

This is the 1st Affidavit  
of Kathryn Adrian in this case  
and was made on November 29, 2011

NO. \_\_\_\_\_  
VANCOUVER REGISTRY

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, c. 57

AND

IN THE MATTER OF ELIA FASHIONS LTD. (in its own capacity and in its capacity as a  
partner of PLEASE MUM PARTNERSHIP) and  
BOSSA NOVA FASHIONS LTD. (in its own capacity and in its capacity as a partner of  
PLEASE MUM PARTNERSHIP)

PETITIONERS

**AFFIDAVIT**

I, **KATHRYN ADRIAN**, businessperson, of 333 Woodland Drive,  
Vancouver, B.C., V5L 3P6, SWEAR THAT:

1. I am authorized by Please Mum Partnership, Elia Fashions Ltd. and Bossa Nova Fashions Ltd. (all collectively "**Please Mum**") to depose this Affidavit and do so on their behalf.
2. I am the Founder and the Chief Executive Officer of Please Mum and, as such, I have personal knowledge of the matters herein deposed to, except where stated to be based upon information and belief, in which case I do verily believe the same to be true.
3. I am also the sole officer, director and shareholder of 0710345 B.C. Ltd. ("**071**") and, as such, I have personal knowledge of the matters herein deposed to, except where

stated to be based upon information and belief, in which case I do verily believe the same to be true.

4. I have read the Petition filed herein and I confirm that the facts therein are true and correct. I make this Affidavit in support of the Initial Order under the *Companies' Creditors Arrangement Act* (the "CCAA") in relation to Please Mum pursuant to the CCAA and in support of the continuation of Supreme Court of British Columbia Vancouver Registry No. VLC-S-B-110732 (the "**BIA Proceeding**") under the CCAA.

#### **The Petitioners and the Partnership**

5. Each of the Petitioners, Elia Fashions Ltd. ("**Elia**") and Bossa Nova Fashions Ltd. ("**Bossa Nova**") are privately held companies incorporated pursuant to the laws of British Columbia.

6. I control Please Mum through my majority ownership of World Shake Productions Inc. ("**World Shake**") which is the 100% owner of Elia. In turn, Elia is the 100% owner of Bossa Nova.

7. The Partnership was established on August 5, 2001 as a general partnership between Elia and Bossa Nova. Elia, Bossa Nova and the Partnership are closely entwined and operate the business together.

8. Now produced and shown to me and attached as **Exhibit "A"** to my Affidavit are copies of the audited financial statements of Elia on a consolidated basis, for the financial year ending March 27, 2010.

9. Now produced and shown to me and attached as **Exhibit "B"** to my Affidavit is a copy of the unaudited balance sheet of Elia, on a non-consolidated basis, for the financial year ending March 27, 2010.

10. Now produced and shown to me and attached as **Exhibit "C"** to my Affidavit are copies of the unaudited financial statements of Bossa Nova, on a non-consolidated basis, for the financial year ending March 27, 2010.

11. Now produced and shown to me and attached as **Exhibit "D"** to my Affidavit are copies of the unaudited financial statements of the Partnership for the financial year ending May 1, 2010.

12. Now produced and shown to me and attached as **Exhibit "E"** to my Affidavit is a copy of the consolidated cash flow for Elia, Bossa Nova and Please Mum, for the week ending November 19, 2011 to the week ending March 3, 2012.

### **Filing of Notice of Intention**

13. After many years of sustained growth and profitability, Please Mum suffered substantial financial set backs in the past two years which led to Please Mum's difficult decision to file a Notice of Intention to Make a Proposal under section 50.4 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (the "**BIA**"), on July 7, 2011 and commence the BIA Proceeding. Deloitte & Touche Inc. ("**Deloitte**") was appointed as the Proposal Trustee for Please Mum in the BIA Proceeding.

### **Materials Filed in the BIA Proceeding**

14. Copies of the pleadings, Orders, Proposal Trustee's Reports and other materials filed in the BIA Proceeding (collectively, the "**BIA Materials**") are attached as exhibits to the Affidavit #1 of Fran Thibodeau, filed herein.

15. As set out in the BIA Materials, Please Mum has worked with Deloitte throughout the BIA Proceeding to restructure its business.

### **Liquidation and Downsizing**

16. Since commencing the BIA Proceeding, Please Mum has undertaken an orderly consolidation and liquidation of a significant amount of its inventory to reduce the debt owing to its former first ranking secured creditor, Royal Bank of Canada ("**RBC**"), while reducing its retail store footprint from 90 retail stores to 13 retail stores, disclaiming the leases for the closed stores pursuant to section 65.2 of the BIA and reducing its workforce from approximately 900 employees to approximately 170 employees.

17. Please Mum has completed the downsizing phase of its restructuring and continues to operate its e-commerce site and remaining 13 retail stores with the oversight of Deloitte.

18. In order to maintain an optimum inventory mix at the remaining stores, Please Mum entered into a consignment agreement with World Shake. In October and November of 2011, World Shake consigned children's clothing with an approximate retail value of \$1 million to \$1.5 million to Please Mum. Please Mum has maintained separate books and records in relation to the children's clothing consigned by World Shake, which is readily distinguishable from Please Mum's inventory by stock-keeping unit number.

19. Accordingly, the goods for sale at the remaining Please Mum stores are comprised of children's clothing belonging to Please Mum and children's clothing consigned by World Shake. While the current smaller retail operation is performing as well as can be expected given the significant restructuring steps taken so far, Please Mum recognizes that there is a need for investment in the near future to replenish inventory and maintain an optimum inventory mix to continue driving business into stores.

20. A potential lender has expressed interest in providing a \$500,000 secured credit facility to Please Mum, comprised of approximately \$150,000 to be advanced in December 2011 for anticipated Please Mum inventory purchases, with the remainder to be held back to address Please Mum's potential liability under the *Wage Earner Protection Program Act*, S.C. 2005, c. 47. Please Mum and the potential lender continue to be in discussions regarding the proposed credit facility, which it is hoped will also provide for additional exit financing from the restructuring if required.

### **Repayment of RBC**

21. Please Mum's expansion in past years had been largely financed by funds from myself and funds from secured credit facilities granted by RBC.

22. During the BIA Proceeding, Please Mum continued with its liquidation and downsizing in order to raise funds to reduce the RBC debt and operate within the parameters set by RBC as conditions for RBC's forbearance from enforcement of its security against Please Mum.

23. Since my Affidavit #3 filed in the BIA Proceeding, Please Mum successfully refinanced the RBC debt in October 2011 through 071.

24. RBC has been fully repaid on the \$1.38 million credit facilities owed by Please Mum. As part of the refinancing, 071 has taken an assignment of certain security previously pledged by Please Mum to RBC.

**The Property**

25. 071 is the registered owner of lands located at 333 Woodland Drive, Vancouver, B.C., where Please Mum's headquarters are located (referred to as the "Property" in my Affidavit #1 and #2, filed in the BIA Proceeding).

26. Throughout the BIA Proceeding, Please Mum has worked with 071 to move forward with the pending sale of the Property for the price of \$13.35 million to an arms length purchaser (the "Purchaser") pursuant to a purchase and sale agreement (the "Sale Agreement"), dated April 4, 2011. It has been the intention of Please Mum and 071, throughout the BIA proceeding, to sell or refinance the Property in order to assist in the recapitalization and restructuring of Please Mum's business.

27. The following approximate amounts are owing to secured creditors against the Property:

<b>Chargeholder</b>	<b>Security</b>	<b>Approximate Amount Owing</b>
Canadian Western Bank	Mortgage and Assignment of Rents No.'s BB672402 and BB672403	\$6.1 million
Computershare Trust Company Canada	Mortgage and Assignment of Rents No.'s CA1500802 and CA1500803	\$2.3 million
IMOR Capital Corp.	Mortgage and Assignment of Rents No.'s CA2231231 and CA2231232	\$1.35 million

28. The estimated net proceeds (excluding commission, transaction costs, applicable interest prepayment penalties and other amounts to be adjusted upon closing) are approximately \$3.6 million, a portion of which 071 has intended throughout the BIA

Proceeding to use, in order to assist if feasible, for Please Mum's restructuring and recapitalization.

29. Now produced and shown to me and attached as **Exhibit "F"** to my Affidavit is a copy of the Sale Agreement, dated April 4, 2011, plus copies of the Extension Agreements thereto, dated June 17, 2011, July 14, 2011 and October 28, 2011 respectively.

30. Now produced and shown to me and attached as **Exhibit "G"** to my Affidavit is a copy of the Amending Agreement, dated November 15, 2011.

31. To preserve confidentiality, certain information including the identity of the Purchaser has been redacted from the documents attached as Exhibit "F" and Exhibit "G" to my Affidavit. However, Deloitte and their counsel have been informed of the identity of the Purchaser on a confidential basis.

32. Without revealing the identity of the Purchaser, I can confirm that the Purchaser has very substantial assets which are more than sufficient to complete the sale.

33. Pursuant to the Amending Agreement, the Purchaser has recently waived all conditions precedent to sale of the Property, with the sole exception of section 6(c) of the Sale Agreement which pertains to certain environmental issues.

34. The sole remaining condition reads as follows:

6(c) The Purchaser and the Purchaser's representatives shall have access to the Property until such time as the Vendor delivers to the Purchaser a certificate of compliance (the "COC") issued by the Province of British Columbia Ministry of the Environment in respect of the Property for the purpose of carrying out such environmental tests and inspections of the Property as the Purchaser deems necessary and receiving the COC and the Federal Risk Assessment and being satisfied with the terms and conditions of the COC and the Federal Risk Assessment. The Purchaser shall have ten (10) business days from the date of receipt of both the COC and the Federal Risk Assessment to provide written notice of waiver or satisfaction of the foregoing condition. If any tests or inspections cause damage to the Property, the Property will be restored to its former condition at the Purchaser's expense if the transaction herein is not completed and the Purchaser will indemnify and hold the Vendor harmless for any damages the Vendor may suffer as a result of such tests or inspections.

35. Through their respective environmental consultants, the parties have worked diligently and cooperatively to address the environmental issues. I am informed by 071's

environmental consultant that it intends to complete and deliver the application for the certificate of completion (referred to as the "COC" in section 6(c) of the Sale Agreement) to the Province of British Columbia Ministry of the Environment in mid or late December 2011.

36. I am advised by 071's environmental consultant that 20% of applications for COC's are audited on a random basis. I understand that, based on the experience of 071's environmental consultant, provided that no audit is ordered, the COC is generally issued approximately 8 weeks after the application is submitted, though that time line may vary depending on the volume of pending applications.

37. I am further informed by 071's environmental consultant that it intends to complete and deliver the Federal Risk Assessment (referred to in section 6(c) of the Sale Agreement) to the Purchaser's environmental consultant approximately one week after submitting the application for the COC. I understand that the Purchaser's environmental consultant will review the Federal Risk Assessment and then forward the same to the appropriate individual(s) within the Purchaser's organization for their consideration.

38. Depending on the volume of pending applications submitted to the British Columbia Ministry of the Environment and provided that there is no audit required for the COC application, it is anticipated that the Purchaser will be in receipt of both the COC and the Federal Risk Assessment Report by approximately late January or early February 2012. Provided that the Purchaser is satisfied with the COC and Federal Risk Assessment Report pursuant to section 6(c) of the Sale Agreement, the parties can proceed to close the sale of the Property thereafter.

39. The sale proceeds of the Property are essential to Please Mum's ability to complete the final steps of its restructuring. However, given the time required to obtain the necessary environmental approvals and complete the transaction, the sale of the Property cannot close within the time constraints posed by the BIA in the BIA Proceeding, as discussed below.

