not clear how they were to be interpreted. For a small company like Cutter & Buck, understanding the radically changed landscape was not an easy task. As one board member explained, "Rules were flying around like crazy, none of which had been tested, interpreted, or were even clear. And we were trying to be compliant in an environment where scrutiny was unprecedented and unpredictable." One of Cutter & Buck's financial advisors remarked of the accounting irregularities, "Pre-Sarbanes-Oxley, pre-Enron, an equity adjustment at the sort of equity adjustment that we were facing and no one would have blinked an eye. However, this was a very new environment, something that none of us had ever seen."

The discovery of accounting fraud presented Conley with yet a third problem, which was undoubtedly the most serious of all. It was hard to know what to do, whom to trust, and what resources, if any, to call on. The board was as much in the dark as she was. She had a business to turn around but also had an accounting problem to figure out. On June 20 Cutter & Buck had released preliminary numbers showing sales for FY 2002 of $168 million and a net loss of $10.8 million (see **Exhibit 10**), but now Conley had no way of knowing if these numbers were right. How long would it take to figure out what had really gone on? How much should she disclose, and how soon, to the public and to Cutter & Buck's employees?

Exhibit 1 Fran Conley Resume

FRAN CONLEY

Manager—CEO of Cutter & Buck, Inc., a public company which creates high-quality sportswear with a golf heritage and sells it to retail stores and corporations in many countries. (April 2002 to September 2004)

As active chair of the board, managed several companies through CEO transitions, including Edmark Corporation, a public company which made educational software; Data I/O Corporation, a public company which provides hardware and software for programming and handling programmable devices; and Etcetera Corporation, a chain of 40 mall-based stores selling women's accessories.

Managed operations of 134 bank branches in Washington state in the early 80's at Rainier Bank before it was acquired by Security Pacific and then by Bank of America.

Entrepreneur—Founded Roanoke Capital, Ltd., which has provided financial and strategic assistance to companies in the Northwest for over 20 years. Started with consulting; formed a securities broker dealer which did private placements; and progressed to managing a venture capital fund.

Venture Capitalist—Raised a $40 million fund in 1988. For ten years, invested in companies in the Pacific Northwest. Became an active, involved partner with the companies' managements, working with them on strategy, management development, capital structure, market definition and sales force structures.

Board Member—Chaired Cutter & Buck's Board of Directors. Also board member and audit committee chair at Recreational Equipment, Inc. (R.E.I.), a co-operative selling outdoors gear and clothing through 51 retail stores, catalogs, and a significant on-line business. Previously served on the boards of Data I/O Corporation, Edmark Corporation, and Etcetera Corporation, mentioned above, as well as Pacific Linen Inc., a retailer which operated 49 specialty linens stores in the western U.S. and Canada; Luxar Corporation, a manufacturer of medical lasers used for cosmetic surgery and dentistry; and Output Technology Corporation, a maker of heavy-duty printers.

Human—Serious amateur violinist, also play classical piano. Enjoy partner dancing, particularly waltz and swing dancing; yoga; walking and swimming; gardening and reading. Involved in urban livability issues. Married 38 years to Gerry Conley; two grown children.

Education—Masters in Business Administration from the Harvard Graduate School of Business Administration, 1966. BA, Emmanuel College, Boston, 1964.

Source: Fran Conley.

Exhibit 2a Distributor Transactions

		Distributor A
2/22/1999	Regular shipment	11,666
3/25/1999	Payment	(11,666)
3/29/1999	Partial prepayment	(10,000)
3/30/1999	Regular shipment	8,439
4/5/1999	Regular shipment	31
4/12/1999	Regular shipment	46
4/15/1999	Regular shipment	21,081
4/15/1999	Regular shipment	40,419
4/20/1999	Regular shipment	246
4/21/1999	Regular shipment	1,957
4/26/1999	Regular shipment	1,421
4/29/1999	Regular shipment	3,197
4/29/1999	Distributor shipment	774,208
4/29/1999	Regular shipment	243
Balance 4/30/99		***841,289***
5/18/1999	Payment on account	(60,016)
6/30/1999	Payment on account	(90,000)
6/30/1999	Payment on account	(30,000)
7/13/1999	Payment on account	(90,000)
7/30/1999	Payment on account	(100,000)
Balance 7/31/99		***471,273***
8/30/1999	Payment on account	(60,000)
9/7/1999	Credit Memo #53942 Returned Merch from dist ship	(86,616)
9/8/1999	A/R adjustment for shortage on dist shipment	(2,436)
9/22/1999	Payment on account	(50,000)
9/24/1999	Regular shipments	1,565
10/6/1999	Credit Memo #54982 Returned Merch from dist ship	(40,368)
10/8/1999	Payment on account	(26,809)
10/26/1999	Payment on account	(25,000)
Balance 10/31/99		***181,609***
11/2 – 11/30	Regular shipments	26,519
11/2 – 11/30	Payments on account	(31,095)
12/1 – 12/30	Payments on account	(28,007)
1/1/2000	Regular shipments	60,589
1/03/00	Payments on account	(25,756)
1/24/2000	Payments on account	(25,000)
1/31/2000	Payments on account	(42,557)
Balance 1/31/00		**116,303**
2/1/2000	A/R adjustments for embroidery issues on reg ship	(23,693)
4/7/2000	Credit Memo #61943 ret merch	(42,911)
4/27/2000	Original shipment	
4/28/2000	Original shipment	
4/28/2000	Original shipment	
Balance 4/30/00		*49,699*

Source: Company document.

