

No. S080752

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

AND

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

SECOND REPORT OF DELOITTE & TOUCHE INC., MONITOR

MARCH 7, 2008

Deloitte.

Mariposa Stores Limited Partnership

Second report of Deloitte & Touche Inc., Monitor

March 7, 2008

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1. Introduction

1.1 Comeback Hearing on February 29, 2008

On February 29, 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") requested this Honourable Court grant a further extension of three months protection from its creditors under the *Companies' Creditors Arrangement Act* R.S.C. 1985, c. C-36, as amended ("CCAA"). The Company's request was to allow them additional time to develop its plan and seek a purchaser for the business or assets and/or to locate investors who are able to inject sufficient working capital to allow the Company to properly market its inventory and to ensure sufficient goods may be purchased.

The Petitioners 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. As indicated in the Petition, Berg has filed for protection in the United States under Chapter 11 of the *US Bankruptcy Code*. The Chapter 11 filing occurred on February 8, 2008.

To support the extension Affidavit #2 of John M. McNamara, sworn on February 26, 2008 was filed in this proceeding. Mr. McNamara is a director and officer of Backbay Retailing Corporation and an officer of Gray's Apparel Company Ltd. Forming part of Mr. McNamara's affidavit was a Schedule of Actual vs. Forecast Cash Flow for the Three Week Period ended February 22, 2008. The schedule also provided the projected cash flow requirements for Mariposa to April 2008 and the Debtor In Possession Financing ("DIP") available, for both Mariposa and Berg, during this same period. Attached as Schedule A is a copy of the Schedule which was attached to Mr. McNamara's affidavit.

This Honourable Court granted the Company a three month extension on February 29, 2008.

1.2 Material Adverse Change

Subsequent to the filing of Mr. McNamara's Affidavit and the Monitor's First Report to Court, the Monitor has become aware that Cash Flow statement filed was inaccurate. Management has provided an Amended Schedule of Actual vs. Forecast Cash Flow for the Month Ended February 29, 2008 and projected cash flow requirements to May 2008, attached as Schedule B.

The material changes in the statement relate to the following:

- Opening bank balance was overstated by approximately \$5,000;
- Sales Receipts were overstated by approximately \$311,000; and
- Total disbursements were understated by approximately \$15,000.

This has resulted in the cash position being overstated by approximately \$331,000.

Further, management has advised that approximately \$105,000 which had been advanced to Berg under the DIP have been paid by Berg to Mariposa. In turn, Mariposa has paid approximately \$28,000 to Berg's Canadian suppliers on Berg's behalf. The effect of these transactions has resulted in Mariposa receiving an additional \$77,000 in DIP funding. Management has been advised that they not authorized to make payments between companies and that no further payments in this manner may occur.

Management has advised the reason the Sales Receipts were overstated, was a result of the opening cash balance being included in the Sales Receipts line in error. Accordingly, the opening cash balance was in effect double counted. They have been unable to advise what has caused the remaining variance.

1.3 Funding Requirements

While the error is significant, based on the Company's projected cash flow requirements, Schedule B, there should be sufficient DIP funds available for both Mariposa and Berg's cash requirements. By the end of May 2008, management projects that there will be sufficient funds available from sales to repay part of the DIP advances.

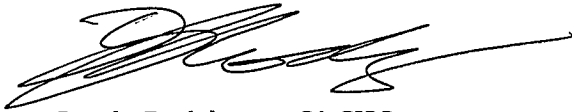
2. Extension granted, February 29, 2008

On February 29, 2008 the Company was granted a three month extension of the CCAA protection from this Honourable Court. The Monitor has a duty to report to this Honourable Court on any significant adverse material changes with respect to the Company's operations. The Company's projected cash flow indicates the Company will be able to continue its operations during the time of the extension. We do not recommend, at this time, that this Honourable Court amend its previous order. However, the Monitor has requested additional reporting information be provided by the Company in order that the Monitor is fully apprised of the Company's activities.

All of which is respectfully submitted this 7th day of March, 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
Senior Vice-President

Schedule A –
Cash Flow Statement, as at February 22, 2008

MARIPOSA STORES LIMITED PARTNERSHIP ("MARIPOSA")

Schedule of Actual vs. Forecast Cash Flow
For the Three Week Period ended February 22, 2008