## **Continuation Under CCAA**

40. Pursuant to the Orders granted August 5, 2011, September 20, 2011, September 30, 2011, November 7, 2011, November 21, 2011 and November 24, 2011, the time for Please Mum to file a Proposal in the BIA Proceeding was extended to December 6, 2011.

41. It is my understanding that, given the July 7, 2011 NOI filing date and the five month time limit on aggregate extensions of the 30 day period under section 50.4(9), that the Court may not grant any extensions of time to file a Proposal in the BIA Proceeding which would extend beyond January 7, 2012.

42. Provided that there are no unexpected delays in obtaining the necessary environmental approvals, the sale of the Property is expected to close in or around late January or early February 2012. As such, there will not be sufficient time to close the sale of the Property prior to January 7, 2012, which is the latest possible date of any extensions granted by the Court under section 50.4(9) of the BIA.

43. It is also my understanding that Please Mum will be deemed bankrupt under section 50.4(8) of the BIA if Please Mum fails to file a Proposal within any extension of time granted by the Court (unless continued under the CCAA) thus Please Mum would be deemed bankrupt under the BIA immediately after January 7, 2012 at the very latest if any Order under the CCAA is not made.

44. Given the time constraints posed by the BIA and after careful consideration and consultation with its counsel and Deloitte, Please Mum has determined that it is in the best interests of its stakeholders to continue its restructuring under the CCAA and seek the Initial Order thereunder. I understand that Deloitte has consented to act as the Monitor for Please Mum in the proposed CCAA proceeding.

45. A restructuring under the CCAA will permit 071 and the Purchaser to close the sale of the Property to raise essential funds for the restructuring of Please Mum without an intervening bankruptcy of Please Mum.

46. In addition, Please Mum's restructuring under the CCAA provides many other advantages to Please Mum's stakeholders over a bankruptcy or receivership, including:



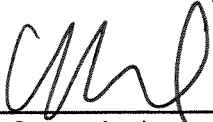
- (a) A restructuring under the CCAA will permit Please Mum to apply for a stay of proceedings which will enable Please Mum to negotiate with creditors for a Plan of Compromise and Arrangement while 071 and the Purchaser close the sale of the Property which will raise funds to assist in Please Mum's restructuring.
- (b) Please Mum's experienced management team would continue to operate the business during the CCAA proceeding, which would avoid minimize business interruption and avoid the time and cost of transitioning to management by a trustee or receiver;
- (c) A restructuring under the CCAA will enable Please Mum's business to continue as a going concern, thereby maintaining its value as an on-going business and minimizing the negative business perception that may result from a bankruptcy or receivership. With respect to important stakeholders, leases would be continued with remaining landlords, employment and benefits would be preserved for remaining employees, contracts with suppliers would continue to be honoured and Please Mum would remain able to supply goods for its customers.

47. As an additional benefit, I understand that by continuing the proceeding under the CCAA to permit the closing the sale of the Property, 071 may be able to structure the transaction such that it could make use of Bossa Nova's unutilized income tax losses (in the approximate range of \$1 million to \$6 million) to partially shelter the capital gain on the Property. However, under the time constraints of the BIA Proceeding, I understand that such a transaction could not be structured as any unutilized tax losses of Elia or Bossa Nova would expire upon the bankruptcy of Please Mum, which would occur before the sale of the Property.

48. For these reasons, it is my belief that it is in the best interests of Please Mum, its stakeholders and 071 to continue the BIA Proceedings under the CCAA and seek the

Initial Order while 071 and the Purchaser continue to move towards completing the sale of the Property.

SWORN BEFORE ME at Vancouver,  
British Columbia, on November 29, 2011.



\_\_\_\_\_  
A Commissioner for taking Affidavits within  
British Columbia

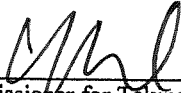


\_\_\_\_\_  
**KATHRYN ADRIAN**

**CINDY CHEUK**  
*Barrister & Solicitor*  
**FRASER MILNER CASGRAIN LLP**  
20th Floor, 250 Howe Street  
Vancouver, B.C. V6C 3R8  
Telephone (604) 687-4460

1

This is EXHIBIT "A" referred to in the Affidavit of Kathryn Adrian,  
sworn before me in Vancouver, this 29 day of November, 2011



---

A Commissioner for Taking Affidavits for British Columbia

Consolidated Financial Statements of

**ELIA FASHIONS LTD.**

52 weeks ended March 27, 2010  
52 weeks ended March 28, 2009



**KPMG LLP**  
**Chartered Accountants**  
Metrotower II  
Suite 2400 - 4720 Kingsway  
Burnaby BC V5H 4N2  
Canada

Telephone (604) 527-3600  
Fax (604) 527-3636  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheet of Elia Fashions Ltd. (the "Company") as at March 27, 2010 and the consolidated statements of operations and retained earnings and cash flows for the 52 weeks then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 27, 2010 and the results of its operations and its cash flows for the 52 weeks then ended in accordance with Canadian generally accepted accounting principles.

*KPMG LLP*

Chartered Accountants

Burnaby, Canada

June 18, 2010

4

# ELIA FASHIONS LTD.

## Consolidated Balance Sheet

	March 27, 2010	March 28, 2009
<b>Assets</b>		
Current assets:		
Cash	\$ 373,463	\$ 489,783
Unrealized gain on foreign exchange contracts	-	601,389
Accounts receivable	279,212	107,480
Income taxes receivable	-	2,557
Inventories (note 3)	8,782,206	8,311,860
Prepaid expenses and deposits	790,916	890,600
	<u>10,225,797</u>	<u>10,403,669</u>
Promissory note from related party (note 4)	828,400	828,400
Property and equipment (note 5)	7,673,369	8,527,133
Intangible assets (note 6)	688,847	723,691
Future income taxes	1,072,575	396,223
	<u>\$ 20,488,988</u>	<u>\$ 20,879,116</u>

## Liabilities and Shareholders' Equity

Current liabilities:		
Bank indebtedness (note 7)	\$ 1,690,000	\$ 520,000
Accounts payable and accrued liabilities	7,018,910	6,303,063
Term loan	-	867
Current portion of obligations under capital lease (note 8)	218,439	246,866
Current portion of deferred revenue	452,791	387,318
Future income taxes	2,085,842	3,024,009
Unrealized loss on foreign exchange contracts	278,804	-
	<u>11,744,786</u>	<u>10,482,123</u>
Deferred revenue	1,246,887	1,197,334
Due to related party (note 10)	2,300,000	-
Obligations under capital lease (note 8)	15,840	233,329
Due to shareholder (note 9)	1,678,667	2,004,040
Shareholders' equity:		
Share capital:		
Authorized:		
10,000 common shares without par value		
100,000 preferred shares with par value of \$0.01 per share, 8% non-cumulative redeemable at a price determined by the directors		
Issued:		
1,000 common shares (2009 - 1,000)	260	260
Retained earnings	3,502,548	6,962,030
	<u>3,502,808</u>	<u>6,962,290</u>
Continuing operations (note 1)		
Commitments and contingencies (note 13)		
Subsequent event (note 17)		
	<u>\$ 20,488,988</u>	<u>\$ 20,879,116</u>

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

5

## ELIA FASHIONS LTD.

### Consolidated Statement of Operations and Retained Earnings

	52 weeks ended March 27, 2010	52 weeks ended March 28, 2009
Revenue:		
Product sales	\$ 54,911,802	\$ 54,376,905
Other	52,980	220,231
	54,964,782	54,597,136
Cost of product sold	24,760,309	24,267,997
	30,204,473	30,329,139
Other expenses:		
Selling	25,158,815	22,565,880
General and administration	6,836,394	5,014,839
Amortization	2,506,589	2,367,198
Interest	138,481	129,582
	34,640,279	30,077,499
Earnings (loss) before the undernoted	(4,435,806)	251,640
Other income (expenses):		
Unrealized foreign exchange loss (gain) on financial instruments	278,804	(601,389)
Impairment of property and equipment	359,391	-
	638,195	(601,389)
Earnings (loss) before income taxes	(5,074,001)	853,029
Income taxes:		
Current (recovery)	-	(15,828)
Future (recovery):		
Short term	(938,167)	823,874
Long term	(676,352)	(589,158)
	(1,614,519)	218,888
Net earnings (loss)	(3,459,482)	634,141
Retained earnings, beginning of period	6,962,030	6,327,889
Retained earnings, end of period	\$ 3,502,548	\$ 6,962,030

See accompanying notes to consolidated financial statements.

6

**ELIA FASHIONS LTD.**

## Consolidated Statement of Cash Flows

	52 weeks ended March 27, 2010	52 weeks ended March 28, 2009
<b>Cash provided by (used in):</b>		
<b>Operations:</b>		
Net earnings (loss)	\$ (3,459,482)	\$ 634,141
Items not involving cash:		
Amortization	2,506,589	2,367,198
Future income taxes	(1,614,519)	234,716
Impairment of property and equipment	359,391	-
Unrealized loss (gain) on foreign exchange contracts	880,193	(601,389)
Changes in non-cash operating working capital:		
Increase in accounts receivable	(171,732)	(8,545)
Decrease (increase) in income taxes receivable	2,557	(1,839)
Increase in inventories	(470,346)	(858,125)
Decrease (increase) in prepaid expenses and deposits	99,684	(245,740)
Increase in accounts payable and accrued liabilities	715,847	1,865,992
Increase in deferred revenue	115,026	279,187
	<u>(1,036,792)</u>	<u>3,665,596</u>
<b>Investments:</b>		
Purchase of property and equipment and intangible assets	(1,977,372)	(2,859,346)
Decrease in restricted cash	-	26,633
	<u>(1,977,372)</u>	<u>(2,832,713)</u>
<b>Financing:</b>		
Increase in due to related party	2,300,000	-
Promissory note repayment	-	2,000,000
Increase (decrease) in bank indebtedness	1,170,000	(1,260,000)
Decrease in due to shareholder	(325,373)	(1,170,824)
Principal payments on obligations under capital lease	(245,916)	(335,059)
Principal payments on term loan	(867)	(10,847)
	<u>2,897,844</u>	<u>(776,730)</u>
Increase (decrease) in cash	(116,320)	56,153
Cash, beginning of period	489,783	433,630
<b>Cash, end of period</b>	<b>\$ 373,463</b>	<b>\$ 489,783</b>

See note 11 for supplementary cash flow information.

See accompanying notes to consolidated financial statements.



7

# ELIA FASHIONS LTD.

Notes to Consolidated Financial Statements

52 weeks ended March 27, 2010

52 weeks ended March 28, 2009

Elia Fashions Ltd. (the "Company") is incorporated under the Business Corporations Act (British Columbia) and its principal business activities include the design and retailing of children's clothing. The Company has 96 corporate stores (2009 - 91).

## 1. Continuing operations:

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company incurred a net loss of \$3,459,482 for the 52 weeks ended March 27, 2010, and had a deficiency in working capital at March 27, 2010 which may raise substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent upon the continued support of related parties and lenders and its ability to achieve profitable operations in the future. Management is of the opinion that sufficient working will be obtained from future cash flows to meet the liabilities and commitments as they become due (notes 16 and 17).

## 2. Significant accounting policies:

### (a) Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Bossa Nova Fashions Ltd., Prosperity 13 Holdings Inc., and Please Mum Partnership. All material intercompany accounts and transactions have been eliminated.

### (b) Inventories:

Inventories are recorded at the lower of cost and net realizable value. The cost of inventories is determined on a first-in, first-out basis and includes raw materials, direct manufacturing labour, applicable share of overheads, and costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is defined as the selling price less the cost to sell.

Supplies inventories are valued at the lower of cost and replacement cost.