Exhibit 2b Cutter & Buck Distributor Cash Flow

		Distributor B	Distributor C	Distributor D	Distributor A	Totals	Total Payments	Adjusts and Transfer	Back to CBUK[1]
4/27/2000	Original shipment		1,293,045						
4/28/2000	Original shipment			3,558,051					
4/28/2000	Original shipment	865,548							
Balance 4/30/00		*865,548*	*1,293,045*	*3,558,051*		*5,716,643*			
5/17/2000	Additional shipment inv #561906	14,852							
7/19/2000	Payment on account		(36,800)				(36,800)		
7/28/2000	Payment on account			(29,019)			(29,019)		
7/31/2000	Payment on account		(76,744)				(76,744)		
7/31/2000	Payment on account	(93,242)					(93,242)		
Change during quarter		*(78,390)*	*(113,544)*	*(29,019)*		*(220,953)*			
Balance 7/31/00		*787,158*	*1,179,501*	*3,529,031*		*5,495,690*			
9/4/2000	a/r adj for comm. amount			(29,546)				(29,546)	
9/12/2000	Replnsh shipment inv #640207			30,680					
9/12/2000	Replnsh shipment inv #640206		35,319						
9/12/2000	Payment on account			(20,000)			(20,000)		
10/2/2000	a/r adjustment for dist comm.	(40,212)						(40,212)	
10/2/2000	Payment on account			(20,000)			(20,000)		
10/2/2000	a/r for comm. on account		(106,934)					(106,9344)	
10/9/2000	Replnsh shipment inv #655580		25,834						
10/10/2000	Payment on account		(109,958)				(109,958)		
10/10/2000	Payment on account		(141,561)				(141,561)		
10/23/2000	Payment on account			(20,000)			(20,000)		
10/25/2000	a/r adj trsf inv to Distributor D from Distributor A			20,201				20,201	
10/26/2000	Payment on account		(116,956)				(116,956)		
10/30/2001	Payment on account	(100,595)					(100,595)		
10/31/2000	a/r adj trsf inv from Distributor D to Distributor B			(45,030)					
10/31/2000	a/r adjustment rec inventory from Distributor D	45,030							
10/31/2000	a/r adjust Distributor B closing trsf invntry to Distributor D	(511,802)	Where is offset?					(511,802)	
Change during quarter		607,579	(414,256)	*(83,695)*		*(1,105,530)*			
Balance 10/31/00		179,578	765,245	*3,445,336*		*4,390,159*			
11/22/2000	Payment on account	(50,617)					(50,617)		
11/30/2000	a/r adjustment for inventory trsf from Distributor D		735,258						
11/30/2000	a/r adj for trsf of inventory to Distributor C			(735,258)					
11/30/2000	Payment on account		(142,833)				(142,833)		
12/1/2000	a/r adjustment for shortage on original shpmnt	(4,646)						(4,646)	
12/1/2000	a/r adjustment for dist comm.	(18,135)						(18,135)	
12/1/2000	a/r adj for shortage on original 3mm shpmt			(47,367)				(47,367)	
12/1/2000	a/r adj for price increase on one style			41,522				41,522	
12/7/2000	Customer dir pay			(8,841)					
12/7/2000	Payment on account	(20.478)					(20,478)		
12/12/2000	Payment on account			(20,000)			(20,000)		
12/18/2000	Payment on account			(3,150)			(3,150)		
12/18/2000	Payment on account			(20,000)			(20,000)		
12/18/2000	Payment on account	(12,692)					(12,692)		
1/17/2001	Payment on account	(26,612)					(26,612)		
1/31/2001	Replnsh shipment inv #549230		1,253,668						
1/31/2001	Merchandise return			(1,253,668)					
1/31/2001	Merchandise return			(171,668)					(171,668)
1/31/2001	Payment on account			(20,000)			(20,000)		(20,000)

Exhibit 2b (continued)

Date	Description	Distributor B	Distributor C	Distributor D	Distributor A	Totals	Total Payments	Adjusts and Transfer	Back to CBUK[1]	
Change during quarter		*(133,180)*	*1,846,093*	*(2,238,429)*		*(525,517)*				
Balance 1/31/01		*46,399*	*2,611,337*	*1,206,907*		3,864,643				
2/6/2001	Payment on account		(53,831)				(53,831)			
3/2/2001	Replnsh shipment inv #749040		31,350							
3/5/2001	Payment on account		(42,661)				(42,661)			
3/12/2001	Payment on account	(9,604)					(9,604)			
3/29/2001	Payment on account		(61,568)				(61,568)			
4/10/2001	a/r adj to correct error from 11/30 inv trsf trsf back to Dist. D		(199,652)							
4/10/2001	a/r adj to correct inv trsf from 11/00 to Distributor C			199,652						
4/30/2001	Trsf open receivables to C&B customers			(49,888)						
4/29/2001	Payment on account		(81,755)				(81,755)			
Balance bfre transfer to CBUK		*36,794*	*2,203,221*	*1,356,670*						
4/30/2001	a/r adj move inventory to be on c&b books		(1,725,352)						(1,725,352)	
4/30/2001	a/r adj to correct closing of Dist. D and trsf of inventory			(1,357,538)					(1,357,538)	
						Totals>>	(1,330,678)	(696,919)	(3,274,558)	(5,302,155)
Change during quarter		*(9,604)*	*(2,133,469)*	*(1,207,775)*		*(3,350,848)*				
Balance 4/30/02		*36,794*	*477,869*	*(868)*		*513,795*			*Disappeared?*	*1,111,408*
									Includes adjustments	

Source: Company document.

Note 1. Balance of $30,072 transferred to CBUK customer accounts, collected by CBUK.

Note 2. This is the aging amount left to be collected by Distributor C prop as of 4/30/01 (2,091,269).
Distributor C continued to collect on this amount until 9/01/01, and then we transferred the balance (135,402.11) onto the C&B customer accounts and collected ourselves.

Exhibit 3 Press Release on April 19, 2002

CUTTER & BUCK CEO RESIGNS; COMPANY UPDATES FOURTH QUARTER EARNINGS OUTLOOK

SEATTLE, WA—April 19, 2002—Cutter & Buck Inc. (Nasdaq: CBUK) today announced that Harvey Jones has resigned both as Chairman and Chief Executive Officer and as a member of the Board of Directors and will remain with the company as Founder and Brand Strategist. Board member Fran Conley has been appointed interim Chairman of the Board and CEO, and Marty Marks, President, will concentrate on the priority areas of the business, including international.

