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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*, R.S.B.C 2002 c. 57

AND

IN THE MATTER OF BACKBAY RETAILING CORPORATION, and GRAY'S APPAREL COMPANY LTD.

FOURTH REPORT OF DELOITTE & TOUCHE INC., MONITOR

MAY 29, 2008

Deloitte.

Mariposa Stores Limited Partnership

Fourth report of Deloitte & Touche Inc., Monitor

May 29, 2008

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1. Introduction

1.1 Initiation of CCAA proceedings

On February 1, 2008, Backbay Retailing Corporation and Gray's Apparel Company Ltd., both corporate entities that together own Mariposa Stores Limited Partnership ("Mariposa" or the "Company") (collectively, the "Petitioners") filed for and obtained protection from its creditors under the *Companies' Creditors Arrangement Act* R.S.C. 1985, c. C-36, as amended ("CCAA") (the "Initial Order"). Pursuant to the Initial Order, Deloitte & Touche Inc. was appointed as Monitor of the Petitioners (the "Monitor") during this CCAA proceeding.

On February 11, 2008 counsel for the Petitioners made an application to Court to vary the Initial Order.

As directed under paragraph 50 of the Amended Order, the Monitor has made the Amended Order, and other information, available on its website at www.deloitte.com/ca/mariposa.

1.2 February 29, 2008 Court Order ("Extension Order")

On February 29, 2008, the Petitioners obtained an order from this Honourable Court extending the stay of proceedings for a further ninety-two days, to May 31, 2008.

1.3 Terms of the Extension Order

The Extension Order which was granted to the Petitioners directed:

- the Petitioners engage a professional services firm on or before March 14, 2008 to conduct a process for the sale of all or part of the Petitioners' business as a going concern, unless, prior to such date, the Monitor agrees in writing that such engagement is not necessary;

- that on or before March 14, 2008, the Petitioners, with the assistance of the Monitor, complete a financial analysis of the Canadian Mariposa stores to determine which stores should be closed and the timing thereof (subject to paragraph 11(b)(i) of the Initial Order, as amended hereby); and

- that:

  (a) by March 7, 2008, the Monitor provide the Petitioners with a written list of the financial information required by the Monitor for financial and operational reporting during the currency of these proceedings, and the timing for the one-time or ongoing delivery of such financial information;

  (b) the Petitioners respond to the Monitor within seven (7) days of receipt thereof, setting out any information requested that cannot be provided either generally or within the time(s) suggested by the Monitor; and

  (c) in the event that the Petitioners and the Monitor cannot agree on the scope or timing of information to be provided, each shall be at liberty to apply to this Court for a declaration as to the information required to be provided and the time within which such information is to be provided.

As reported in the Monitor's Third Report to Court ("Third Report") the Company engaged Richter Consulting Inc. ("Richter") to assist them in marketing and selling the business as a going concern. Also as part of the sale mandate, Richter has been working with the Company to obtain offers from liquidators to address the excess inventory on hand.

The Company with the assistance of its advisor, Richter, determined that it needed to maintain all of its locations to allow it to have sufficient outlets to liquidate its inventory. The Company, with the Court's consent, has engaged Maynard's Industries Ltd. ("Maynard's") to liquidate inventory at 20 of its locations. In our Third Report we indicated that it was critical for the Company to commence the sale of its excess inventory and reduce its operating costs by closing locations as the inventory levels are reduced, in order that the Company generate much needed cash flow, allow for repayment of debt and to create a return to its stakeholders.

As directed at paragraph 7 of the Extension Order, on March 6, 2008 the Monitor provided the Petitioners with a written list of the financial information required by the Monitor for financial and operational reporting ("Information Request"). The Company has not met all of the time frames which we expected and was agreed to by the Company. The Monitor has made repeated requests for information. While certain information is regularly produced and provided, other information is regularly delayed. As Monitor we continue to communicate with the Company with respect to receiving the requested information on a timely basis. The Company has informed the Monitor that they have been short of resources and accordingly delayed in providing all of the information outlined in the Information Request as their efforts have been largely focused on the sale of the Company assets. Specifically, the Monitor has not been receiving the following information on a regular basis:

- weekly cash flow details;
- cheque registers;
- daily sales report by store, showing 2008 results with comparatives for 2007;
- copies of cheques and supporting documentation for payment of GST, PST, US State sale taxes and tax assessment notices of each; and
- payroll registers.

1.4 Role of the Monitor

The Monitor's powers and duties include the following:

- monitor the Petitioners' receipts and disbursements;
- report to this Court and the creditors at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, the Restructuring and such other matters as may be relevant to the proceedings herein;
- advise the Petitioners as to the preparation of the Petitioners' cash flow statements and reporting such financial and other information as required by the Debtor In Possession ("DIP") Lender;
- advise the Petitioners as to the development of any Plan authorized to be presented to the creditors, and any amendments to the Plan;
- have full and complete access to the Property, books, records and management, employees and advisors of the Petitioners, to the extent required to perform its duties arising under this Order;
- be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;
- perform such other duties as are required by this Order or by this Court from time to time;
- take all reasonable steps to ensure that the Petitioners make payment of all required amounts from their bank accounts or otherwise in the manner directed in this Order; and
- provide assistance to the Petitioners with respect to the Restructuring and the downsizing.