### (c) Property and equipment:

Property and equipment are stated at cost less accumulated amortization. Amortization is provided using the following methods and rates:

Asset	Method	Rate
Computer hardware	Declining balance	30%
Equipment under capital lease	Straight-line	5 years
Furniture and fixtures	Straight-line	5 years
Leasehold improvements	Straight-line	Over the lease term
POS systems	Straight-line	5 years
Vehicles	Straight-line	3 years

## ELIA FASHIONS LTD.

Notes to Consolidated Financial Statements (continued)

52 weeks ended March 27, 2010

52 weeks ended March 28, 2009

### 2. Significant accounting policies (continued):

#### (d) Impairment of long-lived assets:

Long-lived assets, including property and equipment and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Company uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value. During the 52 weeks ended March 27, 2010, the Company recognized an impairment on property and equipment of \$359,391 (2009 - nil).

Assets to be disposed of would be separately presented in the consolidated balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The asset and liabilities of a disposed group classified as held-for-sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheet.

#### (e) Trademarks:

Trademarks registered are recorded at cost less accumulated amortization.

Asset	Method	Rate
Trademark	Straight-line	40 years

#### (f) Software costs:

Software costs are originally recorded at cost and amortized over its estimated useful life. The software assets are reviewed for impairment in conjunction with property and equipment as described in note 2(d).

Asset	Method	Rate
Computer application software	Declining balance	1 year
Computer systems software	Straight-line	5 years

#### (g) Revenue recognition:

Product sales include revenue from corporate retail stores, website sales and wholesale sales. Retail store revenue is recognized when products are delivered to customers. Revenue from website and wholesale sales is recognized when products are shipped to customers.

# ELIA FASHIONS LTD.

Notes to Consolidated Financial Statements (continued)

52 weeks ended March 27, 2010

52 weeks ended March 28, 2009

---

**2. Significant accounting policies (continued):**

(h) Foreign currency translation:

The functional currency of the Company is the Canadian dollar. Foreign currency transactions are translated using the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Realized and unrealized exchange gains and losses are included in the consolidated statement of operations.

(i) Income taxes:

The Company uses the asset and liability method of accounting for income taxes in accordance with Canadian Institute of Chartered Accountant ("CICA") Handbook Section 3465. Under the asset and liability method, temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount are used to calculate future income tax assets or liabilities, and are measured using substantially enacted income tax rates expected to apply to taxable income in the years in which such temporary differences are expected to be recovered or settled.

The current future income tax liability pertains to the partnership's income for the eleven months ended March 27, 2010. The non-current future income tax liability arises from the difference between the accounting and tax values of property and equipment and deferred revenue.

(j) Derivative financial instruments:

The Company is party to certain derivative financial instruments, principally forward foreign exchange contracts to hedge anticipated purchases with overseas suppliers. These derivative financial instruments are not used for trading or speculative purposes, although due to the estimation involved in predicting the timing of anticipated transactions, the instruments do not meet the hedging documentation requirements under Accounting Guideline-13. Accordingly, the derivative financial instruments are recognized in the financial statements at their market value. Any gains or losses at year end associated with derivative instruments have been recorded in the consolidated statement of operations. An unrealized foreign exchange loss of \$278,804 (2009 - gain of \$601,389) has been recognized in the financial statements.

(k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the determination of net recoverable value of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of net realizable value for inventories, net recoverable amount of assets, future income taxes, accrued liabilities and other provisions. Actual results may differ from these estimates.

# ELIA FASHIONS LTD.

Notes to Consolidated Financial Statements (continued)

52 weeks ended March 27, 2010

52 weeks ended March 28, 2009

## 2. Significant accounting policies (continued):

### (l) Changes in accounting standards:

Effective March 29, 2009, the Company adopted the following new accounting standards that were issued by the CICA:

#### (i) Capital disclosures:

The Company implemented Section 1535, *Capital Disclosures*, to include disclosures of externally imposed capital requirements; whether the entity has complied with any externally imposed capital requirements; if it has not complied, the consequences of such non-compliance (see note 16).

#### (ii) Financial instruments accounting standards:

The Accounting Standards Board of Canada ("AcSB") recently announced that non-publicly accountable enterprises need not adopt the accounting standards for financial instruments which require certain financial instruments, including financial derivatives and certain embedded derivatives, to be recorded at fair value. These financial instrument standards also prescribe other presentation, measurement and disclosure requirements. The Company has elected not to adopt these standards and continues to apply the measurement, recognition, presentation and disclosure standards permitted for non-publicly accountable enterprises.

#### (iii) Goodwill and other intangible assets:

Effective March 29, 2009, the Company adopted, the CICA issued Section 3064, *Goodwill and Intangible Assets*, which replaced Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. Section 1000, *Financial Statement Concepts*, was also amended to provide consistency with this new standard. The new section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The adoption of this standard resulted in computer software being reclassified from property and equipment to intangible assets but did not have an impact on the Company's financial position or results of operations.

### (m) Future changes in accounting standards:

The AcSB has decided to transition Canadian GAAP for publicly accountable entities to International Financial Reporting Standards ("IFRS") effective January 1, 2011. On December 15, 2009, the AcSB issued the Accounting Standards for Private Enterprises with a mandatory adoption date of January 1, 2011 and with an option to adopt early. The Company is currently classified as a non-publicly accountable enterprise and has the option to apply either IFRS or the private enterprise standards. The Company is planning to adopt the standards for private enterprises and is evaluating the impact on its consolidated financial statements.

11

# ELIA FASHIONS LTD.

Notes to Consolidated Financial Statements (continued)

52 weeks ended March 27, 2010  
52 weeks ended March 28, 2009

### 3. Inventories:

	March 27, 2010	March 28, 2009
Finished goods	\$ 7,578,879	\$ 7,272,112
Supplies	1,203,327	1,039,748
	<b>\$ 8,782,206</b>	<b>\$ 8,311,860</b>

Inventories included in cost of products sold during the year were \$24,969,417 (2009 - \$24,267,997). During the year, there was a write down of inventories to net realizable value of \$0.7 million (2009 - \$1.3 million). There were no reversals of write downs in 2010 or 2009.

### 4. Promissory note from related party:

The promissory note is non-interest bearing and with no specific terms of repayment.

### 5. Property and equipment:

			March 27, 2010	March 28, 2009
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware	\$ 485,382	\$ 406,862	\$ 78,520	\$ 98,279
Equipment under capital lease	3,252,735	2,782,020	470,715	709,571
Furniture and fixtures	5,324,931	3,987,511	1,337,420	1,807,025
Leasehold improvements	10,857,375	5,316,133	5,541,242	5,597,532
POS systems	735,859	653,198	82,661	151,915
Vehicles	41,618	41,618	-	-
Investment in art	162,811	-	162,811	162,811
	<b>\$ 20,860,711</b>	<b>\$ 13,187,342</b>	<b>\$ 7,673,369</b>	<b>\$ 8,527,133</b>

Amortization expense for the period is \$2,333,444 (2009 - \$2,209,447), including the amortization of equipment under capital leases of \$238,855 (2009 - \$232,563).

# ELIA FASHIONS LTD.

Notes to Consolidated Financial Statements (continued)

52 weeks ended March 27, 2010

52 weeks ended March 28, 2009

## 6. Intangible assets:

			March 27, 2010	March 28, 2009
	Cost	Accumulated amortization	Net book value	Net book value
Trademarks	\$ 86,507	\$ 2,939	\$ 83,568	\$ 75,178
Computer applications software	213,034	123,502	89,532	116,058
Computer systems software	975,259	459,512	515,747	532,455
	\$ 1,274,800	\$ 585,953	\$ 688,847	\$ 723,691

Amortization expense for the period is \$173,145 (2009 - \$157,751).

## 7. Bank indebtedness:

The Company has an operating line of credit available up to \$6,300,000 which bears interest at the bank's prime rate plus 2.5% per annum and is payable on the 21<sup>st</sup> day of each month. The operating line of credit and bank term loan are secured by:

- a general security agreement, providing for a security interest in all Company's assets, including accounts receivable and inventories;
- postponement of claim by all the Company's shareholders;
- guarantee and postponement of claim by Bossa Nova Fashions Ltd. and Elia Fashions Ltd. in the amount of \$9,300,000;
- guarantee and postponement of claim by Bossa Nova Fashions Ltd., together with Please Mum General Partnership, in the amount of \$1,000,000; and
- assignment of fire insurance proceeds of the Company, its subsidiaries, and Bossa Nova Fashions Ltd.

**ELIA FASHIONS LTD.**

Notes to Consolidated Financial Statements (continued)

52 weeks ended March 27, 2010

52 weeks ended March 28, 2009

**8. Obligations under capital lease:**

Future minimum lease payments under capital lease for equipment are as follows:

	March 27, 2010	March 28, 2009
Total minimum lease payments	\$ 241,305	\$ 510,437
Amount representing interest	(7,026)	(30,242)
Net minimum lease payments	234,279	480,195
Current portion	218,439	246,866
	\$ 15,840	\$ 233,329

The obligations under capital lease bear interest at rates varying from 6.34% to 8.71% per annum and expire at varying dates up to July, 2011.

Interest expense on capital leases during the year amounted to \$23,216 (2009 - \$39,404).

The future minimum lease payments over the next two years are approximately as follows:

2011	\$ 218,439
2012	15,840
Total minimum lease payments	\$ 234,279

**9. Due to shareholder:**

The due to shareholder balance is non-interest bearing and with no specific terms of repayment.

**10. Due to related party:**

0710345 B.C. Ltd., a company under common control, loaned \$2,300,000 to the Company. The loan bears interest at 11.0625% and is due on April 27, 2011, but can be called on demand. The Company has confirmed it will not demand repayment prior to March 27, 2011; therefore, the amount has been classified as long term.

# ELIA FASHIONS LTD.

Notes to Consolidated Financial Statements (continued)

52 weeks ended March 27, 2010

52 weeks ended March 28, 2009

## 11. Supplementary cash flow information:

	March 27, 2010	March 28, 2009
Income taxes paid	\$ -	\$ -
Interest paid	138,481	129,582
Non-cash transactions not disclosed in the consolidated statement of cash flows:		
Equipment purchased under capital lease	\$ -	\$ 169,910

## 12. Related party transactions:

During the year, the Company expensed the following amounts to related parties:

	March 27, 2010	March 28, 2009
World Shake Productions Inc., parent company:		
Management fees, included in general and administrative expenses	\$ 500,000	\$ 400,000
0710345 B.C. Ltd, a related company under common control:		
Rent and property tax expenses, included in cost of product sales, selling and general and administration	783,088	759,323

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration agreed upon by the related parties.

## 13. Commitments and contingencies:

The Company is committed to leasing warehouse and retail premises at various locations. The aggregate lease commitments are as follows:

2011	\$ 6,620,382
2012	5,885,242
2013	5,397,732
2014	4,979,725
2015	4,625,966
Thereafter	10,857,254
<b>Total</b>	<b>\$ 38,366,301</b>

The Company is contingently liable as a guarantor of a mortgage and a loan agreement of 0710345 B.C. Ltd., a related party under common control. The aggregate amounts outstanding as at March 27, 2010 are approximately \$8,469,000 (2009 - \$6,362,000).



15

# ELIA FASHIONS LTD.

Notes to Consolidated Financial Statements (continued)

52 weeks ended March 27, 2010  
52 weeks ended March 28, 2009

## 14. Financial instruments:

### (a) Risk management activities:

The Company has entered into forward foreign exchange contracts to minimize its foreign currency exposure on overseas transactions. The contracts oblige the Company to buy U.S. dollars in the future at predetermined exchange rates. Contracts are matched with anticipated future transactions in light of current conditions in foreign markets, commitments from suppliers and past experience. At March 27, 2009, the Company had entered into forward contracts to purchase U.S. currency over the next twelve months in various amounts aggregating to U.S. \$4,737,000 (2009 - U.S. \$5,500,000) at varying rates between 1.0557 to 1.1893 (see note 2(h)).

