

## **R.G. BARRY CEO RESIGNS**

Zacks to remain on board; turnaround specialist brought in

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Gordon Zacks stepped down yesterday as president and chief executive of R.G. Barry Corp., which has been battling severe financial problems in recent months. He was replaced by Thomas M. Von Lehman, a turnaround specialist from Meridian Group, whose titles are interim president and CEO.

The company also said it has arranged financing to meet expenses through the end of the month. In early February, the company said it needed funding to continue operations in March. Zacks, 71, worked for 50 years for R.G. Barry, a Pickerington footwear maker that was founded in the 1940s by Zacks' parents. He served as CEO for the past 24 years.

Meridian, a Pittsburgh investment-banking firm, has been advising R.G. Barry for several months. Meridian's mission "has been to secure financing for 2004, assess our business model, recommend changes . . . and work with our management to build a transition plan to move R.G. Barry forward," Zacks said. Zacks, who remains senior chairman of the board, said he will assist Von Lehman.

The company, which is in default on its current credit agreement, is negotiating with several lenders to secure financing for the remainder of the year. "My objective is to see R.G. Barry returned to financial health," Zacks said.

R.G. Barry, which lost \$11.9 million in 2002, has not reported fourth-quarter and 2003 financial results. The turning point during the past year came after Thanksgiving, when key customers reported lower-than-expected sales during the holiday season.

The company sells slippers to Wal-Mart and other retailers under brand names such as Dearfoams and EZfeet. Michael Atmore, editorial director of Footwear News, said the change in leadership shows the company is serious about making a turnaround. "This company has had a lot of trouble, and it is obvious the company feels this is the right time to take decisive action to make changes," he said.

R.G. Barry got into the slipper business after Zacks' mother, Florence Zacks Melton, got the idea for putting foam rubber -- then a newly declassified material -- into shoes to be worn around the home. Zacks began assuming top leadership positions at the company after the death of his father, Aaron Zacks, in the mid-1960s.

In a previous interview, Zacks said he knew he would not be able to replace his father's "cult of personality" and chose instead to pursue some of the newest ideas on empowering individuals and building teams. "The reality is, we introduced into American manufacturing one of the first factories built on these premises," he said at the time. "We had Volvo visit our factories. We had the Japanese visit our factories before total-quality management" became a popular concept in manufacturing.

Von Lehman has signed a six-month contract with R.G. Barry that grants him the option to purchase up to 100,000 shares of stock, as well as an additional 50,000 shares if he extends his contract by three months. The stock options will have a share price based on the date of the grant and can be exercised for a period of two years.

R.G. Barry shares rose 47 cents yesterday to close at \$2.67.

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