



No. B110732  
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

**IN THE MATTER OF THE PROPOSAL OF**  
**PLEASE MUM PARTNERSHIP**  
**AND**  
**ELIA FASHIONS LTD.**  
**AND**  
**BOSSA NOVA FASHIONS LTD.**  
(collectively, "Please Mum" or the "Company")

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**FIRST REPORT TO THE COURT**  
**SUBMITTED BY DELOITTE & TOUCHE INC.**  
**IN ITS CAPACITY AS PROPOSAL TRUSTEE**

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**August 2, 2011**

**PLEASE MUM PARTNERSHIP**  
**FIRST REPORT OF THE PROPOSAL TRUSTEE**

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## 1. INTRODUCTION AND BACKGROUND

- 1.1 Elia Fashions Ltd. and Bossa Nova Fashions Ltd. were formed on April 29, 1986 and January 23, 1989, respectively. Please Mum Partnership was subsequently established on August 5, 2001 as a general partnership between Elia Fashions Ltd. and Bossa Nova Fashions Ltd. (collectively, “**Please Mum**” or the “**Company**”). The founder and Chief Executive Officer, Kathryn Adrian, controls Please Mum through a majority ownership of Elia Fashions Ltd. A copy of the Please Mum Partnership organizational chart is attached hereto as **Appendix A**.
- 1.2 Please Mum is a specialty retailer of high quality children’s wear. The Company designs, contracts to manufacture and retails its products under several Please Mum trademark brand names. The Company is headquartered in Vancouver with all products sold exclusively through its corporately owned stores and e-commerce site. Over the preceding 10 years, the Company has grown from approximately 40 stores to over 90 stores, which are located in all Canadian provinces except Quebec.
- 1.3 On July 7, 2011, Please Mum filed a notice of intention to make a proposal (“**NOI**”) pursuant to Section 50.4 of the *Bankruptcy and Insolvency Act* (“**BIA**”) and Deloitte & Touche Inc. was appointed as trustee under the proposal (“**Proposal Trustee**”).

## 2. TERMS OF REFERENCE

- 2.1 In preparing this report, the Proposal Trustee has relied upon financial information of the Company, and discussions with Company management (“**Management**”) and its financial and legal advisors.
- 2.2 The financial information of the Company has not been audited, reviewed or otherwise verified by the Proposal Trustee 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 Proposal Trustee does not express an opinion or provide any other

form of assurance on the financial or other information presented herein. The Proposal Trustee may refine or alter its observations as further information is obtained or brought to its attention after the date of this report.

2.3 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.

2.4 The Proposal Trustee 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.

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

### **3. FINANCIAL POSITION AND CAUSES OF FINANCIAL DIFFICULTY**

3.1 The Company's average annual revenues from fiscal 2005 through fiscal 2010 were approximately \$57 million per annum and average earnings before interest, taxes, depreciation and amortization ("EBITDA") over the same period were approximately \$3 million per annum. The Company's EBITDA deteriorated significantly in fiscal 2010, at a time when store numbers were at a peak. A summary of the historical financial performance of the Company from fiscal 2005 to fiscal 2010 is attached hereto as **Appendix B**.

3.2 Management attributes the financial difficulty of the business to aggressive store expansion that coincided with the global recession, poor inventory management and turnover of key executive personnel.

3.3 The expansion of the Company's store numbers was primarily funded through working capital and credit facilities provided by Royal Bank of Canada ("RBC"). Management has advised that the Company endeavoured to refinance the RBC debt and source further capital injections through a marketing and sales process over the past 12 months, without success. The Company's funding position was further impacted by the delay in the settlement of a sale contract in respect to the sale of the Company's head office location situated at 333 Woodland Drive, Vancouver (the "Property") due to potential environmental concerns. Part of the proceeds from the sale of the Property, which is owned by a related entity, was contemplated to repay the RBC debt. The Company is currently undertaking remediation work on the Property to satisfy the terms of the sale contract, which Management anticipates will be completed by November 2011.

3.4 An analysis of store operations and results undertaken by Management indicates that approximately 50% of stores were unprofitable with sales per square foot being the primary determinate of store profitability. The analysis has resulted in Management identifying a business model to include 21 of the highest performing stores, which accounted for approximately \$17 million in sales and \$2.7 million in store-level EBITDA for fiscal 2011.