### (b) Fair value of financial instruments:

The carrying amounts of certain of the Company's financial instruments, including cash, accounts receivable and accounts payable and accrued liabilities, approximate their fair values due to their short maturities. The carrying value of obligations under capital lease and term loan approximates fair value as the instruments bear interest at rates that approximate market rates. Due to the uncertainty over the timing of repayments, the fair value of the amount due to and from certain shareholders is not reasonably determinable.

## 15. Tax loss carryforwards:

The Company has tax loss carryforwards of \$2,082,000 available to reduce taxable income in future years which have been recognized as a future income tax asset. The losses expire as follows:

2010	\$ 840,000
2028	1,200,000
2030	42,000
<b>Total</b>	<b>\$ 2,082,000</b>

## 16. Capital disclosures:

The Company's objectives when managing capital are to provide returns for the shareholders, and comply with any externally imposed capital requirements while safeguarding the Company's ability to continue as a going concern. The Company considers bank indebtedness, term loan, obligations under capital lease, and due to shareholder as capital.

## ELIA FASHIONS LTD.

Notes to Consolidated Financial Statements (continued)

52 weeks ended March 27, 2010

52 weeks ended March 28, 2009

---

### 16. Capital disclosures (continued):

The Company is subject to certain financial covenants with regards to its bank indebtedness. On June 1, 2010, the Company amended the agreement with Royal Bank of Canada ("RBC") for their operating line of credit. The amended agreement reduces the line of credit available to \$6,000,000 (from \$6,300,000) and imposes new monthly financial covenants based on year-to-date profit targets. The Company's future operations are dependent on achieving the monthly financial covenants as specified in the amended financing agreement. Meeting the targets will require the Company to achieve a significant improvement in gross revenue and margins, with a continued focus on reducing overhead expenditures. To June 30, 2010, the Company has been in compliance with the new monthly financial covenants.

### 17. Subsequent event:

Subsequent to year end, the Company entered into a working capital loan agreement with Business Development Bank of Canada ("BDC") for \$250,000. The loan bears interest at BDC's floating base rate plus 3.5% per annum and is due on June 23, 2018.

This is EXHIBIT "B" referred to in the Affidavit of Kathryn Adrian,  
sworn before me in Vanouver, this 29 day of November, 2011



---

A Commissioner for Taking Affidavits for British Columbia

Non-Consolidated Financial Statements of

**ELIA FASHIONS LTD.**

52 weeks ended March 27, 2010  
(Unaudited - see Notice to Reader)



KPMG LLP  
Chartered Accountants  
Metrotower II  
Suite 2400 - 4720 Kingsway  
Burnaby BC V5H 4N2

Telephone (604) 527-3800  
Fax (604) 527-3838  
Internet www.kpmg.ca

### NOTICE TO READER

On the basis of information provided by management, we have compiled the non-consolidated balance sheet of Elia Fashions Ltd. as at March 27, 2010 and the non-consolidated statement of operations and retained earnings for the 52 weeks then ended. We have not performed an audit or a review engagement in respect of these non-consolidated financial statements and, accordingly, we express no assurance thereon. Readers are cautioned that these non-consolidated financial statements may not be appropriate for their purposes.

**KPMG LLP**

Chartered Accountants

Burnaby, Canada

June 18, 2010

## ELIA FASHIONS LTD.

Non-Consolidated Balance Sheet  
(Unaudited - see Notice to Reader)

	March 27, 2010	March 28, 2009
<b>Assets</b>		
Current assets:		
Cash	\$ 22,019	\$ 39,627
Accounts receivable	-	16,598
Prepaid expenses	55,812	50,868
Income taxes receivable	-	347
	<u>77,831</u>	<u>107,440</u>
Property, plant and equipment	1,556,980	1,961,509
Due from related parties	782,265	1,393,004
Promissory note receivable	828,400	828,400
	<u>\$ 3,245,476</u>	<u>\$ 4,290,353</u>

## Liabilities and Shareholder's Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 62,605	\$ 255,345
Current portion of deferred revenue	21,357	106,936
Term loan	-	867
Current portion of obligations under capital lease	218,439	246,866
	<u>302,401</u>	<u>610,014</u>
Deferred revenue	10,762	14,603
Due to World Shake Productions Inc.	1,678,667	2,004,223
Obligations under capital lease	15,840	233,329
Future income taxes	140,447	19,486
Shareholder's equity:		
Share capital	259	259
Retained earnings	1,097,100	1,408,439
	<u>1,097,359</u>	<u>1,408,698</u>
	<u>\$ 3,245,476</u>	<u>\$ 4,290,353</u>

The basis of measurement and the disclosures in these non-consolidated financial statements are not necessarily in accordance with generally accepted accounting principles.

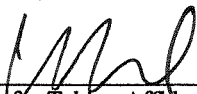
## ELIA FASHIONS LTD.

Non-Consolidated Statement of Operations and Retained Earnings  
(Unaudited - see Notice to Reader)

	52 weeks ended March 27, 2010	52 weeks ended March 28, 2009
<b>Revenue:</b>		
Share of partnership earnings, Please Mum (a Partnership)	\$ 2,130,944	\$ 3,049,030
Rental income	-	86,540
	<u>2,130,944</u>	<u>3,135,570</u>
<b>Expenses:</b>		
Property	1,676,418	1,620,869
Amortization	615,505	599,632
Interest	29,399	43,779
	<u>2,321,322</u>	<u>2,264,280</u>
Earnings (loss) before income taxes	(190,378)	871,290
<b>Income taxes (recovery):</b>		
Current	-	(4,373)
Future	120,961	194,524
	<u>120,961</u>	<u>190,151</u>
Net earnings (loss) for the period	(311,339)	681,139
Retained earnings, beginning of period	1,408,439	727,300
Retained earnings, end of period	<u>\$ 1,097,100</u>	<u>\$ 1,408,439</u>

The basis of measurement and the disclosures in these non-consolidated financial statements are not necessarily in accordance with generally accepted accounting principles.

This is EXHIBIT "C" referred to in the Affidavit of Kathryn Adrian,  
sworn before me in Vancouver, this 29 day of November, 2011



---

A Commissioner for Taking Affidavits for British Columbia



Financial Statements of

**BOSSA NOVA FASHIONS LTD.**

52 weeks ended March 27, 2010  
(Unaudited - see Notice to Reader)



25

# BOSSA NOVA FASHIONS LTD.

Balance Sheet  
(Unaudited - see Notice to Reader)

	March 27, 2010	March 28, 2009
<b>Assets</b>		
Current assets:		
Cash	\$ 3,013	\$ 5,547
Accounts receivable	104,808	49,998
Income taxes receivable	-	2,210
Prepaid expenses	274,091	243,917
	<u>381,912</u>	<u>301,672</u>
Property, plant and equipment	6,721,667	7,214,137
Future income taxes	1,992,247	1,778,360
	<u>\$ 9,095,826</u>	<u>\$ 9,294,169</u>

## Liabilities and Shareholder's Deficiency

Current liabilities:		
Accounts payable and accrued liabilities	\$ 22,166	\$ 1
Current portion of deferred revenue	431,434	280,382
	<u>453,600</u>	<u>280,383</u>
Deferred revenue	1,236,124	1,182,732
Due to related parties	12,500,175	12,332,977
Shareholder's deficiency:		
Share capital	1	1
Deficit	(5,094,074)	(4,501,924)
	<u>(5,094,073)</u>	<u>(4,501,923)</u>
	<u>\$ 9,095,826</u>	<u>\$ 9,294,169</u>

The basis of measurement and the disclosures in these financial statements are not necessarily in accordance with generally accepted accounting principles.

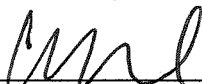
## BOSSA NOVA FASHIONS LTD.

Statement of Operations and Deficit  
(Unaudited - see Notice to Reader)

	52 weeks ended March 27, 2010	52 weeks ended March 28, 2009
<b>Revenue:</b>		
Share of partnership earnings	\$ 12,963,164	\$ 12,081,391
Interest earnings	5	622
Other revenue	-	3,223
	<u>12,963,169</u>	<u>12,085,236</u>
<b>Expenses:</b>		
Amortization	1,889,074	1,765,788
Selling, general and administrative expenses	11,520,741	10,583,073
	<u>13,409,815</u>	<u>12,348,861</u>
Impairment of property, plant and equipment	359,391	-
	<u>13,769,206</u>	<u>12,348,861</u>
Loss before income taxes	(806,037)	(263,625)
<b>Income taxes recovery:</b>		
Current	-	(11,530)
Future	(213,887)	(48,535)
	<u>(213,887)</u>	<u>(60,065)</u>
Loss for the period	(592,150)	(203,560)
Deficit, beginning of period	(4,501,924)	(4,298,364)
Deficit, end of period	<u>\$ (5,094,074)</u>	<u>\$ (4,501,924)</u>

The basis of measurement and the disclosures in these financial statements are not necessarily in accordance with generally accepted accounting principles.

This is **EXHIBIT "D"** referred to in the Affidavit of Kathryn Adrian,  
sworn before me in Vancouver, this 29 day of November, 2011



---

A Commissioner for Taking Affidavits for British Columbia

Financial Statements of

**PLEASE MUM (A PARTNERSHIP)**

52 weeks ended May 1, 2010  
(Unaudited - see Notice to Reader)



**KPMG LLP**  
Chartered Accountants  
Metrotower II  
Suite 2400 - 4720 Kingsway  
Burnaby BC V5H 4N2

Telephone (604) 527-3600  
Fax (604) 527-3636  
Internet [www.kpmg.ca](http://www.kpmg.ca)

### **NOTICE TO READER**

On the basis of information provided by management, we have compiled the balance sheet of Please Mum (A Partnership) as at May 1, 2010 and the statements of earnings and partners' equity (deficiency) for the 52 weeks then ended. We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon. Readers are cautioned that these financial statements may not be appropriate for their purposes.

**KPMG LLP**

Chartered Accountants

Burnaby, Canada

June 18, 2010

# PLEASE MUM (A PARTNERSHIP)

Balance Sheet  
(Unaudited - see Notice to Reader)

	May 1, 2010	May 2, 2009
<b>Assets</b>		
Current assets:		
Cash	\$ 123,401	\$ 1,134,019
Accounts receivable	-	46,524
Inventories	10,225,041	7,563,096
Prepaid expenses and deposits	430,393	621,914
Unrealized gain on foreign exchange contracts	-	601,389
	10,778,835	9,966,942
Trademarks	83,568	75,178
	\$ 10,862,403	\$ 10,042,120

## Liabilities and Partners' Equity (Deficiency)

Current liabilities:		
Bank indebtedness	\$ 2,630,000	\$ 2,180,000
Accounts payable and accrued liabilities	7,432,095	4,823,951
Unrealized loss on foreign exchange contracts	143,770	-
	10,205,865	7,003,951
Loan payable to 0710345 B.C. Ltd.	2,300,000	-
Partners' equity (deficiency)	(1,643,462)	3,038,169
	\$ 10,862,403	\$ 10,042,120

The basis of measurement and the disclosures in these financial statements are not necessarily in accordance with generally accepted accounting principles.