"I've had a great run," said Jones, "but it's time for a change—for me and for Cutter & Buck. I'm proud of what I've been able to accomplish since this company was formed twelve years ago—strong brand loyalty from our customers, a quality line of products and a group of outstanding employees. As our company has evolved, so too should its leadership. The time is right for that new leadership to take Cutter & Buck to the next level."

"Harvey brought this company from its beginning to where it is today," said interim CEO Conley. "Very few founders accomplish what Harvey has accomplished, developing an idea into an international brand, building sales in excess of $150 million and a company of over 700 employees. We have all benefited from his vision and his leadership. We are pleased Harvey will continue to be involved with the company, contributing his vision, energy and ideas in his new role as Founder and Brand Strategist."

Interim CEO Fran Conley has been involved with the Company since 1990 as a board member and venture capitalist. She is president of Roanoke Capital, Ltd, and a board member of Coinstar and R.E.I. She has previously handled CEO-transition responsibilities at Edmark Corp, Data I/O, and Etcetera Inc. "I look forward to working with the fine people of Cutter & Buck," said Conley. "We will be doing a nationwide search for a CEO to guide this company through its next phase."

Cutter & Buck also announced that for the current quarter ending April 30, 2002 sales are expected to be in the range of $52 to $54 million. For the quarter, the Company now expects a net loss in the range of $500 thousand to $1 million or $0.05 to $0.10 per share, after the previously-announced restructuring charge of approximately $1.2 million. "Our gross margins are lower than we had projected," said Steve Lowber, Vice President and CFO, "as we have more aggressively worked off our excess inventories which are now expected to come down by over $15 million during the quarter. We will also be incurring some additional costs related to the changes announced above."

Source: Company document.

Exhibit 4 Cutter & Buck Timeline, 1990 to July 2002

1990	Cutter & Buck founded by Harvey Jones and Joey Rodolfo as an upscale men's clothing manufacturer.
1991	Roanoke Capital invests $3.5 million in Cutter & Buck. Fran Conley joins board.
1993	Cutter & Buck focuses business on manufacturing and distribution of clothing to golf establishments and corporate market.
August 14, 1995	Cutter & Buck (CBUK) goes public.
October 29, 1996	CBUK has a second public offering of 1.4 million shares.
July 23, 1999	CBUK has a follow-on public offering of 1.7 million shares.
2000	CBUK starts national retail operation, expanding to 14 stores in a three-year time period.
2000	CBUK opens international subsidiary in Amsterdam later run by Phil Jones.
April 19, 2002	Board accepts Harvey Jones's resignation, and Fran Conley takes over as interim CEO.
April 20, 2002	Fran Conley closes down women's fancy business and takes a write-off.
April 29, 2002	Marty Marks resigns as president. Fran Conley accelerates closure of the European subsidiary.
June 20, 2002	CBUK announces preliminary results for the year ended April 30, 2002.
July 26, 2002	Fran Conley receives distributor spreadsheets and discovers accounting irregularities.
July 27, 2002	Fran Conley and Mike Morgan meet at CBUK offices to review materials and to alert board members to irregularities.

Source: Developed by casewriter.

