

REPRESENTATIVE PROPOSALS

- RESEARCH AND ANALYTIC SUPPORT evaluating knowledge management frameworks as they apply to automotive manufacturing environments and their measurable effect on improved craftsmanship.
- EVALUATION OF POTENTIAL RADIO VENDORS in order to determine delivery capability for a major Canadian telecommunications company.
- OPERATIONAL REVIEW AND PROCESS OPTIMIZATION for a major Canadian bank.
- RESOURCE OPTIMIZATION AND FORECASTING tied to five regional offices for a key financial services group.
- REVIEW AND EVALUATION of the existing Environment Management System and development of a management program to achieve ISO certification for an aircraft and design manufacturer.
- BUILD OUT, TRAINING AND COACHING of a high- performance management team for a large global mining operation.
- PREPARATION AND FACILITATION of a partnership building session to strengthen an existing alliance between a U.S. telecom provider and a Canadian bank.
- SUPPORT IN THE DESIGN, DEVELOPMENT AND IMPLEMENTATION of a financial model for a Canadian food and beverage service company.
- FEASIBILITY STUDY of internal and external variables attached to the extension of a Canadian mining operation.
- RECRUITING CYCLE SUPPORT for the sourcing of senior consultants in the mining and metallurgy sector.
- SPACE OPTIMIZATION AND PROCESS IMPROVEMENT to set the stage for ISO certification for a Canadian health services company.
- CHANGE MANAGEMENT SUPPORT identifying the gaps between seven general merchandising areas for a major Canadian retailer.
- RATIONALIZATION AND OPTIMIZATION of maintenance and repair of heavy equipment across various Canadian mining locations.
- PRODUCT DEVELOPMENT CYCLE SUPPORT for an international pharmaceutical interest including— process mapping, identification of KPIs and benchmarks to reduce the risk of non-milestone delivery
- RESOURCE SUPPORT AND RECRUITING for a Canadian University organization involving back shop support key position infill.

- ⊙ **Armoury Place**
 - *Competitive Productivity Services/CPS*
 - *Command, Control, Communications, Computers, Cybernetics Intelligent Systems/C⁵I*
 - *Industrial Engineering & Technical Services/IETS*173-177 Queen Street East
Toronto, Canada M5A 1S2
416.366.7500/fax 366.7501
armoury@sbr-global.com
iets@sbr-global.com
- ⊙ **Bradley House**
 - *Decision Support Services/DSS*
 - *Financial Services Group/FSG*
 - *Operations Support Services/OSS*191 John Street
Toronto, Canada M5T 1X3
416.591.7500/fax 591.7501
dss@sbr-global.com
bradley@sbr-global.com
oss@sbr-global.com
- ⊙ **The Graeme Building**
 - *Business Development/BizDev*
 - *Enterprise Services/ES*
 - *Facilitated Support Services/FSS*14 College Street
Toronto, Canada M5G 1K2
416.962.7500/fax 962.7507
bizdev@sbr-global.com
hr@sbr-global.com
- ⊙ **Sirahk House**
 - *Corporate Services*86 Lowther Avenue
Toronto, Canada M5R 1E1
416.513.9500/fax 513.9501
sirahk@sbr-global.com
- ⊙ **Georgetown**
 - *Corporate Development*3709 S Street NW
Washington, D.C.
U.S.A. 20007-2116
202.342.7500/fax 342.9295
gtwn@sbr-global.com

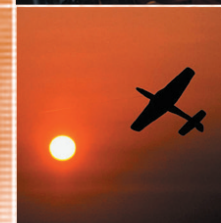
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416.591.0000
www.sbr-global.com

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Q3

Interim Report
For 3 months ending
September 30th, 2001

2001



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CONTEXT

Corporate North America continued to post poor profits in Q3 as the slowdown turned recession. Despite a total interest rate reduction of 75 basis points, equity markets hit the wall with slides as steep as those prior to the Great Depression. The recent terrorist attacks, when combined with already weak international economic indicators, pushed the global economy to the brink of financial ruin. On its surface, the Canadian economy remained relatively robust. Positive economic signals emerged primarily from the energy and raw material sectors as exports grew. The GTA however, with its manufacturing based economy, witnessed a definite decrease in activity. Most organizations undertook aggressive restructuring initiatives in the hope of surviving the looming recession. The third quarter ends in the GWA, with the U.S. government revving the engines on its powerful defense machine. The area's economy lit up with the prospect of extended defense activity and heightened fiscal policy focused at infrastructure.

Professional services firms continued downsizing with industry experts predicting a total cut of over 20% of workforce by year end. Distressed sectors include those that are mainly capital and energy intensive in addition to producers of mid-to-high priced luxury goods. A number of firms suffered over-capacity contributing to increases in asset divestitures, M&A and other survival initiatives. Consumer confidence remained strong through the quarter, but the U.S. bombings threaten significantly reduced spending in the months ahead.

BUSINESS UNIT ACTIVITY

Financial Services Group / FSG

FSG enjoyed a strong Q3, with 3 project extensions, stable staff positioning and a growth in proposals under discussion. The unit continued its aggressive thrust into the business turnaround practice by extending a major contract with a much maligned mining interest. With the role of Turnaround Officer supported by a Canadian bank, FSG is well positioned to leverage this lucrative opportunity. The unit's balanced scorecard engagement with a major life insurer continued and promises to emerge as a powerful tool with clients throughout the financial services sector.