31

## PLEASE MUM (A PARTNERSHIP)

Statement of Earnings  
(Unaudited - see Notice to Reader)

	52 weeks ended May 1, 2010	52 weeks ended May 2, 2009
Sales	\$ 54,594,887	\$ 54,878,028
Cost of goods sold	23,640,369	24,108,989
	30,954,518	30,769,039
Expenses:		
General and administration	5,657,031	4,127,742
Selling	13,771,428	12,072,741
Unrealized foreign exchange on forward contracts	143,770	(601,389)
	19,572,229	15,599,094
Earnings before the undernoted item	11,382,289	15,169,945
Interest expense	(136,851)	(75,838)
Net earnings	\$ 11,245,438	\$ 15,094,107

The basis of measurement and the disclosure in these financial statements are not necessarily in accordance with generally accepted accounting principles.

## PLEASE MUM (A PARTNERSHIP)

Statement of Partners' Equity  
(Unaudited - see Notice to Reader)

	Elia Fashions Ltd.	Bossa Nova Fashions Ltd.	52 weeks ended May 1, 2010 net equity (deficiency)	52 weeks ended May 2, 2009 net equity
Balance, beginning of period	\$ 3,038,169	\$ -	\$ 3,038,169	\$ 1,194,545
Contributions	318,943	59,270	378,213	2,718,531
Net earnings	(264,822)	11,510,260	11,245,438	15,094,107
Drawings	(4,738,816)	(11,566,466)	(16,305,282)	(16,030,908)
Retroactive restatement on adoption of Section 3031	-	-	-	61,894
<b>Balance, end of period</b>	<b>\$ (1,646,526)</b>	<b>\$ 3,064</b>	<b>\$ (1,643,462)</b>	<b>\$ 3,038,169</b>

The basis of measurement and the disclosures in these financial statements are not necessarily in accordance with generally accepted accounting principles.

This is **EXHIBIT "E"** referred to in the Affidavit of Kathryn Adrian,  
sworn before me in Vanwaver, this 29 day of November, 2011

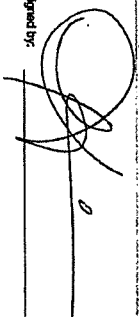
A handwritten signature in black ink, appearing to be 'M. M.', written over a horizontal line.

\_\_\_\_\_  
A Commissioner for Taking Affidavits for British Columbia

34

Please Refer  
Cash Flow Forecast to March 3, 2012

Week Ending	19-Nov	26-Nov	3-Dec	10-Dec	17-Dec	24-Dec	31-Dec	7-Jan	14-Jan	21-Jan	28-Jan	4-Feb	11-Feb	18-Feb	25-Feb	3-Mar	Total
Receipts	188,191	181,498	172,593	178,190	178,190	178,190	109,524	118,046	121,905	119,046	123,810	146,571	135,238	140,000	154,286	180,582	2,401,233
Retainable Sales	8,310	9,075	8,830	8,810	8,810	8,810	5,478	5,582	6,095	5,582	6,190	7,429	6,782	7,000	7,714	8,046	120,082
GST Received				150,000								500,000					650,000
Other																	
Total Receipts	188,191	181,498	172,593	335,000	186,200	186,000	115,000	123,600	128,000	124,600	130,000	154,000	142,000	147,000	162,000	188,606	3,177,285
Disbursements	54,376	38,792	54,000	41,000	58,000	41,000	55,000	54,500	65,000	54,500	65,000	54,500	230,000	54,500	65,000	54,500	1,037,667
Payroll & Taxes								36,187	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	68,082
GST	14,839	5,000	5,000	5,000	12,000	5,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	63,938
Freight			148,834					148,834				148,834					585,338
Store Plant	48,000		50,000		48,000					48,000							198,000
Head Office Rent	25,467	21,855	13,000	90,000	148,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	581,000
Outside Purchases	28,520	23,558	33,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	288,275
Trade Payables	3,748	23,558	55,000		3,748		4,888	53,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	288,275
Other																	158,144
Total Disbursements	111,049	80,203	223,834	182,000	218,748	62,000	78,888	213,521	113,000	116,500	147,747	388,238	248,800	248,500	248,500	292,534	2,888,588
Operating Cash Flow	24,452	100,289	-144,511	153,000	-32,548	124,000	36,202	-189,921	44,000	5,500	-14,247	27,761	-107,200	73,500	36,502	-43,334	272,725
One-Time Costs		1,495			50,000									150,000			150,000
Lease														138,000			138,000
Woodshed - Emvicta														80,000			80,000
Total One-Time	0	1,495	0	0	50,000	0	0	0	0	0	0	0	0	288,000	0	0	348,000
Reg. Line Bal.	81,223	115,674	214,548	68,997	252,837	99,189	222,189	259,482	88,871	113,871	119,471	108,224	382,985	235,985	41,485	77,787	81,223
Net Cash Flow	24,452	98,874	-144,511	153,000	-153,748	124,000	36,202	-189,921	44,000	5,500	-14,247	27,761	-107,200	73,500	36,502	-43,334	272,725
Ending Line Bal.	115,674	214,548	68,997	252,837	99,189	222,189	259,482	88,871	113,871	119,471	108,224	382,985	235,985	41,485	77,787	14,453	14,453

Signed by: 

District of: British Columbia  
Division 03 - Vancouver  
Court No.  
Estate No. 11-253244; 11-253245; 11-253246

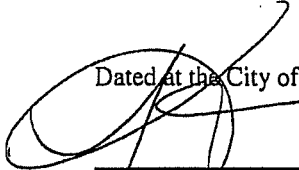
*Companies' Creditors Arrangements Act (R.S.C., 1985, c. C-36)*

**Regulation 4 prescribed for the purposes of paragraph 10(2)(b) of the Act.**

I, Please Mum Partnership, Elia Fashions Ltd., and Bossa Nova Fashions Ltd., have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 29<sup>th</sup> day of November 2011, consisting of projected receipts and disbursements for the period of November 19, 2011 to March 3, 2012.

1. The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached to the Cash Flow Statement.
2. Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.
3. The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached to the Cash Flow Statement. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Vancouver in the Province of British Columbia, this 29<sup>th</sup> day of November 2011.

  
\_\_\_\_\_  
Please Mum Partnership, Elia Fashions Ltd.,  
and Bossa Nova Fashions Ltd.  
Debtor

KATHRYN ADRIAN  
Name and title of signing officer

FOUNDER & CEO  
Name and title of signing officer

District of: British Columbia  
Division 03 - Vancouver  
Court No.  
Estate No. 11-253244; 11-253245; 11-253246

Notes

Purpose:

The purpose of the Cash Flow Statement for the period of November 19, 2011 to March 3, 2012 is to enable the creditors of Please Mum Partnership, Elia Fashions Ltd., and Bossa Nova Fashions Ltd. to assess their position regarding its filing pursuant to the *Companies' Creditors Arrangements Act*.

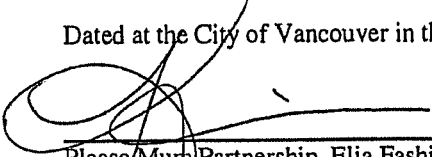
Projection Notes:

These projections are based on the debtor's best estimates and actual results could vary with

Assumptions:

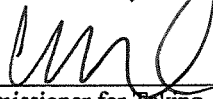
The assumptions are attached to the Cash Flow Statement.

Dated at the City of Vancouver in the Province of British Columbia, this 29<sup>th</sup> day of November 2011.



\_\_\_\_\_  
Please Mum Partnership, Elia Fashions Ltd.,  
and Bossa Nova Fashions Ltd.

This is **EXHIBIT "F"** referred to in the Affidavit of Kathryn Adrian,  
sworn before me in Vanouver, this 29 day of November, 2011



---

A Commissioner for Taking Affidavits for British Columbia

2<sup>nd</sup> offer April 4th

AGREEMENT OF PURCHASE AND SALE  
(THE "AGREEMENT")

~~XXXXXXXXXX~~ (the "Purchaser") hereby offers to purchase from 0719345  
B.C. Ltd. (the "Vendor") through the agent ~~XXXXXXXXXX~~ (the "Broker"), the  
property described in Schedule "A", municipality known as 343 Woodland Drive, in the City of  
Vancouver, British Columbia and the Building, as hereinafter defined, collectively the  
"Property", for a purchase price (the "Purchase Price") of ~~Thirteen million eight hundred~~ and fifty  
~~thousand (\$13,800,000) DOLLARS.~~

*JP*  
\$13,350,000.00

*Thirteen Three and fifty*

*[Handwritten initials]*

1. Payment of Purchase Price

The Purchase Price shall be paid as follows:

- (a) \$750,000.00 (the "Deposit") by cheque payable to the Broker upon acceptance by the Vendor of the offer contained in this Agreement, to be held in trust pending completion or other termination of this Agreement and the Deposit shall be credited on account of the Purchase Price; and
- (b) the balance by certified cheque, bank draft or the Purchaser's solicitor's trust cheque payable to the Vendor's solicitors, in trust, on the Closing Date.

2. Building

The term "Building" means the building(s) erected on the Property and all structures, fixtures, improvements, chattels, heating plant(s), and mechanical equipment, hot water tanks, incinerators, and all other fixtures and equipment used for the general operation and maintenance of the building(s), presently located in, on or upon the Property.

3. Acceptance

The offer contained in this Agreement will be irrevocable by the Purchaser until 4:00 p.m. (Pacific Standard Time or Pacific Daylight Saving Time, whichever is applicable) on April 11th, 2011, after which time, if not accepted, this Agreement will be null and void. Delivery by facsimile to either party to this Agreement or his or its respective solicitors of an executed copy of this Agreement (as it may have been amended during the course of negotiation between the parties) at or before such time will constitute conclusive evidence of such acceptance.

4. Title Examination

The Purchaser will be allowed until expiry of the Conditional Period to examine the title to the Property at its own expense and to satisfy itself that the proposed use will be permitted and that the title is good and free from all registered privileges, hypothecs, encumbrances or other real rights. If during that time any valid objection, including any deficiencies or lack of title whatsoever, is made in writing to the Vendor, which the Vendor is unable or unwilling to remove and which the Purchaser will not waive, this Agreement, notwithstanding any intermediate acts or negotiations in respect of such objections, shall be null and void, and the Deposit shall be returned to the Purchaser.

5. Vendor Deliveries

The Vendor covenants to deliver the following documents to the Purchaser within ten (10) calendar days after the date of the acceptance of the offer contained in this Agreement:

- (a) All plans, drawings and specifications of the Building and other structures located on the Property (including structural, mechanical, electrical and all other plans, drawings and specifications).
- (b) If the Vendor's possession a survey of the Property, prepared by a British Columbia land surveyor, showing thereon the present location of the Building, appurtenances and other structures and improvements to be wholly within the limits of the Property, without any encroachment of any structures on adjoining property, or any encroachments on the



Property. The survey shall include the surveyor's certificate confirming the area of the Property and shall further indicate the location of any right-of-way or easements affecting the Property. ~~Vendor is not responsible to provide survey if not in possession~~

- (c) Copies of all other contracts, agreements, warranties and guarantees related to or affecting the Property, including, but not limited to:
  - (i) the contracts relating to the management and operation of the property;
  - (ii) all permits and licenses or evidence of compliance with regulatory authorities required for the operation and use of the Property; and
  - (iii) all third party warranties applicable to the Property.
- (d) All realty tax bills for the last full calendar year.
- (e) A current and complete legal description of the Property in registerable form.
- (f) Any and all recent architectural, engineering, inspection, environmental or other reports, as now in the possession of the Vendor, related to or affecting the Property.
- (g) Authorizations to municipal and government authorities necessary to permit the Purchaser to obtain information from their files relating to the Property.
- (h) Any other information in the possession and control of the Vendor relating to the Property.
- (i) Any current leases on the property.