2. Purpose, qualifications and restrictions of this report

This report is the Monitor's Fourth report (the "Fourth Report") to the Supreme Court of British Columbia ("Court") and is intended to provide updated information pertaining to the activities of the Company since the Monitor's First Report ("First Report") dated February 28, 2008 and its subsequent reports.

The purpose of this Fourth Report is to provide this Honourable Court with information in respect of the following:

1. legal proceedings subsequent to the Initial Order;
2. the status of the Company's operations and key stakeholder relationships in the period subsequent to its filing under the CCAA;
3. the Company's financial position as at April 30, 2008;
4. the Company's post-filing cash flow and liquidity; and
5. the activities of the Company and its advisors since February 28, 2008 in relation to restructuring the operations of the Companies and formulating a Plan of Arrangement or Compromise (the "Plan").

The information contained in this Fourth Report has been obtained from the records of the Company and is based on discussions with, and representations made by management of the Company, its counsel, and other professional advisors retained by the Company.

The financial information of the Company has not been audited, reviewed or otherwise verified by the Monitor as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally accepted accounting principles and the reader is cautioned that this report may not disclose all significant matters about the Company. Additionally, none of our procedures were intended to disclose defalcations or other irregularities. Were we to perform additional procedures or to undertake an audit examination of the financial statements in accordance with generally accepted auditing standards, additional matters may have come to our attention. Accordingly, the Monitor does not express an opinion or provide any other form of assurance on the financial or other information presented herein. The Monitor may refine or alter its observations as further information is obtained or brought to its attention after the date of this report.

The financial projections attached to this report, were prepared by management (except where noted). Although we have reviewed the assumptions underlying the projections for reasonableness, financial projections, by their nature, are dependent upon future events, which are not susceptible to verification. Actual results will vary from the information presented and the variations may be material. We have not prepared a compilation as contemplated by Section 4250 of the Canadian Institute of Chartered Accountants Handbook.

The Monitor assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction or use of this report. Any use which any party makes of this report, or any reliance or decisions to be made based on this report, is the sole responsibility of such party.

All dollar amounts identified in this report are expressed in Canadian dollars, unless otherwise specified.

3. Background

The Company operates a retail women's clothing chain which primarily targets women aged 18-34 years, operating from 65 retail locations across the country. The stores are located in retail mall complexes which are situated in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, and Ontario.

The Petitioners are the two general partners of the Company and the sole limited partner of the Company is Bronte Enterprises Ltd. ("Bronte"). Backbay Retailing Corporation is wholly-owned by Mr. John McNamara and Gray's Apparel Corporation Ltd., and Bronte are indirectly wholly-owned by Mr. H.U. Cloppenburg of Germany.

The owners of the Company also indirectly own Charles F. Berg Inc. ("Berg") which is a United States retail clothing store which sells the same or similar products as the Company. Berg has filed for protection in the United States under Chapter 11 of the *US Bankruptcy Code* on February 8, 2008. Berg operates 35 stores in the states of Alaska, Idaho, Montana, Oregon, Utah and Washington.

3.1 Historical operation results

The table below provides a summary of the historical operating results for the Company since their fiscal year end, January 31, 2004. The First Report provided results for the 11 months ended December 31, 2007. Since the First Report the results for the 12 months ended January 31, 2008 have been finalized by the Company and are included in the table below.

(000s)	**Jan 31 2004**	**Jan 31 2005**	**Jan 31 2006**	**Jan 31 2007**	**Jan 31 2008**
Income Statement					
Revenue	$ 30,378	$ 29,335	$ 30,619	$ 27,121	$ 25,751
Gross profit	17,378	18,179	19,037	16,083	15,242
Net Income (Loss)	(2,223)	(1,933)	(504)	(1,118)	(1,866)
Gross profit margin	57%	62%	62%	59%	59%
Balance Sheet					
Inventory	$ 9,374	$ 8,558	$ 8,563	$ 7,537	$ 7,271
Capital Assets	4,538	3,846	3,351	2,903	2,334
Current Liabilities	5,455	5,889	5,166	6,715	8,968

4. Legal proceedings subsequent to Initial Order

On February 11, 2008 the Petitioners made an application to this Honourable Court seeking to vary the Initial Order. The Initial Order was varied to permit the Petitioners to pay pre-filing obligations of amounts less than $1,000 and no more than $10,000 in the aggregate, with the consent of the Monitor. Pursuant to the amendment made to the Initial Order the Company has made payments to 23 creditors totaling $13,211.

On February 29, 2008, this Honourable Court granted the Petitioners an extension of the stay of proceedings for a further ninety-two days, to May 31, 2008.

On March 7, 2008 the Monitor filed is Second Report to Court notifying the Court that there had been a material adverse change to the cash flow position of the Company which had been filed by the Company at the time of the Extension Order.

On May 13, 2008 the Company made an application to this Honourble Court to obtain the Court's consent of the Company's retention of Maynard's to liquidate the Company's excess inventory. This Court granted the order sought by the Company.

We are not aware of any other legal proceedings being commenced against the Petitioners.