Recent economic belt-tightening has raised the importance of performance measurement and risk management. FSG has been quick to capitalize, with two Q3 engagements materializing at a major Canadian restaurant chain.

Decision Support Services / DSS

DSS continued its expansion into the public sector by delivering a report to the Ontario Ministry of Agriculture. This involved the examination of agricultural policies in Canada, the U.S. and the EEC. The final deliverable was presented at the ministerial level. Real Estate and tax law provided the remainder of the unit's revenues. This project involved a legal opinion for a major global insurer with whom we have developed a strong relationship position.

CORPORATE OVERVIEW

The traditional Q3 summer slowdown allowed SBR to complete various internal change initiatives. Business Development continues to be a prime focus with the hiring of key new associates and an Office Manager. SBR efforts, focus on four major areas—

- Increased importance on key existing service offerings including—Business Turnaround, M&A/ Divestitures and Reinvestment Strategies;
- Redeployment and refresh of sector offerings including—Telecom, Manufacturing, Utilities, P&C Insurance, and Gambling & Gaming;
- Internal professional development programs with—Sales & Administrative Training and Career Development Practices;
- Asset Restructuring including—focus on property management opportunities and a more efficient use of under-leveraged assets.

The firm reorganized both geographically and in terms of staff abilities. IETS expanded to the Armoury location, and DSS, OSS and FSG relocated to the Bradley building. Property at Graeme has been leased to a charitable organization until Q3 2002. As a result, revenue per square foot climbed considerably and an SBR ITSP was put into action.

Overall company success is attached to the superb deliverables being produced. Many projects have resulted in extensions and provided referrals for other possible areas of revenue generation. The summer reset ends successfully and SBR is primed to attack the GTA and GWA markets in Q4.

Operations Support Services / OSS

Q3 was a tumultuous yet strategically important time for OSS. The unit encountered staff churn and saw many major projects come to completion. This being said, they have successfully extended a key project with a telecom provider and a leading financial institution involving process mapping and optimization of a new joint venture.

OSS was also involved with a U.S. high tech firm, providing channel partner sourcing for a predetermined pilot region. They are awaiting approval to extend this engagement throughout the remainder of the clients U.S. territories. Other ventures included strategic document summarization for a Canadian beverage interest and compensation research for engineering/consulting positions at a local consulting company. Q4 will see the OSS team backfilling on projects under the IETS umbrella.

Competitive Productivity Services / CPS

With SBR turning its business development focus to cost and productivity services, CPS staff spent the majority of Q3 providing support to other SBUs. Engagements included—turnaround solutions, process validation and asset valuation. Q4 will see CPS staff aggressively pursuing contract opportunities within the restructuring manufacturing sector.

STRATEGIC BUSINESS AREAS

HUMAN RESOURCES: The upgrading of internal programs was a major thrust in Q3. Dramatic improvements were made to the company's staff portfolio programs—Mentoring, Apprenticeship, Vets, Succession, Fast-Trackers. 30% of the workforce was reset in order to accommodate a higher grade of incoming candidate of which there were 10 in Q3. The unit successfully completed a recruitment drive for a major pharmaceutical company and is well positioned to leverage this experience through future engagements.

SALES: Increased telemarketing efforts produced a record number of appointments but sales volumes remained relatively unaffected. Relationship business continued to fuel growth and allow the focus to return to new business acquisition. In addition, the unit developed and rolled out company-wide sales training programs with plans to commercialize the program. Q4 promises to be key for Business Development and suggests heightened success into 2002.

MARKETING AND PROPOSALS: Several marketing presentation suites were refreshed, and targeted mailings remained aggressive, as both are being used to combat the pullback in economic activity. Although the overall number of proposals released declined for the second straight quarter, the win rate increased dramatically. Q4 promises to see a build out of the unit with the addition of 3 FTE.

ADMINISTRATIVE SERVICES: Internal productivity has remained the primary focus. Various corporate landing and training programs were rolled out with positive initial results. Financial productivity was also improved due to select restructuring activities.

Industrial Engineering and Technical Services / IETS

IETS charged towards the finish line in Q3, boasting SBRs strongest client and backlog positioning. The unit accounted for almost 40% of corporate revenues during the quarter. The team witnessed tremendous growth, spurred by their high level of delivery; client satisfaction and targeted account strategies.

Work performed included—the development of test scheduling methodologies for 6 quality control labs, the fashioning of 5 application program interface tools for a major Canadian retailer, and leading a client's internal business process improvement team. IETS enters Q4 with several major project extensions, particularly in the retail and pharmaceutical sectors. Aggressive marketing, assiduous client development and highly focused retention efforts have ensured their success.

Command, Control, Communications, Computers, Cybernetics Intelligent Systems / C⁵I

The work C5I accomplished in Q2 led to many internal client projects. The unit witnessed a slow Q3 but is poised to grow their portfolio in Q4. C5I has been asked to submit proposals to provide new analysis, focus and direction to these internal project teams.