6. Purchaser's Conditions

The obligation of the Purchaser to complete the purchase of the Property is subject to the following conditions:

- (a) Title to the Property being clear and free of all encumbrances on Closing, except for the conditions and reservations contained in the original grant of the Property from the Crown and except for any encumbrance which the Purchaser is prepared to assume, in its sole discretion.
- (b) The Vendor having fulfilled the terms of this Agreement to be fulfilled by him on or prior to Closing unless the Purchaser is prepared to waive any failure to fulfill such terms.
- (c) The Purchaser and Purchaser's authorized representatives having access to the Property for the period of sixty (60) days following the receipt of the Vendor Deliveries as outlined in paragraph 5 of this Agreement (the "Conditional Period"), for the purpose of carrying out such environmental tests, physical tests, structural tests and other tests and inspections of the Property as the Purchaser deems necessary and being satisfied with such tests or inspections, in the Purchaser's sole discretion. If any such tests or inspections cause damage to the Property, the Property will be restored to its former condition at the Purchaser's expense if the transaction herein is not completed and the Purchaser will indemnify and hold the Vendor harmless for any damages the Vendor may suffer as a result of such tests or inspections.

If during the Conditional Period the Purchaser's environmental tests, physical tests and/or inspections of the Property disclose (i) the existence of environmental contaminants; or (ii) deficiencies to the mechanical and electrical systems, or the structure of the Building, the Purchaser may terminate this Agreement by delivery of a written notice to the Vendor. Upon delivery of such notice, this Agreement shall be null and void, and the Deposit shall be returned to the Purchaser with interest but without penalty.

- (d) On or before the expiry of the Conditional Period, the Purchaser being satisfied in its sole discretion, that the current zoning and development rights will permit the Purchaser's proposed use of the Property.

Ca

- (e) On or before the expiry of the Conditional Period, the Purchaser being satisfied with the business terms of the existing lease with K&A Fashions Ltd and successfully negotiating a lease (to be signed by the tenant and the Purchaser) substantially based on the Purchaser's form of lease or such other form of lease as may be acceptable to the Purchaser, all to the satisfaction of the Purchaser in its sole discretion;
- (f) On or before the expiry of the Conditional Period, the Purchaser being satisfied in its sole discretion with the terms of the existing Billboard lease;

**7. Satisfaction of Conditions**

The conditions in paragraphs 4 and 6 are for the sole benefit of the Purchaser and may be waived in whole or in part by the Purchaser. The Purchaser may, if it is not satisfied with any of the conditions in paragraphs 4 and 6 in its sole discretion, terminate this Agreement by notice to the Vendor on or before the date upon which the condition is to be satisfied, in which event, this Agreement shall be null and void and the Deposit shall be returned to the Purchaser with interest but without penalty.

If notice of termination is not given by the Purchaser or any of the conditions in paragraphs 4 and 6 have not been met, fulfilled, performed or completed and waived in writing by the Purchaser to the Vendor prior to the end of the Conditional Period applicable to such conditions, this Agreement shall be null and void and the Deposit shall be returned to the Purchaser with interest but without penalty.

**8. Termination of Agreement**

Notwithstanding any other term or provision of this Agreement, the Purchaser has the right in its sole and unfettered discretion on written notice to the Broker, to terminate this Agreement at any time during the Conditional Period and this Agreement shall become null and void and any monies paid by the Purchaser shall be refunded forthwith with interest and without penalty.

**9. Representations and Warranties**

The Vendor represents and warrants to the Purchaser, as representations and warranties that will true at the Closing Date, that:

- (a) To the best of Vendor's knowledge the Building is contained entirely within the limits of the described lands and that there are no encroachments on the lands by buildings, structures or fences from adjacent lands;
- (b) To the best of Vendor's knowledge the Property complies with all bylaws and regulations of the City of Vancouver, all provincial fire, health and safety regulations, all development agreements, covenants or commitments given by the Vendor to the City of Vancouver in respect of the Property and that the Property will be on the Closing Date free of any outstanding work orders;
- (c) To the best of Vendor's knowledge the Property has been constructed and maintained in accordance with the drawings, plans and specifications provided to the Purchaser, and that the Property shall be so maintained up to the Closing Date;
- (d) There are no local improvement charges owing to the City of Vancouver with respect to the Property;
- (e) There are no existing leases or other tenancy agreements entered into with any tenant for the occupancy of space in the Property save and except the leaseback of the Property to the Vendor contemplated in paragraph 17 hereof; and leases related to the existing Billboards;

Ka

- (d) No monies are payable or will be payable by the Vendor to any general contractor, subcontractor or material supplier with respect to construction of any building or improvement on the Property and there are no liens, builders' or otherwise, against the Property, except as specifically disclosed in writing to the Purchaser and accepted by the Purchaser;
- (e) The Vendor has not received from any governmental or municipal authority any notice of appropriation or intended appropriation of any portion of the Property and no notice of road closure affecting present access by vehicular traffic to the Property; and the Vendor has received no orders or requests from any municipal or other governmental authority under which any work, repairs or replacements are required or requested with respect to the Property;
- (f) All the fixtures located on and in the Property and the chattels which form part of this Agreement are owned by the Vendor, free and clear of all encumbrances;
- (g) To the best of the Vendor's knowledge, all questions asked or to be asked before Closing during inspections of the Property by the Purchaser were fully and honestly answered and no adverse condition of the Property was concealed;
- (h) To the best of the Vendor's knowledge, there is no defect in any portion of the Property which the Vendor knows or, as a reasonable and prudent owner, should know is material, and all mechanical components of the Property are in good and substantial repair and working order, commensurate with their age, condition and capacity;
- (i) All utilities charges related to the Property, which are the obligations of the Vendor, will be paid in full to the Closing Date, except as contemplated in the adjustments made between the parties pursuant to this Offer;
- (j) The entering into by the Vendor of this Offer and the Closing of the transaction contemplated hereby shall not constitute a default under any contractual obligations or commitments relative to the Property;
- (k) The Vendor is fully incorporated and organized and is a valid and subsisting corporation according to the records of the Registrar of Companies for the Province of British Columbia and, subject to laws of general application, is qualified to carry on business and own assets in the Province of British Columbia;
- (l) All necessary corporate steps and proceedings have been taken to authorize the Vendor to enter into this Offer and the agreement contemplated on its acceptance and perform the transactions contemplated hereby;
- (m) There are no management contracts or other agreements in force with respect to the Property or if there are such contracts and agreements the same will be discharged and terminated by the Closing Date;
- (n) To the best of the Vendor's knowledge and as per environmental reports in the Vendor's possession, the Property is free from all environmental contamination, including all hazardous and controlled substances, any present or latent environmental contamination of the atmosphere, air, soil, subsoil or ground or surface water and the Vendor and its tenants have not released any hazardous and controlled substances on to or adjacent to the Property at any time;
- (o) The Purchaser will have no obligation to assume any employees of the Vendor in respect of the Property;
- (p) No written notice has been received by the Vendor which remains outstanding at Closing from any governmental or quasi-governmental authority advising of any defects in the construction of the Building or any installations therein, or relating to any work order, deficiency or non-compliance with any building restriction, zoning by-laws, fire codes, environmental protection legislation, or other regulation;
- (q) There is no litigation, claim, or proceeding, including appeals and applications for review, in progress, pending or, to the best of the knowledge of the Vendor, threatened

against or relating to the Vendor and affecting the Property before any domestic court, governmental department, commission, board, bureau or agency, or arbitration panel, and there is not presently outstanding against the Vendor any judgment, decree, injunction, rule or order of any court, governmental department, commission, agency or arbitrator which materially adversely affects the Property; and

- (f) All electrical systems, facilities and installations connecting and providing power to the Building are, and on Closing will be, in good working order.
- (g) The Vendor is not a non-resident of Canada for income tax purposes.

The above representations and warranties shall not merge on but shall survive closing of this transaction.

**10. Closing Date**

The sale and purchase of the Property shall be completed on the 12th business day following the removal of the Purchaser's conditions specified in clause 6 of this agreement or on such other date as the Vendor and the Purchaser may agree in writing and such completion being herein referred to as the "Closing" and the date of such completion being herein referred to as the "Closing Date".

**11. Closing**

The Closing of the purchase and sale of the Property will commence at 10:00 a.m. on the Closing Date. The Closing will take place at the offices of the Purchaser's solicitors, or at such other place as the Purchaser and the Vendor may mutually agree. The closing documents to be provided hereunder shall be prepared by the Purchaser's solicitors at the Purchaser's cost.

**12. Closing Documents**

- (a) Documents to be delivered by the Vendor

On the Closing Date the Vendor shall deliver to the Purchaser's solicitors the following:

- (i) a duly executed Form A, Freehold Transfer in registrable form transferring the fee-simple title to the Property to the Purchaser, free and clear of all liens, charges and encumbrances except for the Permitted Encumbrances.
- (ii) an assignment of all of the right, title and interest of the Vendor in all third party contracts and warranties which the Purchaser has agreed to assume provided that if any warranty is not assignable, the Vendor agrees to provide a commensurate warranty and representation to the Purchaser.
- (iii) a certificate executed by the Vendor repeating the representations and warranties of the Vendor set forth in paragraph 9 as of the Closing Date.
- (iv) a direction as to the payee or payees of the balance of the Purchase Price payable on Closing if not the Vendor.
- (v) a statement of adjustments approved by the Vendor.
- (vi) all other conveyances and other documents which are required and which the Purchaser's solicitors have reasonably requested on or before the Closing Date to give effect to the proper transfer, assignment and conveyance of the Property by the Vendor to the Purchaser free and clear of all encumbrances except the Permitted Encumbrances.

(vii) a fully executed Lease Agreement reflecting the terms and conditions whereby the Purchaser agrees to enter into a "short term" leaseback of the property to the Vendor pursuant to paragraph 17 hereof.

(b) Documents to be delivered by the Purchaser

On the Closing Date the Purchaser shall deliver to the Vendor's solicitors the following:

- (i) a bank draft, certified cheque or the Purchaser's solicitors' trust cheque payable to the Vendor's solicitors for an amount equal to the Purchase Price, subject to adjustments both incoming and outgoing of whatever nature as referred to in paragraph 14 with such adjustments being made as at the Closing Date.
- (ii) evidence that the Purchaser is a GST registrant, if applicable.
- (iii) all other documents which are required and which the Vendor's solicitor has reasonably requested on or before the Closing Date to give effect to this transaction.

All documentation shall be in form and substance acceptable to the Purchaser and the Vendor acting reasonably and in good faith.

(c) Escrow

All documents and cheques shall be delivered in escrow at the place of Closing on the Closing Date pending registration of the Form A, First Transfer in the Vancouver Land Title Office. All matters of payment, execution, delivery and registration of the closing documents shall be deemed to be concurrent requirements and it is specifically agreed that nothing will be complete at the Closing until everything required to be completed has been paid, executed, delivered and fully registered, as the case may be.

(d) Vendor's Mortgage

If the Vendor has existing financial charges to be cleared from title to the Property the Vendor, while still required to clear such charges, may wait to pay and discharge existing financial charges until immediately after receipt of the Purchase Price but in this event the Purchaser may pay the Purchase Price to the Vendor's solicitors, in trust, on undertakings to pay and discharge the financial charges and remit the balance, if any, to the Vendor.