5. Stakeholder update

5.1 Overview

Since the First Report, the Company has continued to operate all of its store locations, with the exception of the three locations that the Company closed at the end of February, as reported in the First Report. The Company has reduced its costs but continues to operate on a negative cash flow basis from operations. The Company has been able to maintain a net positive cash position through funding from the DIP lender.

As indicated in the Third Report the Company engaged Richter to assist them in the marketing and selling of their business. Also as part of the sale mandate, Richter worked with the Company to obtain offers from liquidators to address the sale of excess inventory on hand. As authorized by the Court on May 13, 2008 the Company entered into an agreement with Maynard's to liquidate the Company's inventory in certain Mariposa store locations in Canada and Mariposa's warehouse in Vancouver.

As part of this application, the Company is seeking the consent of this Court to accept an offer from 656750 Ontario Limited ("656") to purchase 23 of Mariposa's leased locations and various other assets. The Company engaged Richter on March 4, 2008 to commence the marketing of its assets for sale, and by the beginning of April teaser notices had been distributed which directed that interested parties were to submit offers by April 15, 2008. We have been advised that three offers were received and that the Company commenced the negotiation of sale terms with 656 as it was believed that the offer was a good offer which would result in the greatest return for the creditors. Details of the sale process and agreement with 656 are provided later in this report.

The Company's primary focus since early April has been to reach an agreement with 656, subject to Court approval, to sell the various interests the Company has in its property leases. As a result, given the resource constraints, the day to day operations, in both Canada and the US, have not received the attention required. Management will now need to focus their attention to the sale of Berg's assets and Berg's interest in property leases and obtain the US Court's approval, through the Chapter 11 proceedings. Mariposa is the largest creditor of Berg and any recoveries in that proceeding should directly benefit the creditors of the Petitioners; however there has been an indication from the US Trustee that Mariposa's claim could be subordinated behind all other creditors' claims as a result of the close relationship of the parties.

As reported in the First Report the Company has experienced difficulties with merchandise suppliers who are not willing to continue to supply goods without pre-payment for merchandise or letters of credit. The Company has also experienced some difficulty with its landlords.

Management has informed the Monitor that the Company's relationship with other stakeholders, including customers and employees, has continued in a satisfactory manner and that the Company continues to experience general support from these parties.

Management continues to experience difficulties in addressing the various priorities which they are facing. The CCAA proceedings and working with Richter to sell the business as a going concern has been difficult and challenging for Management to work and cooperate with. As a consequence, Management has not been able to focus its attention on operations, which has resulted, at least in part, on lower sales being achieved both in Canada and the US.

5.2 Relationships with key stakeholders

As previously indicated, the Company is encountering difficulties with some of its key stakeholders. Details regarding these relationships are set out below.

Customers

As indicated in the First Report, due to the nature of the Company's business being retail, its customers are the general public and many of its customers are likely unaware that the Company has filed for CCAA protection. The Company has had lower than projected sales which is a result, in part, of there being less new merchandise in the stores, given the Company's cash flow constraints, and the Company needing to sell the inventory which it has been carrying for an extended period of time.

Suppliers

The Company has had difficulty in obtaining goods and ongoing credit from certain of its suppliers. Given they are now in the process of liquidating their inventory and are seeking the Courts consent to the sale of property leases, the Company should not be purchasing any further inventory.

As indicated in the First Report, to permit the Company to obtain goods from certain critical suppliers, the Company paid funds to the Monitor, in trust, to ensure continued supply. Upon the Monitor receiving proof of payment to the suppliers the funds are then released.

Employees

Management has advised that they have not had any significant challenges with their employees or loss of employees as a result of the CCAA filing.

The Company continues to utilize a payroll service company for its bi-weekly payroll. One of the requirements of the payroll service company is that the employer is required to make full payment of all statutory withholdings at the same time as the employee funds are remitted. Accordingly all statutory withholdings remain current.

Landlords

The Company has received correspondence from some of its landlords requiring that adjustment amounts for last years common area maintenance charges be paid in the normal course or the landlords will take action to address the matter under the terms of its lease. The Monitor has contacted the landlords and notified them that the Orders of this Court do not permit action to be taken for pre-filing obligations and no further action has been taken by the landlords.

The Company has a month to month lease at its head office and warehouse location in Vancouver. The landlord of this location issued a demand for the Company to vacate the premise. The Company and the landlord subsequently reached an agreement that the lease would be terminated and the premises vacated by August 31, 2008, and that a consent order to that effect would be included in the Procedural Order to be sought on May 30, 2008.

As previously indicated the Company has reached an agreement with 656 to assign certain leases. The Company has engaged a consultant to communicate with the landlords with the lease assignment process and the leases not included in the sale to 656. The Company and Richter are currently assessing what is the best course of action to maximize value to its stakeholders with respect to the leases not included in the sale to 656.

Management

As previously indicated, management continues to experience difficulties in addressing the various priorities which they are facing. Management has not been able to consistently provide the Monitor with timely information and they have not been focused on operational issues as a result of their need to focus on the sale of the property leases. These challenges have in part resulted in decreased in sales for the months of March, April and the first part of May. The Company's retention of Maynard's to liquidate its inventory at 20 of its stores should reduce management's involvement in the sale of the inventory.