	(000's)		Original Projected February	Total February	Variance	Revised Projected		Total
	Actual Feb 1 - 22	Projected Feb 23 - 29				February	March	
Opening Cash Balance	\$ 200	\$ -	\$ 180	\$ 200	\$ 20	\$ 200	\$ 444	\$ 200
Receipts								
Sales Receipts	1,342	330	1,271	1,672	401	1,672	2,382	6,376
Total Receipts	\$ 1,342	\$ 330	\$ 1,271	\$ 1,672	\$ 401	\$ 1,672	\$ 2,382	\$ 6,376
Disbursements								
Landlords	796	-	768	796	28	796	768	2,332
Post Filing Goods and Services	395	140	470	535	65	535	740	1,995
Post Filing Goods and Services	31	-	150	31	(119)	31	240	421
Payroll	277	260	535	537	2	537	515	1,562
Benefits	4	4	8	8	(2)	8	20	15
Interest	-	-	26	-	(26)	-	28	31
Freight	2	-	15	2	(13)	2	95	40
Insurance	12	-	10	12	2	12	10	32
Utility	4	-	35	4	(31)	4	70	45
Telephone	3	-	10	3	(7)	3	30	25
Computer	-	-	5	-	(5)	-	5	5
Bank Charges	-	-	25	-	(25)	-	55	35
Miscellaneous / Other	6	-	85	6	(79)	6	108	117
Sales taxes and GST	69	-	70	69	(1)	69	77	78
Marketing	-	-	90	-	(90)	-	200	150
Professional Fees	120	110	160	230	70	230	120	470
Total Disbursements	\$ 1,719	\$ 514	\$ 2,464	\$ 2,233	\$ (231)	\$ 2,233	\$ 3,081	\$ 8,133
Net Change in Cash	(377)	(184)	(1,193)	(561)	632	(561)	(699)	(1,757)
Closing Cash Balance From Operations	\$ (177)	\$ (184)	\$ (1,013)	\$ (361)	\$ 652	\$ (361)	\$ (255)	\$ (1,557)
DIP Financing Drawn	695	110	1,050	805	(245)	805	550	350
Closing Cash Balance	\$ 518	\$ (74)	\$ 37	\$ 444	\$ 402	\$ 444	\$ 295	\$ 148
Mariposa DIP Funds	695	110	1,050	805	(245)	805	550	350
Charles F. Berg DIP Funds	326	-	480	326	(154)	326	200	(526)
Available DIP Financing	\$ 1,459	\$ 1,349	\$ 950	\$ 1,349	\$ 399	\$ 1,349	\$ 599	\$ 775

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.

This is Exhibit A referred to in the
affidavit of JOHN M. McNEIL
made before me on Feb 27 2008
A Commissioner of the Superior Court
for Eastern Manitoba

Schedule B –
Amended cash flow statement, as at February 29,
2008

MARIPOSA STORES LIMITED PARTNERSHIP ("MARIPOSA")

Schedule of Actual vs. Forecast Cash Flow
For the Month ended February 29, 2008

	(000's)		Revised Projected				Total	
	Total February	Original Projected February	Variance	February	March	April		May
Opening Cash Balance	\$ 195	\$ 180	\$ 15	\$ 195	\$ 195	\$ 46	\$ 24	\$ 195
Receipts								
Sales Receipts	1,321	1,271	50	1,321	2,382	2,322	2,650	8,675
Other Receipts	40	-	40	40	-	-	-	40
Total Receipts	\$ 1,361	\$ 1,271	\$ 90	\$ 1,361	\$ 2,382	\$ 2,322	\$ 2,650	\$ 8,715
Disbursements								
Landlords	795	768	27	795	768	768	740	3,071
Post Filing Goods and Services	198	470	(272)	198	740	720	150	1,808
Post Filing Goods and Services	104	150	(46)	104	240	150	50	544
Payroll	521	535	(14)	521	515	510	490	2,036
Benefits	5	10	(5)	5	20	15	15	55
Interest	-	26	(26)	-	28	31	31	90
Freight	-	15	(15)	-	95	40	40	175
Insurance	12	10	2	12	10	10	10	42
Utility	-	35	(35)	-	70	45	45	160
Telephone	-	10	(10)	-	30	25	25	80
Computer	-	5	(5)	-	5	5	5	15
Bank Charges	25	25	-	25	55	35	35	150
Miscellaneous / Other (Note 1)	77	85	(8)	77	108	117	117	419
Sales taxes and GST	81	70	11	81	77	78	78	314
Marketing	-	90	(90)	-	200	150	150	500
Professional Fees	230	160	70	230	120	120	120	590
Monitor in Trust (Note 2)	200	-	200	200	-	-	-	200
Total Disbursements	\$ 2,248	\$ 2,464	\$ (216)	\$ 2,248	\$ 3,081	\$ 2,819	\$ 2,101	\$ 10,249
Net Change in Cash	(887)	(1,193)	306	(887)	(699)	(497)	549	(1,534)
Closing Cash Balance From Operations	\$ (692)	\$ (1,013)	\$ 321	\$ (692)	\$ (504)	\$ (451)	\$ 573	\$ (1,339)
DIP Financing Drawn	887	1,050	(163)	887	550	475	(550)	1,362
Closing Cash Balance	\$ 195	\$ 37	\$ 158	\$ 195	\$ 46	\$ 24	\$ 23	\$ 23
Opening DIP Financing	\$ 2,480	\$ 2,480	\$ -	\$ 2,480	\$ 1,364	\$ 614	\$ 568	\$ 2,480
DIP Funding Used	(887)	(1,050)	(163)	(887)	(550)	(475)	550	(1,362)
Mariposa DIP Funds	(229)	(480)	(251)	(229)	(200)	429	(100)	(100)
Charles F. Berg DIP Funds	1,364	950	(414)	1,364	614	568	1,018	1,018
Available DIP Financing	\$ 1,364	\$ 950	\$ (414)	\$ 1,364	\$ 614	\$ 568	\$ 1,018	\$ 1,018

Note

- 1) February total for Miscellaneous/Other includes interest, freight, telephone, utilities, computer, repairs, maintenance, supplies etc.
- 2) The Company has paid the Monitor \$200,000 in trust to guarantee delivery of merchandise from suppliers.

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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