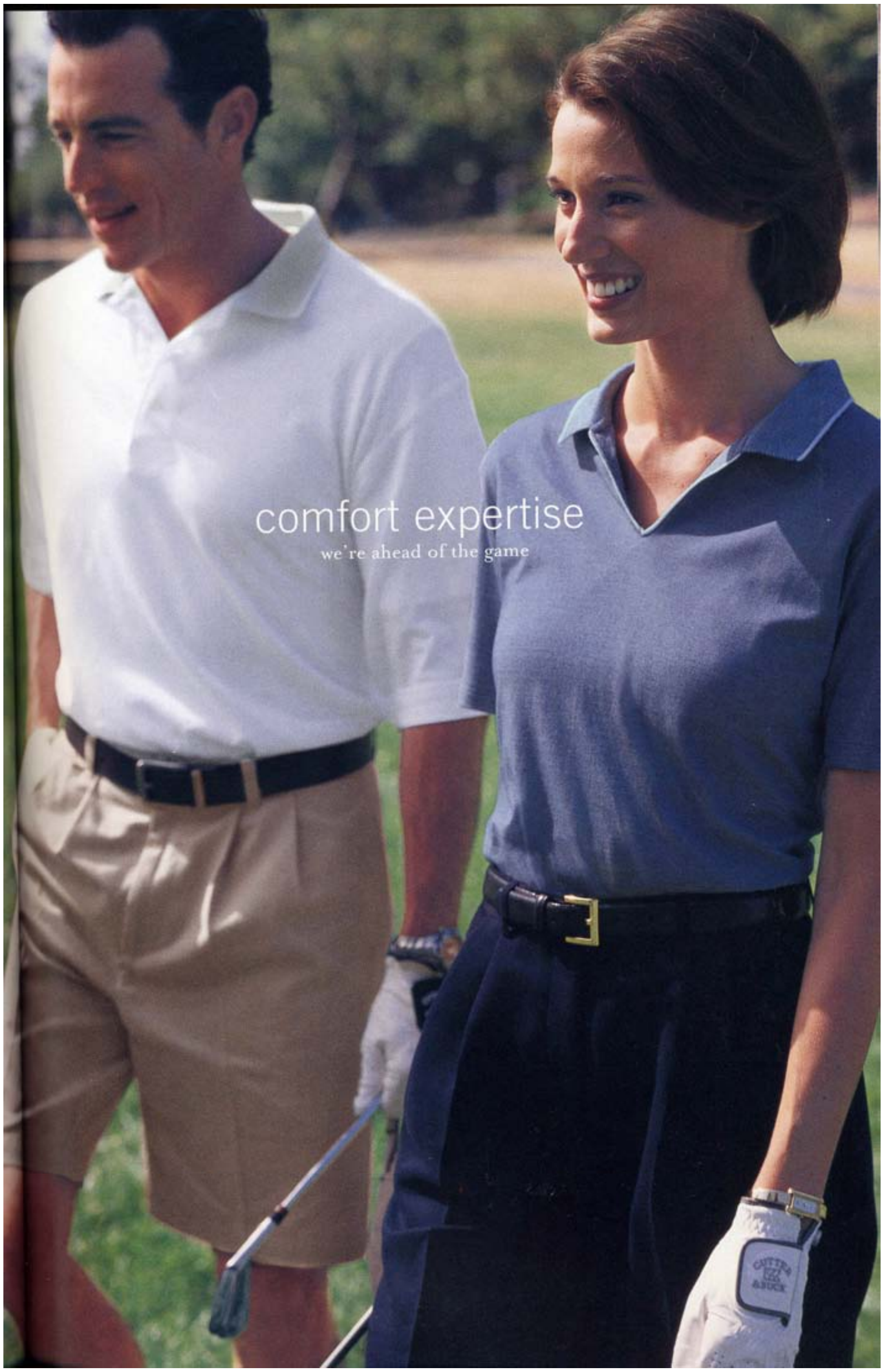
Exhibit 5 Comparative Key Numbers

	Year Ended 4/30/2002		Year Ended 10/31/01		Year Ended 3/31/02		Year Ended 12/31/01	
BALANCE SHEET	**Cutter and Buck**	% of Sales	**Ashworth**	% of Sales	**Nike**	% of Sales	**Reebok**	% of Sales
Current Assets								
Cash & Marketable Sec.	7.0	4.2%	1.1	0.9%	575.5	5.8%	413.3	13.8%
Accounts Rec.	41.2	24.6%	30.0	23.7%	1,804.1	18.2%	383.4	12.8%
Inventory	26.2	15.6%	35.8	28.3%	1,373.8	13.9%	362.9	12.1%
Other Current Assets	14.7	8.8%	4.2	3.3%	401.3	4.1%	135.1	4.5%
Total Current Assets	89.1	53.1%	71.1	56.2%	4,154.7	42.0%	1,294.7	43.3%
NPP&E	16.3	9.7%	18.6	14.7%	1,614.5	16.3%	134.0	4.5%
Other Long-Term Assets	1.3	0.8%	4.0	3.2%	670.8	6.8%	114.5	3.8%
Total Assets	106.7	63.6%	93.7	74.0%	6,440.0	65.1%	1,543.2	51.6%
Current Liabilities								
Accounts Payable	7.3	4.4%	4.2	3.3%	504.4	5.1%	127.3	4.3%
Other Current Liabilities	6.2	3.7%	3.3	2.6%	848.3	8.6%	303.0	10.1%
Short-Term Debt & Current Mat.	3.2	1.9%	6.7	5.3%	480.5	4.9%	19.1	0.6%
Total Current Liabilities	16.7	10.0%	14.2	11.2%	1,833.2	18.5%	449.4	15.0%
Long-Term Debt	0.0	0.0%	3.2	2.5%	625.9	6.3%	351.2	11.7%
Other Long-Term Liabilities	6.1	3.6%	1.4	1.1%	141.6	1.4%	22.6	0.8%
Shareholders Equity	83.9	50.0%	75.0	59.2%	3,839.3	38.8%	719.9	24.1%
Total Liabilities	106.7	63.6%	93.8	74.1%	6,440.0	65.1%	1,543.1	51.6%
INCOME STATEMENT								
Revenues	167.7	100.0%	126.6	100.0%	9,893.0	100.0%	2,992.9	100.0%
Cost of Goods Sold	105.4	62.9%	76.4	60.3%	6,004.7	60.7%	1,894.5	63.3%
Gross Margin	62.3	37.1%	50.2	39.7%	3,888.3	39.3%	1,098.4	36.7%
Operating Expenses	77.0	45.9%	44.0	34.8%	2,835.8	28.7%	913.9	30.5%
Operating Income	-14.7	-8.8%	6.2	4.9%	1,052.5	10.6%	184.5	6.2%
Other Income/Expense	-1.3	-0.8%	-1.5	-1.2%	-35.2	-0.4%	28.6	1.0%
Pre-Tax Income	-15.9	-9.5%	4.7	3.7%	1,017.3	10.3%	155.9	5.2%
Tax	-5.1	-3.0%	1.9	1.5%	349.0	3.5%	48.3	1.6%
Net Income	-10.8	-6.4%	2.8	2.2%	668.3	6.8%	107.6	3.6%
Total Shares Outstanding	10.6		13.1		266.1		39.0	
Market Value- 4/30/02	64.7		117.9		13,640.3		1,058.1	

Source: Developed by casewriter.

Exhibit 6 Cutter & Buck Merchandise


fresh focus
to raise your level of play
CUTTER & BUCK
CUTTER & BUCK



Source: Company documents—CB Classics 2005 Catalog.