13. Vendor's Indemnity

The Vendor will indemnify and save and hold harmless the Purchaser and its successors and assigns and its directors, officers, employees and agents (collectively the "Indemnified") from and against any and all Claims (as hereinafter defined) directly or indirectly suffered by the Indemnified at any time from and after the Closing Date that are in any way related to the environmental condition of the Property on the Closing Date or a breach of the Vendor's representations and warranties in paragraph 9, including, without limitation, the leakage or migration of hazardous substances to any neighbouring property. The term "Claims" herein means any and all liabilities (whether contract, actual, contingent or otherwise), claims, demands, proceedings, lawsuits, damages, fines, penalties, judgments, awards, losses, costs and expenses (including, without limiting the generality of the foregoing, the fees and costs of counsel, on a solicitor and own-client basis, consultants and experts and investigation and cleanup costs and expenses, whether incurred by the Indemnified or charged to them by third parties). For greater certainty, it is understood and agreed that the term "Claims" also includes any Claims that might be made for environmental damage or for the cost of any investigation or environmental cleanup or remediation relating to or arising out of the ownership, occupation, possession or use of the Property by the Vendor or any other persons on or before the Closing Date. This indemnity will remain in full force and effect after the Closing Date and will not merge with the transfer of the Property by the Vendor to the Purchaser.

14. Work Orders

The Vendor covenants to comply, at its own expense, with any work order or orders relating to the Property issued and outstanding on Closing from any governmental authority including police or fire department, sanitation or health authorities or any other federal, provincial or municipal authority having jurisdiction relating to the work orders which are the responsibility of the owner of the Property with such compliance to be completed as soon as possible and if not by Closing then as soon thereafter as is reasonable.

**14. Adjustments**

The Purchase Price will be adjusted by apportioning as between the Purchaser and the Vendor as of the Closing Date all adjustments which are customarily made in similar transactions, including municipal realty taxes, utilities and other expenses, such that all costs relating to the Property for and in respect of the period up to but not including the Closing Date, will be for the account of the Vendor.

**15. Risk**

Until 12:01 p.m. on the Closing Date, the Property will be and remain at the risk of the Vendor, and thereafter will be at the risk of the Purchaser. If prior to 12:01 p.m. on the Closing Date any part of the Property is destroyed or damaged by fire or other casualty, the Purchaser may, at its option terminate this Agreement, in which event the Deposit will be returned to the Purchaser and the Purchaser shall not be liable for any costs or damages. Until 12:01 p.m. on the Closing Date the Vendor will maintain insurance on the Property in an amount equal to its replacement value and if the Property is damaged or destroyed by fire or other casualty the Purchaser may, at its option, elect to complete the purchase of the Property in which event all insurance proceeds will be assigned by the Vendor to the Purchaser.

**17. Possession**

The Purchaser will take ownership of the Property at 12:00 noon on the Closing Date and agrees to leaseback the Property to Elia Fashion Ltd. (The Tenant) for 5242.000 triple net rent annually for a term of 12 months but not to extend beyond July 31, 2013 pursuant to a lease in substantially the same form as the Vendor's standard form of net lease attached as Schedule "B" to this agreement. Terms of the lease to be negotiated during the conditional

VENDOR'S

*[Handwritten signature]*

*[Handwritten signature]*

*[Handwritten signature]*

**18. Harmonized Sales Tax**

On Closing, the Purchaser will promptly pay any Harmonized Sales Tax ("HST") imposed on the Purchaser with respect to any amounts owing by the Purchaser to the Vendor under this Agreement. The Purchaser will pay the HST to the Vendor on Closing if the Purchaser is not a registrant as that term is defined in the Excise Tax Act.

*Elia Fashions Ltd shall have the right to terminate the Lease anytime after the 12th month of the Lease*

*With 6 months written Notice.*

In any other case, the Purchaser will provide evidence satisfactory to the Vendor that it is a registrant under the Excise Tax Act and will remit the HST directly to the appropriate taxing authority.

**19. Joint and Several Covenants**

If more than one person executes this Agreement as Purchaser, each person shall be jointly and severally bound with the other(s).

**20. Successors and Assigns**

The provisions of this Agreement shall be binding upon and come to the benefit of the Vendor and Purchaser, their respective heirs, successors, administrators and assigns.

**21. Time of Essence**

Time will be of the essence of this Agreement.

**22. Waiver**

*Ker*

**EXTENSION AGREEMENT OF PURCHASE AND SALE  
(THE "EXTENSION AGREEMENT")**

WHEREAS on April 4, 2011, [REDACTED] (the "Purchaser") and 0710345 B.C. Ltd. (the "Vendor") entered into an Agreement (the "Agreement") to purchase the lands and premises municipally known as 333 Woodland Drive, in the City of Vancouver, British Columbia (collectively the "Property"), for a purchase price (the "Purchase Price") of Thirteen million three hundred fifty thousand (\$13,350,000.00) DOLLARS from the Vendor subject to the terms and conditions of the Agreement;

AND WHEREAS the Purchaser during the course of its investigations and inquiries concerning the state of the Property has received information from its environmental consultants about the existence of contamination and/or hazardous substances in and on or about the Property;

AND WHEREAS as result of the Vendor's discoveries the parties have agreed to modify the original offer on the terms and conditions set out below.

NOW THEREFORE, for consideration, the receipt and sufficiency of which is hereby acknowledged by each of the parties hereto, the parties agree as follows:

1. All capitalized terms not otherwise defined in this Extension Agreement will have the meanings given to the original Agreement.
2. Effective from the date of this Extension Agreement, the original Agreement is modified as follows:
  - a) The time prescribed as the Conditional Period in paragraph 6 of the Agreement is hereby extended an additional 30 days (the "Extension Period"). The Vendor shall utilize the Extension Period to analyze and understand the environmental reports and findings the Purchaser has provided to the Vendor in order to enable the Vendor to develop and present to the Purchaser the Vendor's proposal to delineate, quantify and remediate the Property (the "Vendor's Proposal"). If the Purchaser does not provide written notice of acceptance of the Vendor's Proposal on or before the expiry of Extension Period, then both this Extension Agreement and the Agreement shall be terminated; and
  - b) All other terms and conditions of the Agreement remain in full force and effect un-amended except that the time for fulfillment of the same is hereby extended for the 30 day Extension Period.
3. This Extension Agreement and the Agreement, will be read and construed as one document and shall constitute the entire Agreement between the parties and there are no other representations, warranties, collateral agreements or conditions affecting this Extension Agreement and the Agreement or the Property except as specifically set forth herein.
4. Except as modified by this Extension Agreement, the parties ratify and confirm the Agreement.
5. Nothing in this Extension Agreement constitutes an admission by the Vendor of the existence




of any contamination or hazardous substances on or within the Property and the parties acknowledge and agree that except to the extent required by law or governmental authorities, if the Purchaser does not complete the purchase of the Property for any reason, the Purchaser shall keep confidential all environmental reports and information it obtains about the Property, which obligation shall survive the termination of the Agreement (even if by operation of the Agreement being stated to become null and void).

6. The Vendor confirms that the Purchaser has provided the Vendor and its environmental consultants access to copies of the reports, analysis and data provided by third parties (the "Report") as set forth in Schedule "A" to this Extension Agreement regarding the environmental condition of the Property and any adjacent lands for the sole purpose of preparing the Vendor's Proposal. All copies of, and access to the Reports provided to the Vendor and its environmental consultants by the Purchaser shall be returned to the Purchaser or terminated, as the case may be, upon termination of the Agreement and this Extension Agreement. The Vendor shall keep confidential all the Reports, including the existence and contents thereof it obtained from the Purchaser about the Property, except to the extent required by law or governmental authorities or with the express written consent of the Purchaser, which obligation shall survive the termination of the Agreement (even if by operation of the Agreement being stated to become null and void).

7. Time will remain of the essence of the Agreement in this Extension Agreement.

8. This extension agreement will ensure to the benefit of any binding upon the parties hereto and their successors and permitted assigns.

9. This Extension Agreement shall be read with all changes of gender or number required by the context. In the event of any conflict between any written or typed provisions and any printed provision herein the written or typed provision will supersede the printed provision to the extent of such conflict.


DATED at  this 17<sup>th</sup> day of June, 2011.



By its solicitor   
Name: 

ACCEPTED at Vancouver this 17<sup>th</sup> day of June, 2011.

0710345 B.C. Ltd.

By  (FOR KATHRYN ADRIAN)  
Name: STEPHEN LEE ON BEHALF  
Title: OF KATHRYN ADRIAN  
CEO



47

[REDACTED]

SCHEDULE "A"

[REDACTED] Phase I Environmental Site Assessment dated [REDACTED]

[REDACTED] Phase II Environmental Site Assessment Final Report dated [REDACTED]

**EXTENSION AGREEMENT OF PURCHASE AND SALE  
(THE "SECOND EXTENSION AGREEMENT")**

**WHEREAS** on April 4, 2011, [REDACTED] (the "Purchaser") and 0710345 B.C. Ltd. (the "Vendor") entered into an Agreement as amended by an extension agreement executed by the parties on June 17, 2011 collectively, (the "Agreement") to purchase the lands and premises municipally known as 333 Woodland Drive, in the City of Vancouver, British Columbia (collectively the "Property"), for a purchase price (the "Purchase Price") of Thirteen million three hundred fifty thousand (\$13,350,000.00) DOLLARS from the Vendor subject to the terms and conditions of the Agreement;

**AND WHEREAS** the Purchaser during the course of its investigations and inquiries concerning the state of the Property has received information from its environmental consultants about the existence of contamination and/or hazardous substances in and on or about the Property;

**AND WHEREAS** as result of the Vendor's discoveries the parties have agreed to modify the original offer on the terms and conditions set out below.

**NOW THEREFORE**, for consideration, the receipt and sufficiency of which is hereby acknowledged by each of the parties hereto, the parties agree as follows:

1. All capitalized terms not otherwise defined in this Extension Agreement will have the meanings given to the original Agreement.
2. Effective from the date of this Second Extension Agreement, the original Agreement is modified as follows:
  - a) The time prescribed as the Conditional Period in paragraph 6 of the Agreement is hereby further extended until October 28<sup>th</sup> 2011 (the "Second Extension Period"). The Vendor shall utilize the Second Extension Period to analyze and understand the environmental reports and findings the Purchaser has provided to the Vendor in order to enable the Vendor to develop and present to the Purchaser the Vendor's environmental risk assessment proposal (the "Vendor's Proposal"). If the Purchaser does not provide written notice of acceptance of the Vendor's Proposal on or before the expiry of the Second Extension Period, then both this Second Extension Agreement and the Agreement shall be terminated; and
  - b) All other terms and conditions of the Agreement remain in full force and effect unamended except that the time for fulfillment of the same is hereby extended until October 28<sup>th</sup> 2011
3. This Second Extension Agreement and the Agreement, will be read and construed with the Agreement as one document and shall constitute the entire Agreement between the parties and there are no other representations, warranties, collateral agreements or conditions affecting this Second Extension Agreement and the Agreement or the Property except as specifically set forth herein.
4. Except as modified by this Second Extension Agreement, the parties ratify and confirm the Agreement.

5. Nothing in this Second Extension Agreement constitutes an admission by the Vendor of the existence of any contamination or hazardous substances on or within the Property and the parties acknowledge and agree that except to the extent required by law or governmental authorities, if the Purchaser does not complete the purchase of the Property for any reason, the Purchaser shall keep confidential all environmental reports and information it obtains about the Property, which obligation shall survive the termination of the Agreement (even if by operation of the Agreement being stated to become null and void).

6. The Vendor confirms that the Purchaser has provided the Vendor and its environmental consultants access to copies of the reports, analysis and data provided by third parties (the "Report") as set forth in Schedule "A" to this Second Extension Agreement regarding the environmental condition of the Property and any adjacent lands for the sole purpose of preparing the Vendor's Proposal. All copies of, and access to the Reports provided to the Vendor and its environmental consultants by the Purchaser shall be returned to the Purchaser or terminated, as the case may be, upon termination of the Agreement and this Second Extension Agreement. If the Purchaser does not complete the purchase of the Property for any reason, the Vendor shall keep confidential all the Reports, including the existence and contents thereof it obtained from the Purchaser about the Property, except to the extent required by law or governmental authorities or with the express written consent of the Purchaser, which obligation shall survive the termination of the Agreement (even if by operation of the Agreement being stated to become null and void).