3.5 The analysis undertaken by Management also indicates that the Company has historically carried excess inventory, which has committed significant capital to fund purchases and carrying costs. The analysis has resulted in Management taking steps to consolidate inventory in an effort to achieve an optimum product mix at each of the remaining store locations.

3.6 Management has advised that due to continued losses and in order to allow time for the Company to restructure its operations and affairs, it was resolved that a NOI be filed on July 7, 2011.

#### **4. CASH FLOW PROJECTIONS AND PRELIMINARY RESULTS**

4.1 Cash flow projections prepared by the Company for a 13-week period to October 1, 2011 were filed with the Office of the Superintendent of Bankruptcy ("OSB") and this Honourable Court on July 15, 2011. A copy of the cash flow projections filed with the OSB along with actual cash flows for the three weeks ended July 23, 2011 are attached hereto as **Appendix C**.

4.2 The cash flow projections were prepared on the assumption that, (i) store numbers would be reduced from approximately 90 stores to 21 stores plus an e-commerce site; (ii) consolidation of inventory including an orderly liquidation of excess inventory; and (iii) the ongoing support of RBC based on credit availability at the time of the NOI filing.

4.3 The Proposal Trustee has reviewed the actual cash flow results for the three week period ended July 23, 2011 and notes the following observations:

(i) Sales receipts were approximately \$70,000 higher than projected. Sales have been consistent with the Company's summer sales strategy of offering significant discounts; however, ensuring product lines that have historically turned over quickly are not marked down as aggressively compared with slower moving product lines.

(ii) Inventory balances have decreased by approximately 18% from \$7.35 million to \$6.02 million during the period. No inventory purchases were contemplated during the cash flow projection period. Management has advised that approximately \$200,000 of high margin inventory, which was paid for prior to the date of the NOI filing, is awaiting customs clearance. Management is currently assessing the commercial benefit of settling with the customs broker in order for this inventory to be released.

(iii) Payroll disbursements were approximately \$8,500 higher than projected due to a portion of the payroll period overlapping the NOI filing date.

(iv) Freight disbursements were approximately \$6,000 higher than projected as the Company was required to pay Canada Post in advance to continue delivery services post-filing.

(v) Overall, disbursements for the period are comparable to those projected.

(vi) Based on these preliminary actual results, the cash flow projections appear to be consistent with Management's assumptions.

4.4 The Company's sales are projected to increase during August and September due to an increased turnover of 'Back to School' inventory, outerwear and holiday inventory. Management has advised that this is consistent with the Company's historical sales trends. The period July to December was also confirmed as a 'high selling period' in an independent inventory appraisal obtained by the Company.

4.5 Sales and operating costs disclosed in the cash flow projections to October 1, 2011 are based on a 21 store model; however, Management continues to analyze the profitability of each store with further closures to be undertaken, if necessary, to optimize the financial position of the business.

## **5. PRELIMINARY RESTRUCTURING PLAN**

5.1 The ability of the company to file a viable proposal will be largely dependent on the following:

- (i) Continued support from RBC during the NOI period;
- (ii) Achieving sales projections to generate cash for further debt reduction;
- (iii) Completion of the Property sale contract; and
- (iv) Securing capital to improve the liquidity position of the Company.

5.2 The Company has taken the following steps to date in respect to its restructuring plan:

- (i) Disclaimed 72 store leases and redistributed inventory amongst the remaining 21 stores. In addition, inventory has been consolidated to achieve an optimum product mix in terms of ratio of tops to bottoms, colour, size and number of units per store.
- (ii) Adopted an orderly liquidation sales strategy in an effort to realize on excess inventory levels.

- (iii) Reduced employee head count from approximately 869 to 240 over the retail stores, warehouse and head office locations. The majority of terminated employees have been paid their outstanding wages up to the date of filing.
- (iv) Engaged independent environmental contractors to begin testing and remediation work at the Property to progress the sale contract.
- (v) Prior to the NOI filing, the Company held discussions with a number of parties to attract investment through a sales and marketing process. Management has advised that they were unable to finalize a sale of the business as the due diligence undertaken by potential investors suggested that the 90 store model was not sustainable. The Company also approached multiple financial institutions; however, due to onerous terms sought by the financiers, the Company did not proceed with a refinance of its debt.
- (vi) To date, the Company has held discussions with private investors, financiers and liquidators to consider debtor in possession finance (“DIP”). These discussions are at a preliminary stage.