Exhibit 7a Consolidated Statements of Income for the Year Ended April 30—Original (not restated) Numbers

	2000	2001	2002-Q1	2002-Q2	2002-Q3
Net sales	$152,452,723	$171,067,509	$ 37,730,756	$42,899,701	$32,636,684
Cost of sales	84,942,984	99,389,000	21,229,503	25,950,589	21,512,119
Gross profit	67,509,739	71,678,509	16,501,253	16,949,112	11,124,565
Operating expenses:					
Design and production	3,464,916	4,094,259	1,268,392	1,168,911	1,135,854
Selling and shipping	35,992,104	46,725,117	12,454,522	11,455,703	10,898,420
General and administrative	11,272,395	14,123,570	4,590,463	3,623,941	3,668,692
Restructuring and asset impairment	–	–	–	–	7,382,182
Total operating expenses	50,729,415	64,942,946	18,313,377	16,248,555	23,085,148
Operating income (loss)	16,780,324	6,735,563	(1,812,124)	700,557	(11,960,583)
Other income (expense):					
Factor commission and interest expense, net of interest income of $134,029 in 2002, $134,195 in 2001, and $579,028 in 2000	(459,658)	(1,255,501)	(527,881)	(416,158)	(336,290)
License and royalty income, net of other expense	287,252	492,415	85,158	90,851	92,851
Total other income (expense)	(172,406)	(763,086)	(442,723)	(325,307)	(243,439)
Income (loss) before income taxes	16,607,918	5,972,477	(2,254,847)	375,250	(12,204,022)
Income tax expense (benefit)	5,978,850	2,271,000	(902,968)	150,100	(3,853,872)
Net income (loss)	10,629,068	$ 3,701,477	$ (1,351,879)	$ 225,150	$(8,350,150)
Basic earnings (loss) per share	$ 1.08	$ 0.35	$ (0.13)	$ 0.02	$ (0.79)
Diluted earnings (loss) per share	$ 1.08	$ 0.35	$ (0.13)	$ 0.02	$ (0.79)
Shares used in computation of:					
Basic earnings (loss) per share			10,548,785	10,567,589	10,575,066
Diluted earnings (loss) per share			10,548,785	10,587,786	10,575,066

Source: Company document.

Exhibit 7b Consolidated Balance Sheets for the Year Ended April 30—Original (not restated) Numbers

	2000	2001	2002-Q1	2002-Q2	2002-Q3
Assets					
Current assets:					
Cash and cash equivalents	$ 7,366,612	$ 8,072,456	$ 4,363,316	$ 8,135,357	$ 10,675,355
Accounts receivable, net of allowances for doubtful accounts and returns of $3,320,416 in 2001 and $2,351,024 in 2000	50,462,713	48,517,944	30,077,238	28,796,917	23,338,298
Inventories, net	36,739,933	53,553,275	60,065,893	48,211,839	47,500,934
Deferred income taxes	2,250,527	3,350,725	3,350,726	3,350,725	3,350,725
Prepaid expenses and other current assets	3,447,789	4,646,569	5,664,166	5,301,065	8,152,609
Total current assets	100,267,574	118,140,969	103,521,339	93,795,903	93,017,921
Furniture and equipment, net	17,813,391	23,192,033	22,187,248	21,438,166	17,501,586
Deferred income taxes	308,560	763,321	763,321	763,321	763,321
Other assets	401,992	857,100	842,871	971,596	980,940
Total assets	$118,791,517	$142,953,423	$127,314,779	$ 116,968,986	$112,263,768
Liabilities and Stockholders' Equity					
Current liabilities:					
Short-term borrowings	$ 3,036,551	$ 18,732,209	$ 8,375,529	$ 3,072,832	$ 4,173,594
Accounts payable	12,086,335	12,885,720	10,075,189	6,313,063	7,166,677
Accrued liabilities	3,129,393	4,119,834	2,955,750	3,120,093	4,376,429
Income taxes payable	3,423,068	–	–	–	–
Current portion of capital lease obligations and debt	1,418,828	2,736,537	2,733,180	2,882,648	6,020,029
Other current liabilities	72,362	276,333	276,333	276,333	244,759
Total current liabilities	23,166,537	38,750,633	24,415,981	15,664,969	21,981,488
Capital lease obligations, less current portion	2,259,505	6,774,898	6,440,159	5,332,960	4,536,246
Long-term debt, less current portion	4,285,714	3,571,428	3,571,428	2,857,142	–
Deferred income taxes	–	–	–	–	–
Other liabilities	172,470	591,721	560,147	528,573	1,088,134
Commitments and contingencies	–	–	–	–	–
Shareholders' equity:					
Preferred stock, no par value, 6,000,000 shares authorized; none issued and outstanding	–	–	–	–	–
Common stock, no par value: 25,000,000 shares authorized; 10,589,810 issued and outstanding in 2002, 10,539,512 in 2001 and 10,344,672 in 2000	62,645,047	64,187,129	64,318,462	64,338,215	64,413,113
Deferred compensation	(210,484)	(968,764)	(627,175)	(627,175)	(348,590)
Retained earnings	26,804,933	30,506,410	29,154,531	29,379,681	21,029,531
Accumulated other comprehensive loss	(332,205)	(460,032)	(518,754)	(505,379)	(436,154)
Total shareholders' equity	88,907,291	93,264,743	92,327,064	92,585,342	84,657,900
Total liabilities and shareholders' equity	$118,791,517	$142,953,423	$ 127,314,779	$116,968,986	$112,263,768