Management will now need to focus their attention to the sale of Berg's assets to maximize the realization on those assets, for which Mariposa is the largest creditor.

Debtor in Possession lender

Since the First Report further funds were advanced to the Company for ongoing operations, primarily for landlord payments and professional fees. As of the date of this report, Mariposa and Berg have drawn approximately $2.2 million of the available DIP funds. Given the commencement of the inventory liquidation process and the proposed sale to 656, the Company has indicated that no further DIP funds will be required by Mariposa, and it should be able to repay the DIP funds advanced upon the closing of the 656 transaction; however management expects Berg will require further DIP funds to be advanced.

6. Financial position

The Monitor has been provided with draft financial statements as at April 30, 2008. The following comments on the Company's financial position is based on this information.

6.1 DIP financing

Attached as Appendix A is a copy of the Monitors' Statement of Receipts and Disbursements as at May 25, 2008, which details the funds which have been received and drawn from the DIP financing. As indicated previously, the Company has drawn approximately $2.2 million of the available DIP funds. Given the commencement of the inventory liquidation process and the sale to 656, no further DIP funds should be required by Mariposa. Should the Court approve the sale to 656 the sale proceeds will be used to repay the DIP loan.

6.2 Priority claims

The Company utilizes a payroll service company and accordingly all statutory withholdings are current. The Company is current on its remittances for Provincial Sales Tax and Goods and Services Tax.

6.3 Unsecured creditors

Management has informed the Monitor that all post-filing obligations continue to be paid in the normal course. The Monitor continues to receive daily reports from the Company of payments which are being made to trade creditors. The Company is issuing payment to merchandise suppliers upon the Receipt of the Goods terms and the Company's confirmation of quantity and quality. As at April 30, 2008 the Company's accounts payable are as follows:

	February 15	April 30
Mr. John McNamara	$4,758,000	$4,854,641
Ms. Kal Bains	290,000	307,170
Unsecured Creditors	3,131.704	3,460,691
Accruals	653,000	752,072
Total	$8,832,704	$9,374,574

The Company's unsecured liabilities have increased as a result of the Company receiving invoices after the date of filing, for pre-filing obligations and post-filing obligations. The Monitor is not aware of any post filing obligations that the Company is not paying within normal payment terms.

The Company's accruals have increased as a result of a change of accounting treatment by the Company. The Company has recorded an insurance liability of approximately $121,000 for future insurance payments, which are due on a monthly basis. At the same time, the Company has recorded a prepaid asset for the same amount, thus creating a net nil effect on the Company's balance sheet.

The Company's liabilities to Mr. John McNamara and Ms. Kal Bains have increased as a result of post-filing interest charges.

6.4 Capital assets

The Company has entered an agreement, subject to Court approval, with 656 for the sale of 23 property leases with a possibility of an additional 21 leases being included in the agreement and the assignment of the trade name Mariposa, for use in Canada. Details on this sale are provided later in this report.

In April, the Company arranged for the sale of redundant clothing racks for approximately $27,000. The Company did not seek an order of this Honourable Court for this sale, on the basis that it did not exceed a value of $50,000 in any one transaction or $500,000 in the aggregate, pursuant to paragraph 11(b)(i) of the Extension Order.

6.5 Accounts receivable

The Company has limited accounts receivable, approximately $243,000 at April 30, 2008. As reported in the First Report the accounts receivable balance was $295,000 at December 31, 2007. The majority of the receivables are for tenant allowances.

6.6 Due from related parties

The Company is owed approximately $6.3 million from Berg at April 30, 2008. At the time the Initial Order was granted, February 2, 2008, the Company was owed approximately $6.1 million from Berg. The increase in the intercompany receivable from Berg is for three months of management service fees of approximately $60,000 per month charged by Mariposa to Berg and approximately $30,000 which are expenses that were paid by Mariposa on behalf of Berg. Given the restructuring proceedings in process for both Mariposa and Berg, the Monitor has advised management that the Company is unable to pay any expenses for Berg and that the Company must be reimbursed for expenses which have been paid on behalf of Berg. With Berg being under Chapter 11 protection in the US, it is unknown whether the Company will have any realization from this intercompany receivable.

6.7 Inventory

At April 30, 2008 the Company has reported its inventory to be approximately $6.3 million. The Maynard's agreement will see approximately $3.0 million, at cost, of that inventory being liquidated. As reported in the Third Report, the Company anticipates the net recovery from the sale of this inventory by Maynard's to be approximately $1.5 million to $2.1 million after marketing, selling costs, commissions and applicable operating costs.

Also, as reported in the Third Report, the agreement with Maynard's also allows Mariposa to retain the services of Maynard's to manage the liquidation of up to an additional 20 Mariposa locations during the months of June to August 2008. Mariposa, with the consent of the Monitor, will determine which, if any, additional locations will be liquidated upon the closing of the sale to 656.

7. Cash flow and liquidity

The Company's cash receipts and disbursements for the periods March 1, 2008 to March 31, 2008 and April 1, 2008 to April 30, 2008 are summarized and presented below with a comparison to the cash flow forecast filed with the Court in connection with the CCAA proceedings. The Company's complete cash flow, as prepared by the Company, is attached as Appendix B.