7. Time will remain of the essence of the Agreement in this Second Extension Agreement.

8. This extension agreement will enure to the benefit of any binding upon the parties hereto and their successors and permitted assigns.

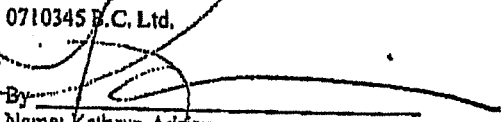
9. This Second Extension Agreement shall be read with all changes of gender or number required by the context. In the event of any conflict between any written or typed provisions and any printed provision herein the written or typed provision will supersede the printed provision to the extent of such conflict.

DATED at ~~\_\_\_\_\_~~ this 14 day of July, 2011.

  
Name: \_\_\_\_\_

ACCEPTED at Vancouver this \_\_\_\_ day of July, 2011.

0710345 B.C. Ltd.

By:   
Name: Kathryn Adrian  
Title: President

50

**SCHEDULE "A"**

~~XXXXXXXXXX~~ Phase I Environmental Site Assessment dated ~~XXXXXX~~

~~XXXXXXXXXX~~ Phase II Environmental Site Assessment Final Report dated ~~XXXXXX~~

**EXTENSION AGREEMENT OF PURCHASE AND SALE  
(THE "THIRD EXTENSION AGREEMENT")**

WHEREAS on the 4th day of April, 2011, [REDACTED] (the "Purchaser") and 0710345 B.C. Ltd. (the "Vendor") entered into an Agreement (the "Agreement") to purchase the lands and premises municipally known as 333 Woodland Drive, in the City of Vancouver, British Columbia (collectively the "Property"), for a purchase price (the "Purchase Price") of THIRTEEN MILLION THREE HUNDRED AND FIFTY THOUSAND (\$13,350,000.00) DOLLARS from the Vendor, subject to the terms and conditions of the Agreement;

AND WHEREAS the Purchaser during the course of its investigations and inquiries concerning the state of the Property received information from its environmental consultants about the existence of contamination and/or hazardous substances in and on or about the Property. As a result of such investigations and inquiries, the parties entered into an extension agreement, dated the 17th day of June, 2011 (the "Extension Agreement") and a further extension agreement, dated the 14th day of July, 2011 (the "Second Extension Agreement");

AND WHEREAS as result of the Purchaser's discoveries, the parties have agreed to modify the Agreement on the terms and conditions set out below.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by each of the parties hereto, the parties agree as follows:

1. All capitalized terms not otherwise defined in this Third Extension Agreement will have the meanings given to the same in the Extension Agreement, the Second Extension Agreement and the Agreement.

2. Effective from the date of this Third Extension Agreement, the Agreement is modified as follows:

The time described as the Conditional Period in paragraphs 4 and 6 of the Agreement is hereby extended until November 15<sup>th</sup>, 2011 (the "Third Extension Period"). If the Purchaser is not satisfied with any of the conditions in paragraphs 4 and 6 of the Agreement, it may in its sole discretion terminate this Agreement, the Extension Agreement, the Second Extension Agreement and this Third Extension Agreement by notice of termination to the Vendor on or before the expiry of the Third Extension Period, in which event, this Agreement, the Extension Agreement, the Second Extension Agreement and this Third Extension Agreement shall be null and void and the Deposit shall be returned to the Purchaser with interest, but without penalty.

If notice of termination is not given by the Purchaser or any of the conditions in paragraphs 4 and 6 have not been met, fulfilled performed, or completed and waived in writing by the Purchaser to the Vendor prior to the expiration of the Third Extension Period, then the Agreement, the Extension Agreement, the Second Extension Agreement and this Third Extension Agreement shall be null and void and the Deposit shall be returned to the Purchaser with interest, but without penalty.

3. All other terms and conditions of the Agreement, as amended by the Extension Agreement and the Second Extension Agreement, remain in full force and effect unamended except that the time for fulfillment of the same is hereby extended until November 15th, 2011.

4. This Third Extension Agreement, the Extension Agreement, the Second Extension Agreement and the Agreement, will be read and construed as one document and shall constitute the entire Agreement between the parties and there are no other representations, warranties, collateral agreements or conditions affecting this Third Extension Agreement, the Extension Agreement, the Second Extension Agreement, the Agreement or the Property, except as specifically set forth herein.


5. Except as modified by this Third Extension Agreement, the parties ratify and confirm the terms of the Extension Agreement, the Second Extension Agreement and the Agreement.

6. Time will remain of the essence of the Agreement in this Third Extension Agreement.

7. This Third Extension Agreement will enure to the benefit of and be binding upon the parties hereto and their administrators, successors and permitted assigns.

8. This Third Extension Agreement shall be read with all changes of gender or number required by the context. In the event of any conflict between any written or typed provisions and any printed provision herein the written or typed provision will supersede the printed provision to the extent of such conflict.

DATED at ~~\_\_\_\_\_~~ this 27<sup>th</sup> day of October, 2011.

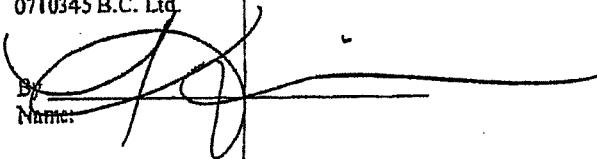


By  
Name:

Title:

ACCEPTED at Vancouver this 28 day of October, 2011.

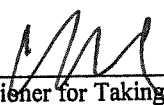
0710345 B.C. Ltd.



Name:

Title:

This is **EXHIBIT "G"** referred to in the Affidavit of Kathryn Adrian,  
sworn before me in Vancouver, this 29 day of November, 2011



---

A Commissioner for Taking Affidavits for British Columbia

**AMENDING AGREEMENT**

This Amending Agreement (the "Amendment") dated November 15, 2011 is made

**BETWEEN:**

**[REDACTED] (the "Purchaser")**

**AND:**

**0710345 B.C. LTD. (the "Vendor")**

**AND WITNESSES THAT WHEREAS:**

A. Pursuant to an Agreement of Purchase and Sale dated April 4, 2011 (the "April 4 Agreement"), as amended by a first extension agreement dated June 17, 2011, a second extension agreement dated July 14, 2011 and a third extension agreement dated October 28, 2011 (collectively, the "Agreement"), the Purchaser agreed to purchase and the Vendor agreed to sell the Property, as defined in the Agreement.

B. The Purchaser has satisfied all of its conditions precedent to complete the purchase of the Property except for subsection 6(c) of the Agreement in respect of the environmental condition of the Property.

C. The Purchaser wishes to give notice of waiver of all of its conditions precedent under the Agreement except for the condition precedent in subsection 6 (c) of the Agreement relating to the environmental condition of the Property.

D. The parties wish to further amend and modify the Agreement on the Terms contained in this Amendment to reflect the foregoing.

**NOW THEREFORE**, for consideration, the receipt and sufficiency of which is hereby acknowledged by the parties, the parties agree as follows:

**1.0 DEFINITIONS**

1.1 Except as otherwise defined herein, all capitalized terms shall have the meanings ascribed to them in the Agreement and this Amendment.

**2.0 WAIVER OF CONDITIONS PRECEDENT**



55

2.1 The Purchaser hereby confirms waiver of its conditions precedent in Subsections 6 (a), (d), (e) and (f) of the April 4 Agreement.

3.0 AMENDMENT AND MODIFICATION

3.1 The April 4 Agreement is amended by:

(a) deleting section 4 in its entirety and replacing it with the following:

"4. The Purchaser acknowledges and agrees that it has examined title to the Property and has satisfied itself that the Purchaser's proposed use will be permitted and that the title is good and free from all registered privileges, hypothecs, encumbrances or other real rights which would affect the Purchaser's use thereof. In addition, the Purchaser acknowledges and agrees that if any registered encumbrance is required to give effect to the COC, as hereinafter defined, then such encumbrance shall, provided the Purchaser provides notice of its waiver or satisfaction of the Purchaser's condition contained in Subsection 6(c) of the April 4 Agreement as amended by Section 3.1(c) herein, constitute a permitted encumbrance of the Property on Closing despite Subsection 6(a) of the April 4 Agreement as amended by Section 3.1(b) herein.

(b) adding to Subsection 6(a) of the April 4 Agreement the words, "and Right of Way 6749M, Easement and Indemnity Agreement 285518M, Easement and Indemnity Agreement BJ324582, Equitable Charge BJ324583, Statutory Right of Way BJ324584, Easement and Indemnity Agreement BA514407, Statutory Right of Way BA514409, Equitable Charge BA514411" after the words, "the Crown";

(c) deleting Subsection 6(c) and inserting a new Subsection 6(c) which reads as follows:

The Purchaser and Purchaser's authorized representatives shall have access to the Property until such time as the Vendor delivers to the Purchaser a certificate of compliance (the "COC") issued by the Province of British Columbia Ministry of Environment in respect of the Property for the purpose of carrying out such environmental tests and inspections of the Property as the Purchaser deems necessary and receiving the COC and the Federal Risk Assessment and being satisfied with the terms and conditions of the COC and the Federal Risk Assessment. The Purchaser shall have ten (10) business days from the date of receipt of both the COC and the Federal Risk Assessment to provide written notice of waiver or satisfaction of the foregoing condition. If any such tests or inspections cause damage to the Property, the Property will be restored to its former condition

at the Purchaser's expense if the transaction herein is not completed and the Purchaser will indemnify and hold the Vendor harmless for any damages the Vendor may suffer as a result of such tests or inspections.

(d) Deleting Section 7 in its entirety and replacing it with the following:

The condition in subsection 6(c) above is for the sole benefit of the Purchaser and may be waived in whole or in part by the Purchaser. If waiver or notice or satisfaction of the Purchaser's condition is not given within the time provided therefor, this Agreement shall terminate and the Deposit shall be returned to the Purchaser with interest, if any, but without penalty, and thereafter the parties shall have no further obligation to one another except for the Purchaser's obligation to indemnify the Vendor contained in Subsection 6(c) hereof and the obligations of confidentiality contained in the first and second extension agreements dated June 17, 2011 and July 14, 2011. If the COC is not delivered by the Vendor to the Purchaser on or before February 29, 2012, then at either party's election, made by notice in writing to the other, the Agreement shall terminate.

(e) deleting Subsection 9(p) in its entirety and replacing it with the following:

"(p) Intentionally Deleted";

(f) modifying Section 10 by deleting the words "clause 6" in the second line thereof and replacing it with "Subsection 6(c)"; and

(g) deleting the last handwritten sentence of Section 17 which starts with the words, "Ella Fashions...", in its entirety and replacing it with, "The Tenant shall have the right to terminate the aforementioned lease any time after Closing, effective on the 60th day after delivery of written notice to the Purchaser, as landlord, of the Tenant's intention to terminate and in any event the aforementioned lease shall terminate on April 30, 2013. Upon termination of the aforementioned lease the Tenant shall deliver vacant possession of the Property to the Purchaser."

4.0 MISCELLANEOUS

4.1 Except as modified by this Amendment, there are no other amendments to the Agreement and the parties ratify and confirm the Agreement as amended hereby.

4.2 Time is and remains of the essence of the Agreement.


4.3 This Amendment shall enure to the benefit of and be binding upon the parties hereto, their successors and permitted assigns.

57

4.4 This Amendment may be executed in any number of counterparts and delivered by electronic means.



0710345 B.C. LTD.

By:   
Authorized Signatory