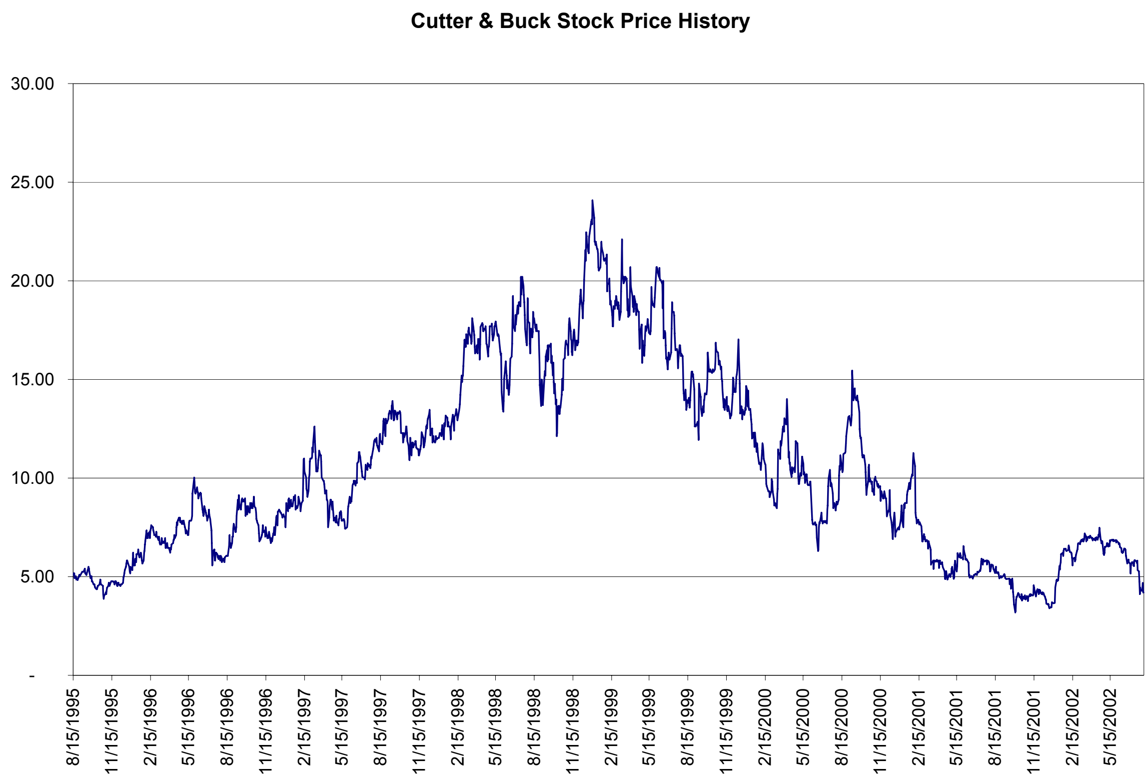
Source: Company document.

Exhibit 7c Consolidated Statements of Cash Flows for the Year Ended April 30—Original (not restated) Numbers

	2000	2001	2002-Q1	2002-Q2	2002-Q3
Operating activities:					
Net income (loss)	$ 10,629,068	$ 3,701,477	$ (1,351,879)	$ (1,126,729)	$ (9,476,879)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	3,786,907	5,066,227	1,629,044	3,309,128	4,804,762
Deferred income taxes	(689,595)	(1,283,715)	–	–	–
Deferred gain on sale and leaseback of capital assets	–	383,552	(31,574)	(63,148)	(94,722)
Amortization of deferred compensation	148,872	356,062	341,589	341,589	620,174
Noncash compensation expense	–	32,050	15,260	34,970	38,860
Noncash restructuring and asset impairment charges	–	–	–	–	6,072,771
Inventory write-downs relating to restructuring	–	–	–	–	2,884,886
Changes in assets and liabilities:					
Accounts receivable, net	(18,242,568)	1,900,003	18,418,227	19,938,458	23,086,255
Inventories	(8,532,947)	(16,841,544)	(6,559,798)	5,387,382	3,124,857
Prepaid expenses and other current assets	(258,301)	(1,217,009)	150,759	549,520	(4,424,336)
Accounts payable and accrued liabilities	4,963,663	1,789,500	(3,985,569)	(7,793,788)	(5,333,170)
Other liabilities	–	–	–	–	–
Income taxes payable	397,100	(3,423,068)	(1,183,168)	(1,189,589)	–
Net cash provided by (used in) operating activities	(7,797,801)	(9,536,465)	7,442,891	19,387,793	21,303,458
Investing activities:					
Purchases of furniture and equipment	(9,939,082)	(9,241,358)	(640,354)	(1,386,886)	(1,640,984)
Proceeds from sale and leaseback of capital assets	–	6,745,675	–	–	–
Increase in trademarks, patents and marketing rights	(109,059)	(455,560)	13,615	(113,898)	(124,975)
Net cash used in investing activities	(10,048,141)	(2,951,243)	(626,739)	(1,500,784)	(1,765,959)
Financing activities:					
Net proceeds from (repayment of) short-term borrowings	(8,614,755)	15,043,294	(10,299,396)	(16,429,449)	(15,166,944)
Net repayments of long-term debt	–	–	–	–	–
Principal payments under capital lease obligations	(387,216)	(2,209,738)	(338,096)	(1,497,864)	(2,014,339)
Issuance of common stock	29,395,021	395,690	116,073	116,116	187,124
Net cash provided by (used in) financing activities	20,393,050	13,229,246	(10,521,419)	(17,811,197)	(16,994,159)
Effects of foreign exchange rate changes on cash	59,245	(35,694)	(3,873)	(12,911)	59,559
Net increase (decrease) in cash and cash equivalents	2,606,353	705,844	(3,709,140)	62,901	2,602,899
Cash and cash equivalents, beginning of year	4,760,259	7,366,612	8,072,456	8,072,456	8,072,456
Cash and cash equivalents, end of year	$ 7,366,612	$ 8,072,456	$ 4,363,316	$ 8,135,357	$ 10,675,355
Supplemental information:					
Cash paid during the year for interest	$ 933,644	$ 875,015	–	–	–
Cash paid during the year for income taxes	$ 6,271,345	$ 7,195,229	–	–	–
Noncash financing and investing activities:					
Equipment acquired under capital leases	$ 2,223,457	$ 8,042,840	–	$ 202,037	$ 202,037
Deferred compensation for issuance of restricted stock	$ 252,016	$ 1,114,342	–	$ –	$ –

Source: Company document.

Exhibit 8 Cutter & Buck Stock Price History, 1995 to August 2, 2002



Source: Company document.

Exhibit 9 Cutter & Buck Board of Directors—November 2002

Michael Brownfield

Director Since: 1995

Principal Occupation:

Chairman, Accurate Molded Plastics

Business Experience:

Mr. Brownfield is a private investor and has a bachelor's degree in chemistry from the University of Oregon. Mr. Brownfield is the Chairman of Accurate Molded Plastics, a private manufacturer of tooling and injection-molded plastics. *Other Directorships:* Director, Heartsmart, Inc., a private biomedical company, Northwest Cascade, Inc., a private construction company, Kitsap Entertainment Corporation, a private restaurant franchisee, and Global Tel Resources, Inc., a private telecommunications company.