(000's)	Actual March	Revised Projected March	Variance March	Actual April	Revised Projected April	Variance April
Opening Cash balance	$ 195	$ 195	$ -	$ 719	$ 719	$ -
Total Receipts	$ 1,652	$ 2,382	$ (730)	$ 1,948	$ 2,322	$ (374)
Total Disbursements	1,951	3,081	(1,130)	2,047	2,819	(772)
Net Change in Cash	$ (299)	$ (699)	$ 400	$ (99)	$ (497)	$ 398
Closing Cash Balance From Operations	**$ (104)**	**$ (504)**	**$ 400**	**$ 620**	**$ 222**	**$ 398**
DIP Financing Drawn	823	550	273	(100)	350	(450)
Adjustment of projections	-	673	(673)	-	(52)	52
Closing Cash Balance	**$ 719**	**$ 719**	**$ -**	**$ 520**	**$ 520**	**$ -**

7.1 Variances between actual and forecast results

The material variances between actual and forecast receipts and disbursements balances are discussed below.

Sales

The Company has recorded lower sales in Canada than had been projected. For the month of March, 2008, the Company had sales of approximately $1.7 million which is approximately $700,000 less than the projected $2.4 million in sales. For the month ended April, 2008 the Company had sales of approximately $1.9 million which is approximately $400,000 less than the projected $2.3 million in sales. Management has indicated that the primary reasons for the lower sales are:

- management being focused on the sale of the business / property leases;
- more older inventory in stores as the Company's cash flow did not allow for as much new inventory to be purchased; and
- poor weather conditions, including late snow storms, which resulted in malls being closed.

Cost of goods sold

Based on the fiscal year ending January 31, 2008 results, the Company's cost of goods sold during fiscal 2008 was approximately 41% of sales. At March 31, 2008, the Company has reported that its cost of goods sold was approximately 60% of sales and at April 30, 2008 costs of goods sold was approximately 54%. As indicated in the First Report, Management marked down prices to generate greater sales, which has resulted in higher cost of goods sold.

Merchandise Purchases

For the month of March, 2008, inventory purchases were approximately $506,000 which is less than the $980,000 that was projected. For the month of April 2008, inventory purchases were approximately $502,000 which is less than the $870,000 that was projected. To preserve cash and in anticipation of the sale of the Company's leases, Management has been reducing its purchase of inventory.

Expenses

The actual inventory purchases and operating costs have been lower than projected due to the Company preserving cash, the anticipation of the sale to 656, and the commencement of the inventory liquidation which is being conducted by Maynard's. Inventory purchases were also lower due to purchase constraints placed by suppliers which also resulted in lower related operating expenses like freight and bank transaction fees. Payroll costs were lower as a result of a reduction of approximately six individuals at the head office location, as well, the Company has not incurred marketing costs as a result of retaining Maynard's and Richter's to assist in the sale of the business. Other expenses, such as utility, telephone and miscellaneous/other costs, are lower than originally projected. As previously reported, the Monitor is not aware of any post filing obligations that the Company is not paying within the payment terms.

8. Winding-up process

As part of its role as Monitor, Deloitte & Touche Inc. has met with management of the Company to discuss and implement restructuring initiatives. Some of the specific actions of the Monitor since the First Report include but are not limited to:

- providing direction and assistance to the Company in addressing their suppliers;
- responding to queries from creditors, suppliers and landlords;
- verifying payments made to suppliers for which the Monitor was holding funds in trust;
- reviewing the Company's ongoing cash flow and their requests for use of the DIP funds;
- discussions and meetings with the Company on the engaging of a professional advisor for the sale of the business;
- discussions with the Company's legal counsel;
- discussions and meetings with the Company and their advisors on the sale process for the business;
- discussions and reporting to the DIP lender;
- reviewing correspondence, offers and agreements with respect to offers from liquidators to sell the Company's excess inventory;
- reviewing correspondence and agreements with respect to the sale of property leases and assets to 656;
- reporting to Court on the agreement reached by the Company and Maynard's on the sale of the Company's excess inventory; and
- Preparing the company's plan of arrangement and compromise to its creditors and documentation associated with same;

Sale of Inventory

As reported in the Third Report, in order to create positive cash flow and generate a return to its creditors the Company is proceeding with an immediate liquidation of its inventory. Maynard's has been engaged to conduct an orderly liquidation of 20 of the Company's locations as well as to liquidate the Company's Vancouver warehouse by the end of August 2008. The agreement also allows Mariposa to retain the services of Maynard's to manage the liquidation of up to an additional 20 Mariposa locations during the months of June to August 2008. Mariposa will determine which, if any, additional locations will be liquidated upon the closing of the sale to 656.

Sale of Business

As previously indicated the Company engaged Richter, on March 4, 2008, to determine if there was a party interested in investing in the Company or acquiring all or part of the assets of Mariposa or Berg. Richter has reported to the Monitor that they prepared and sent a total of 74 teaser notices to parties in Canada and the US. As a result of the teasers, 14 parties are reported to have executed non disclosure agreements and those parties were granted access to an online data room to complete their due diligence. The process which had been established by Richter was that all offers needed to be sent in a sealed envelope and be received by Richter's by April 15, 2008 ("Offer Deadline").