5.3 Management has obtained multiple inventory appraisals to assess the realizable value of all inventory in a liquidation scenario. The appraisals suggest that RBC would potentially suffer a shortfall from the net realizations in an orderly liquidation scenario. In addition, certain liquidators have advised that they would not provide a net minimum guarantee for the current inventory.



5.4 A summary of the Customer's creditor profile as at July 7, 2011 is provided below.

<b>Creditor Type</b>	<b>Estimated number of Creditors</b>	<b>Estimated balance owing at July 7, 2011 (\$000s)</b>
Secured creditors	5	2,650
Landlords (unsecured)	57	703
Trade Creditors (unsecured)	287	6,652
<b>Total</b>	<b>349</b>	<b>10,005</b>

The creditor balances have been extracted from the records of the Company and may be subject to adjustments once reconciled with creditor claims. Furthermore, there are a number of customers who purchased gift cards prior to the NOI filing. The Company has taken the position that these gift cards are an unsecured claim and will be dealt with in the context of a proposal along with landlord claims and other unsecured claims of the estate.

5.5 Management has advised that employees, landlords, trade creditors and customers have generally been supportive since the NOI filing.

5.6 Based on appraisals obtained by Management, the liquidation of the Company's assets in a bankruptcy scenario would result in a nil return to unsecured creditors. Therefore, the prospects of a going concern restructuring scenario will likely be more attractive to creditors generally.

## **6. STAY EXTENSION APPLICATION**

6.1 In our view, the Company has acted and continues to act in good faith and with due diligence. In this regard, the Company immediately took steps following the NOI filing to improve cash flow by closing 72 unprofitable stores, terminating 629 employees and consolidating and liquidating excess inventory. Furthermore, the Company is progressing negotiations with private investors, investigating alternative funding options and undertaking remediation work in order to accelerate the settlement of the Property transaction.

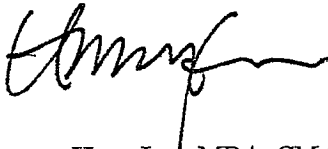
6.2 A viable proposal will be partially dependent on the settlement of the Property transaction and the Company's ability to reach an agreement with a financier and/or investors. Accordingly, the Company will require additional time to allow the Property remediation work to be undertaken and for prospective financiers and/or investors to complete sufficient due diligence to be in a position to consider a transaction with the Company.

6.3 The only creditor that may be impacted by an extension of the stay of proceedings is RBC as the value of its security may be reduced as the Company continues to sell down its inventory in the normal course of its business. However, the Company's cash flow projections indicate that RBC's credit facility will be reduced over the 13-week period as the sale of inventory progresses. Management has advised that RBC does not object to a 45-day extension of the NOI proceedings.

All of which is respectfully submitted this 2<sup>nd</sup> day of August 2011.

**DELOITTE & TOUCHE INC.**

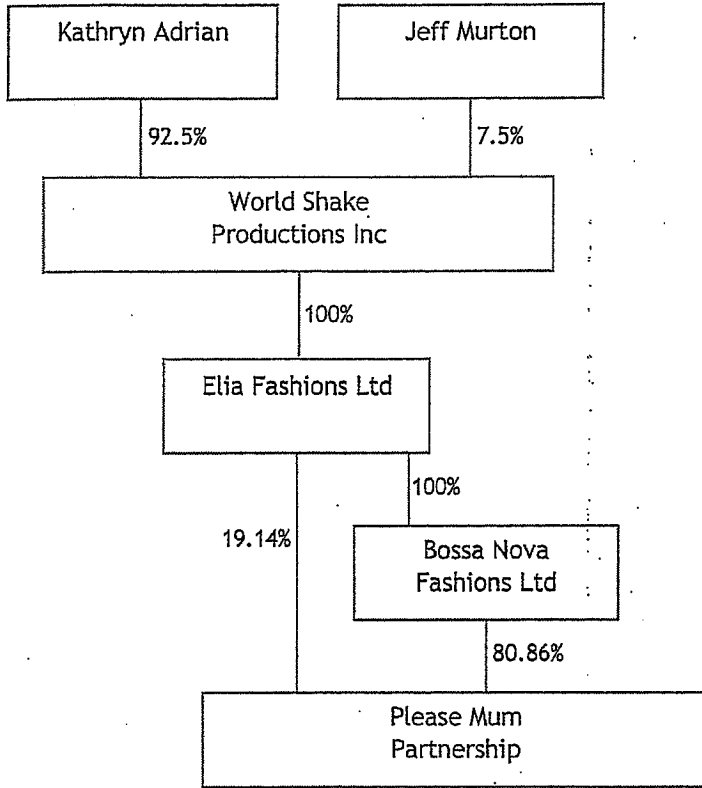
In its capacity as Proposal Trustee of  
Please Mum Partnership, Elia Fashions Ltd. and Bossa Nova Fashions Ltd.  
and not in its personal capacity.