Henry L. (Skip) Kotkins, Jr.

Director Since: 2002

Principal Occupation:

Chairman & Chief Executive Officer, Skyway Luggage Company

Business Experience:

Mr. Kotkins has over thirty years of experience in the wholesale industry. Since 1980, he has served as president and chief executive officer of Skyway Luggage Company, a private company that produces travel products. He was Vice President of that company from 1974 to 1980, and Director of Planning from 1971 to 1974. He is actively involved with numerous non profit organizations, including but not limited to, Temple DeHirsch Sinai, Fred Hutchinson Cancer Research Center, Travelgoods Association and the Washington Council on International Trade. *Other Directorships:* Director, Skyway Luggage; Director, ABM Industries, Inc. a public building services company; Executive Committee Member of Washington Council on International Trade (Chair 2000–2002).

Larry C. Mounger

Director Since: 1990

Principal Occupation:

Chairman of Sunrise Identity Inc.

Business Experience:

Mr. Mounger has over forty years of experience in the garment industry. Since 1997, he has served as chairman and chief executive officer of Sunrise Identity Inc., a screen printing and embroidery company. Between 1993 and 1995 he served as president, chief executive officer and director of Sun Sportswear, Inc., a public garment screen printer. From 1963 to 1993 he held various positions at Pacific Trail Inc., a private outerwear company, serving as chairman and chief executive officer from 1981 to 1993. *Other Directorships:* Director, Washington Law Foundation; Director, Bite Footwear, a private footwear company; Member of Advisory Board of the University of Washington School of Business Administration.

Douglas G. Southern

Director Since: 2002

Principal Occupation:

Chairman of the Board

Business Experience:

Mr. Southern has over forty years of experience in business administration and accounting. From 1990 to 1999, he was senior vice president & chief financial officer, Immunex Corporation (now Amgen, Inc.). From 1985 to 1990, he was senior vice president and chief financial officer for Pay "N Pack Stores, Inc. From 1979 to 1985, he served as Audit Partner with Arthur Young & Company (now Ernst & Young). From 1975 to 1979, he was Vice President and Corporate Controller of Coca Cola Bottling Company of Los Angeles. Between 1965 and 1975, Mr. Southern was an auditor with Arthur Young & Company (now Ernst & Young). *Other Directorships:* Audit Committee Chair and Director of Seattle Genetics, Inc., a public biotechnology company that discovers and develops monoclonal antibody based drugs to treat cancer and related diseases.

James Towne

Director Since: 1997

Principal Occupation:

Chairman and Managing Member, Greenfield Holdings, LLC

Business Experience:

Since 1995, Mr. Towne has served as the chairman and managing member of Greenfield Holdings, LLC, a real estate remediation and development company. Since 2003, he has served as chairman, chief executive officer and managing member of Snohomish Delta Partners, LLC. From 1982 to 1995, he was president, chief executive officer or chairman of various companies, including Osteo Sciences Corporation, Photon Kinetics, Inc., MCV Corporation, Metheus Corporation and Microsoft Corporation. Mr. Towne is also involved with numerous community and volunteer organizations, was a founder of the Fred Hutchinson Cancer Research Center Emergency Response Team and is a member of the Executive Board and vice president of governance for Chief Seattle Council. *Other Directorships:* Managing member of Snohomish Delta Partners, LLC, a real estate development company; and Director of Net Inspect LLC, a private technology company.

Source: Company document.

Exhibit 10 Press Release Announcing Preliminary Results (June 20, 2002)

Cutter & Buck Reports Fiscal Year and Fourth Quarter 2002 Operating Results, Provides Fiscal Year 2003 Guidance

SEATTLE, Jun 20, 2002 (BUSINESS WIRE) -- Cutter & Buck Inc. (Nasdaq:CBUK) today reported sales and earnings for its fiscal year and fourth quarter ended April 30, 2002.

For the year, net sales were $167.7 million and the net loss was $10.8 million or $1.02 per share after restructuring charges. This compares to fiscal year 2001 net sales of $171.1 million and net income of $3.7 million or $0.35 per share.

For the fourth quarter, net sales were $54.5 million and the net loss was $1.3 million or $0.13 per share. This compares to fourth quarter fiscal year 2001 net sales of $53.6 million and net income of $0.3 million or $0.03 per share.

For fiscal year 2003 the company expects sales in the range of $157 million to $162 million, and net income of $0.5 to $1.1 million or $0.05 to $.10 per share. This net income estimate is after an expected first quarter fiscal year 2003 charge of approximately $2.5 million net of tax, or $0.24 per share, related to excess warehouse space.

"The fiscal year 2002 loss had several clear causes," said Fran Conley, CEO. "We have already acted to change these factors, and we expect Cutter & Buck to be profitable in fiscal year 2003."

* In fiscal year 2002, gross margins were low, mainly because we were liquidating excess inventory. We have been successful in getting inventory to the levels we want, and in fiscal year 2003 we expect a return to gross margin levels in the range of 43% to 44%.

* In fiscal year 2002, we exited several businesses that did not perform as expected, including our operations in Europe, the dressier side of our women's business and our golf shoes line. This resulted in a pre-tax restructuring charge, including inventory write-downs, of $8.9 million.

* In fiscal year 2002, we made the decision to close three of our retail stores during fiscal year 2003. We also wrote down our investment in two other stores. These decisions have resulted in an additional pre-tax charge of $3.0 million.

* In fiscal year 2002, operating expenses were high. We have lowered the operating expense run rate by $5.0 million for fiscal year 2003, reflecting recent layoffs and restructurings which reduced the number of staff, the lack of operating expense in Europe and the lower operating expense in the retail stores and throughout the company.