We are advised that in early April, Richter was contacted by Jaytex, Inc., a large Toronto-based wholesaler, who was interested in jointly acquiring with YM Inc. (Sales), a significant Canadian retailer operating in excess of 600 stores under various banners, (jointly "656") Mariposa's Canadian stores and intellectual property. Richter has advised that on April 4th an outline of their proposed offer, indicating a purchase price of $5 million, was received by Richter with an indication that a deal needed to be reached by April 14th, the day prior to the Offer Deadline.

The Company had previously engaged MPA Inc., an independent lease consultant, to obtain an estimate of value of their Canadian leases. While the proposed offer from 656 was not just for leases, the value assigned to the leases was greater than the estimate which had been obtained from MPA Inc.

Upon receipt of 656's outline, the Company and Richter started working with 656 to prepare an asset purchase agreement. We are advised that to the extent that both parties were working on a best efforts basis to complete the agreement, the Company had indicated they would not consider any other offers received by the Offer Deadline. Richter's teaser and the sale process documents in the data room reflected the fact that the sale process could be ceased at any time.

The Company and 656 were not able to reach an agreement on the sale terms by April 14, 2008. The parties continued to address various matters with respect to the agreement for an extended period of time, and ultimately an agreement was reached on May 2, 2008.

Richter had received two other offers by the Offer Deadline. We are advised by Richter's that the offers were not opened until after the completion of the agreement with 656 and that the offers compared favourably as the agreement reached with 656.

656 Offer

The Company reached an agreement, subject to Court approval, with 656 to sell the following assets for $5 million, subject to adjustments:

- assign Mariposa's interest in 23 of its leased locations ("Purchased Locations");
- should the Company be able to obtain amended lease terms at a further 21 of its locations, 656 has the option of obtaining Mariposa's interest in those leases ("Option Locations");
- 656 will assume the employment of the employees and managers at the 23 Purchased Locations and at any Option Locations purchased;
- fixtures and point of sale equipment, at all of Mariposa's leased locations;
- supplies; and
- Canadian Trade-Marks for:
  - Mariposa Rack;
  - Mariposa Design; and
  - Mariposa.

Adjustments with respect to the assignment of certain property leases, holdbacks for the transfer of fixtures at the end of 91 days and a reduction for the value of any outstanding gift cards, will be required on closing.

Further, the Company will consign inventory of at least $1.5 million, to 656 for a period of 91 days; proceeds from sales will be split 50% to the Company and 50% to 656. During the consignment period, 656 will be responsible for all operating costs and the inventory will be regularly marked down to achieve sales targets. The parties will determine, prior to the end of the 91 days, whether any unsold inventory is to be returned to the Company or whether the Company will sell the remaining inventory to 656.

9. Plan of Compromise or Arrangement

The Petitioners have filed a motion to permit them to file a Consolidated Plan. The Petitioners believe that this will be most appropriate for all stakeholders as:

- the business of the Petitioners was operated on a consolidated basis and carried on as a single entity;
- all activity of the Petitioners were operated as Mariposa; and
- the cost of preparing separate Plans would be complex and would involve considerable increased costs, to the prejudice of the stakeholders of the Petitioners.

As Monitor we agree with the Petitioners assessment that the benefit of filing a consolidated plan will outweigh any potential prejudice.

The Petitioners' Plan considers an orderly wind-up of the Company and distribution of the proceeds to the creditors. Through an orderly wind-up of the Company's assets, the Petitioners and the Company expect to achieve a greater recovery to their stakeholders than would result from the bankruptcy of the Company. The agreements which have been reached with 656 and Maynard's require the Company to continue to provide inventory and office services to August 2008.

The Petitioners' Plan contemplates one class of creditors all of whom are unsecured. Each unsecured creditor will receive a pro-rata distribution from all funds received and/or held by the Petitioners to the maximum amount of their proven claim. Distribution would occur to the unsecured creditors once all assets have been realized upon.

10. Recommendation

Since the granting by this Honourable Court of the Extension Order, the Petitioners have engaged the services of a professional advisor to assist with the sale of the Company's assets and they have entered into an agreement for the liquidation of their excess inventory. The actions which the Company has taken are for the purpose of completing an orderly windup of the Company's operations in order to maximize the value for the Company's stakeholders.

The Petitioners main assets are its inventory and its property leases. In order to maximize the value of these assets for the creditors it is essential that the Company complete a wind-up of its operations as quickly and efficiently as possible. The Company has already engaged Maynard's to sell its excess inventory and we recommend that this Honourable Court approve the sale of the leases, equipment and goodwill to 656. The Company engaged a professional advisor, Richter's, to assist them with the sale process which has resulted in an agreement being reached. Based on the advice of Richter's, it is our view that it is in the best interest of all stakeholders to have this sale approved.

Through these two sale processes occurring, the Company will be able to repay its DIP lender and provide a partial payment to the Company's unsecured creditors. The Company's Plan of Arrangement or Compromise will see the Company wind-up its operations with all remaining proceeds being paid to the creditors.

The Petitioners have continued to operate while fulfilling the restructuring that was contemplated in the Petition. The Monitor believes the Petitioners' Plan is in the best interest of all of the Petitioners' stakeholders and recommends this Honourable Court grant the order which the Petitioners are seeking to present its Plan to its creditors and to hold a meeting of its creditors to vote on its Plan.

All of which is respectfully submitted this 29th day of May, 2008.

Deloitte & Touche Inc.
In its capacity as court-appointed Monitor of
Mariposa Stores Limited Partnership
and not in its personal capacity.

Jervis Rodrigues, CA·CIRP

Appendix A –
Monitor's statement of receipts and disbursements, as at May 25, 2008

Mariposa Stores Limited Partnership
Statement of Receipts and Disbursements
As of May 25, 2008
(Canadian Funds)

Receipts			
Debtor In Possession Financing (DIP)		$ 2,499,990.00	
Interest earned		7,610.89	
			$ 2,507,600.89
Disbursements			
Debtor in Possession Loan - Advances			
Charles F. Berg, Inc	$ 364,254.00		
Mariposa Stores Limited Partnership	1,355,253.96		
		$ 1,719,507.96	
Retainer			
Monitor - Deloitte & Touche Inc	$ 50,000.00		
Monitor's Legal Counsel - Fasken Martineau DuMoulin	20,000.00		
Petitioner's Legal Counsel - Borden Ladner Gervais	50,000.00		
		120,000.00	
Legal Fees for Charles F.Berg, Inc. - Miller Nash LLP		35,295.50	
Legal Fees for Mariposa - Borden Ladner Gervais		75,944.62	
Legal Fees for Monitor - Fasken Martineau DuMoulin		17,255.71	
Monitors Fees for Mariposa - Deloitte & Touche Inc.		139,019.52	
GST Paid		10,492.47	
Bank Charges		427.94	
			2,117,943.72
Cash on Hand			$ 389,657.17
Funds Held to Secure Inventory			(91,746.04)
Available Funds			$ 297,911.13

Appendix B –
Cash flow statement, as at May 25, 2008

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MARIPOSA STORES LIMITED PARTNERSHIP ("MARIPOSA")

Schedule of Actual vs. Forecast Cash Flow
For the Period ended May 25, 2008

	Actual February	Revised Projected February	Variance	Actual March	Revised Projected March	Variance March	Actual April	Revised Projected April	Variance April	Actual May 1 - 25	Forecast May 26 - 30	Projected Actual May	Revised Projected May	Variance May
Opening Cash Balance	$ 195	$ 195	$ -	$ 195	$ 195	$ -	$ 719	$ 719	$ -	$ 520	$ 453	$ 520	$ 520	$ -
Receipts														
Sales Receipts	1,321	1,271	50	1,651	2,382	(731)	1,918	2,322	(404)	1,366	415	1,781	2,650	(869)
Other Receipts *(Note 1)*	40	-	40	1	-	1	30	-	30	5		5	-	5
Total Receipts	$ 1,361	$ 1,271	$ 90	$ 1,652	$ 2,382	$ (730)	$ 1,948	$ 2,322	$ (374)	$ 1,371	$ 415	$ 1,786	$ 2,650	$ (864)
Disbursements														
Landlords	$ 795	$ 768	$ 27	$ 788	$ 768	$ 20	$ 779	$ 768	$ 11	$ 802	$ -	$ 802	$ 740	$ 62
Post Filing Goods and Services	198	470	(272)	338	740	(402)	395	720	(325)	62	-	62	150	(88)
Post Filing Goods and Services	104	150	(46)	168	240	(72)	107	150	(43)	57	-	57	50	7
Payroll	521	535	(14)	482	515	(33)	467	510	(43)	470	-	470	490	(20)
Benefits	5	10	(5)	8	20	(12)	10	15	(5)	4	-	4	15	(11)
Interest	-	26	(26)	-	28	(28)	-	31	(31)	-	-	-	31	(31)
Freight	-	15	(15)	22	95	(73)	55	40	15	32	3	35	40	(5)
Insurance	12	10	2	14	10	4	12	10	2	12	-	12	10	2
Utility	-	35	(35)	27	70	(43)	43	45	(2)	32	10	42	45	(3)
Telephone	-	10	(10)	5	30	(25)	10	25	(15)	5	1	6	25	(19)
Computer	-	5	(5)	3	5	(2)	4	5	(1)	-	-	-	5	(5)
Bank Charges	25	25	-	15	55	(40)	20	35	(15)	20	-	20	35	(15)
Miscellaneous / Other	77	85	(8)	33	108	(75)	29	117	(88)	33	11	44	117	(73)
Sales taxes and GST	81	70	11	75	77	(2)	79	78	1	75	5	80	78	2
Marketing	-	90	(90)	-	200	(200)	-	150	(150)	-	-	-	150	(150)
Professional Fees	230	160	70	173	120	53	37	120	(83)	34	-	34	120	(86)
Monitor in Trust	200	-	200	(200)	-	(200)	-	-	-	-	-	-	-	-
Total Disbursements	$ 2,248	$ 2,464	$ (216)	$ 1,951	$ 3,081	$ (1,130)	$ 2,047	$ 2,819	$ (772)	$ 1,638	$ 30	$ 1,668	$ 2,101	$ (433)
Net Change in Cash	(887)	(1,193)	306	(299)	(699)	400	(99)	(497)	398	(267)	385	118	549	(431)
Closing Cash Balance From Operations	$ (692)	$ (998)	$ 306	$ (104)	$ (504)	$ 400	$ 620	$ 222	$ 398	$ 253	$ 838	$ 638	$ 1,069	$ (431)
DIP Financing Drawn	887	1,050	(163)	823	550	273	(100)	350	(450)	200	-	200	-	200
Adjustment of projections	-	143	(143)	-	673	(673)		(52)	52			-	(234)	234
Closing Cash Balance	**$ 195**	**$ 195**	**$ -**	**$ 719**	**$ 719**	**$ -**	**$ 520**	**$ 520**	**$ -**	**$ 453**	**$ 838**	**$ 838**	**$ 835**	**$ 3**
Opening DIP Financing	**$ 2,480**	**$ 2,480**	**$ -**	**$ 1,367**	**$ 1,367**	**$ -**	**$ 297**	**$ 297**	**$ -**	**$ 297**	**$ 297**	**$ 297**	**$ 297**	-
DIP Financing Drawn														
Adjustment of projections		417	(417)		(320)	320	-	(176)	176					
Mariposa	(887)	(1,050)	163	(823)	(550)	(273)	100	(350)	450	(200)	-	(200)	-	(200)
Charles F. Berg	(229)	(480)	251	(250)	(200)	(50)	(100)	526	(626)	200	-	200	-	200
Interest Earned	4	-	4	3	-	3	-	-	-	-	-	-	-	-
Bank Charges	(1)	-	(1)	-	-	-	-	-	-	-	-	-	-	-
Available DIP Financing	**$ 1,367**	**$ 1,367**	**$ -**	**$ 297**	**$ 297**	**$ -**	**$ 297**	**$ 297**	**$ -**	**$ 297**	**$ 297**	**$ 297**	**$ 297**	**$ -**