"Overall, sales held up well during the 2002 fiscal year," added Conley. "The consumer continues to see the value of Cutter & Buck style and craftsmanship. The brand is still in its early stages, and we see many exciting opportunities and anticipate a bright future."

"We were successful in reducing inventory from $53.6 million to $26.2 million during the last fiscal year, and in providing $24 million of free cash flow," said Steve Lowber, Vice President & CFO. "The balance sheet is very strong and liquid, with a quick ratio of 2.9 to 1.0 compared to 1.5 to 1.0 last year."

Earnings Outlook:

"In fiscal year 2003, we will not have the sales from the businesses we discontinued," said Conley. "In addition, we are assuming that the demand for better branded apparel will not get stronger during the year. We are therefore planning only modest increases in sales from our remaining core businesses."

The company expects fiscal year 2003 net sales as follows (in millions):

	FY 2002 actual	"A" (note a)	FY 2002 base	FY 2003 guidance	Change from base
Golf	$ 55.0	$ (1.5)	$ 53.5	$ 55.1	3%
Corporate	59.7	--	59.7	60.0	1%
Fashion	26.0	(2.6)	23.4	26.4	13%
Consumer Direct	15.1	(1.6)	13.5	13.5	0%
International	9.2	(6.1)	3.1	3.3	7%
Other	2.7	--	2.7	--	--
Total	$167.7	($11.8)	$155.9	$158.3	2%

Note a: "A" above represents sales from business lines which Cutter & Buck no longer offers. For Consumer Direct, it represents sales from stores that the company plans to close in fiscal year 2003.

Cutter & Buck's fourth quarter fiscal year 2002 conference call to discuss earnings results and provide guidance for fiscal year 2003 will be held today at 4:30 p.m. Eastern Time, and is available live and on-demand at www.cutterbuck.com.

Management will make several presentations to investors starting Tuesday, June 25, 2002. The slides for these presentations will be posted on the company's web site, www.cutterbuck.com from June 25th through July 12th.

Statements made in this news release that are not historical facts are forward-looking information. Actual results may differ materially from those projected in any forward-looking information. Specifically, there are a number of important factors that could cause actual results to differ materially from those anticipated by any forward-looking information. Those factors include, but are not limited to: style changes and product acceptance; relations with and performance of suppliers; the ability of the company to control costs and expenses; the ability of the company to carry out successful design and planned product and brand messaging/extension activities and to penetrate its chosen distribution channels; competition; access to capital; foreign currency risks; risks associated with operating retail locations; risks associated with the company's entry into new markets or distribution channels; risks related to the timely performance of third parties, such as shipping companies, including risks of strikes or labor disputes involving these third parties; maintaining satisfactory relationships with our banking partners; technological change; political and trade relations; the overall level of consumer spending on apparel and global economic conditions; additional threatened terrorist attacks and the ongoing military action. Additional information on these and other factors, which could affect the company's financial results, are included in its Securities and Exchange Commission filings. Finally, there may be other factors not mentioned above or included in the company's SEC filings that may cause actual results to differ materially from any forward-looking information. You should not place undue reliance on these forward-looking statements. The company assumes no obligation to update any forward-looking statements as a result of new information, future events or developments, except as required by Securities laws.

Cutter & Buck designs and markets upscale sportswear and outerwear under the Cutter & Buck brand. The Company sells its products primarily through golf pro shops and resorts, corporate accounts and specialty retail accounts. Cutter & Buck products feature distinctive, comfortable designs, high quality materials and manufacturing and rich detailing.

Financial Highlights - Condensed Consolidated Statements of Operations ($ in thousands except per share data)

	Three Months ended April 30,		Twelve Months ended April 30,	
	2002	2001	2002	2001
Net sales	$ 54,462	$ 53,596	$ 167,729	$ 171,068
Cost of sales	36,733	34,792	105,425	99,389
Gross profit	17,729	18,804	62,304	71,679
Operating expenses				
Design and production	1,393	1,090	4,966	4,094
Selling and shipping	11,721	12,828	46,530	46,725
General and administrative	3,951	4,007	15,834	14,124
Restructuring and asset impairment	2,257	--	9,639	--
Total operating expenses	19,322	17,925	76,969	64,943
Operating income (loss)	(1,593)	879	(14,665)	6,736
Other expense	(242)	(408)	(1,254)	(764)
Income (loss) before income taxes	(1,835)	471	(15,919)	5,972
Income taxes (benefits)	(487)	179	(5,094)	2,271
Net income (loss)	$ (1,348)	$ 292	$ (10,825)	$ 3,701
Basic earnings (loss) per share	$ (0.13)	$ 0.03	$ (1.02)	$ 0.35
Diluted earnings (loss) per share	$ (0.13)	$ 0.03	$ (1.02)	$ 0.35
Shares used in computation of:				
Basic earnings (loss) per share	10,590	10,489	10,570	10,448
Diluted earnings (loss) per share	10,590	10,517	10,570	10,526

Condensed Consolidated Balance Sheets for the Year Ended April 30

	2002	2001
Current Assets:		
Cash and cash equivalents	$ 6,989	$ 8,073
Accounts receivable	41,184	48,518
Inventories	26,218	53,553
Other current assets	14,680	7,997
Total current assets	89,071	118,141
Furniture and equipment, net	16,348	23,192
Other assets	1,256	1,620
Total assets	$106,675	$142,953
Liabilities & Shareholders' Equity		
Current Liabilities:		
Short-term borrowings	$ --	$ 18,732
Accounts payable	7,273	12,886
Accrued liabilities and other liabilities	6,232	4,396
Current portion of capital leases	3,212	2,737
Total current liabilities	16,717	38,751
Capital leases, net of current portion, and other liabilities	6,099	10,937
Total shareholders' equity	83,859	93,265
Total liabilities & shareholders' equity	$106,675	$142,953

Source: Company documents.