This information has been compiled from the information provided by management of Mariposa. Deloitte Touche Inc. has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of this statement.

MARIPOSA STORES LIMIT

Schedule of Actual vs. Forecast Cash
For the Period ended May 25, 2008

	Actual February	Actual March	Actual April	Projected Actual May	Projected June	Projected July	Projected August	Total
Opening Cash Balance	$ 195	$ 195	$ 719	$ 520	$ 838	$ 2,326	$ 3,529	$ 195
Receipts								
Sales Receipts	1,321	1,651	1,918	1,781	2,625	2,145	1,425	12,866
Other Receipts *(Note 1)*	40	1	30	5	270	-	-	346
Total Receipts	1,361	1,652	$ 1,948	$ 1,786	$ 2,895	$ 2,145	$ 1,425	$ 13,212
Disbursements								
Landlords	$ 795	$ 788	$ 779	$ 802	510	240	235	$ 4,149
Post Filing Goods and Services	198	338	395	62	-	-	-	993
Post Filing Goods and Services	104	168	107	57	-	-	-	436
Payroll	521	482	467	470	420	310	235	2,905
Benefits	5	8	10	4	5	10	5	47
Interest	-	-	-	-	-	-	-	-
Freight	-	22	55	35	15	15	15	157
Insurance	12	14	12	12	7	7	7	71
Utility	-	27	43	42	20	20	20	172
Telephone	-	5	10	6	5	5	5	36
Computer	-	3	4	-	5	5	5	22
Bank Charges	25	15	20	20	20	20	20	140
Miscellaneous / Other	77	33	29	44	10	10	10	213
Sales taxes and GST	81	75	79	80	130	105	75	625
Marketing	-	-	-	-	260	195	130	585
Professional Fees	230	173	37	34	-	-	-	474
Monitor in Trust	200	(200)	-	-	-	-	-	-
Total Disbursements	$ 2,248	$ 1,951	$ 2,047	$ 1,668	$ 1,407	$ 942	$ 762	$ 11,025
Net Change in Cash	(887)	(299)	(99)	118	1,488	1,203	663	2,187
Closing Cash Balance From Operations	$ (692)	$ (104)	$ 620	$ 638	$ 2,326	$ 3,529	$ 4,192	$ 2,382
DIP Financing Drawn	887	823	(100)	200	-	-	-	1,810
Adjustment of projections	-	-	-	-	-	-	-	-
Closing Cash Balance	**$ 195**	**$ 719**	**$ 520**	**$ 838**	**$ 2,326**	**$ 3,529**	**$ 4,192**	**$ 4,192**
Opening DIP Financing	**$ 2,480**	**$ 1,367**	**$ 297**	**$ 297**	**$ 297**	**$ 297**	**$ 297**	**$ 2,480**
DIP Financing Drawn								
Adjustment of projections								
Mariposa	(887)	(823)	100	(200)	-	-	-	(1,810)
Charles F. Berg	(229)	(250)	(100)	200	-	-	-	(379)
Interest Earned	4	3	-	-	-	-	-	7
Bank Charges	(1)	-	-	-	-	-	-	(1)
Available DIP Financing	**$ 1,367**	**$ 297**	**$ 297**	**$ 297**	**$ 297**	**$ 297**	**$ 297**	**$ 297**

This information has been compiled from the information provided by management of Mariposa. Deloitte Touche Inc. has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of this statement.

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