Per: Huey Lee, MBA, CMA, CIRP  
Senior Vice President

**APPENDIX A**  
**PLEASE MUM PARTNERSHIP ORGANIZATIONAL CHART**

PLEASE MUM PARTNERSHIP  
ORGANIZATIONAL CHART



**APPENDIX B**  
**SUMMARY OF HISTORICAL FINANCIAL PERFORMANCE 2005 - 2010**

Elia Fashions Ltd.  
Consolidated Statement of Income  
Fiscal Year for 52 weeks ended,  
in CDNS

	2-Apr-05 (actual)	1-Apr-06 (actual)	31-Mar-07 (actual)	29-Mar-08 (actual)	28-Mar-09 (actual)	27-Mar-10 (actual)
<b>Revenue</b>						
Product Sales	\$ 56,386,444	\$ 60,974,634	\$ 60,245,048	\$ 56,344,164	\$ 54,376,905	\$ 54,911,802
Other	101,019	102,783	339,053	352,324	220,231	52,980
<b>Revenues</b>	<b>56,487,463</b>	<b>61,077,417</b>	<b>60,584,101</b>	<b>56,696,488</b>	<b>54,597,136</b>	<b>54,964,782</b>
<b>Cost of sales</b>	<b>27,970,724</b>	<b>27,458,022</b>	<b>28,241,546</b>	<b>22,894,342</b>	<b>24,267,997</b>	<b>24,760,309</b>
<b>Gross Profit</b>	<b>28,516,739</b>	<b>33,619,395</b>	<b>32,342,555</b>	<b>33,802,146</b>	<b>30,329,139</b>	<b>30,204,473</b>
<b>Gross Margin %</b>	<b>50.6%</b>	<b>55.1%</b>	<b>53.7%</b>	<b>60.0%</b>	<b>55.8%</b>	<b>55.0%</b>
<b>Expenses:</b>						
Selling expenses	18,551,372	20,941,352	23,542,748	21,785,916	22,565,880	25,158,815
General and administration	6,713,609	6,182,191	9,090,383	7,360,476	5,014,839	6,836,394
Amortization	1,194,784	1,632,928	2,065,432	2,336,452	2,367,198	2,506,589
Interest expense	157,084	167,821	187,033	289,019	129,582	138,481
	26,616,849	28,924,292	34,885,596	31,771,863	30,077,499	34,640,279
<b>Earnings before the undernoted</b>	<b>1,899,890</b>	<b>4,695,104</b>	<b>(2,543,040)</b>	<b>2,030,283</b>	<b>251,640</b>	<b>(4,435,805)</b>
<b>Other expenses (income)</b>						
Asset Impairment loss (Gain)	-	-	-	-	-	359,391
Unrealized foreign exchange loss (gain)	-	-	-	-	(601,389)	278,804
Loss on disposal of property, plant & equip	(14,565)	(2,000)	(230,676)	9,155	-	-
	(14,565)	(2,000)	(230,676)	9,155	(601,389)	638,195
<b>Earnings before income taxes</b>	<b>1,914,455</b>	<b>4,697,104</b>	<b>(2,312,364)</b>	<b>2,021,128</b>	<b>853,029</b>	<b>(5,074,000)</b>
<b>Income taxes:</b>						
Current (recovery)	505,946	640,045	202,633	-	(15,828)	-
Future:						
Short Term	280,224	948,366	(801,827)	(15,405)	823,874	(938,166)
Long Term	(117,468)	98,291	54,918	165,408	(589,158)	(676,352)
	668,702	1,686,702	(544,276)	150,003	218,888	(1,614,518)
<b>Net earnings from continuing operations</b>	<b>1,245,753</b>	<b>3,010,402</b>	<b>(1,768,088)</b>	<b>1,871,125</b>	<b>634,142</b>	<b>(3,459,482)</b>
<b>Loss from discontinued operations, net of taxes</b>	<b>(893,749)</b>	<b>(1,135,599)</b>	<b>(360,237)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net earnings</b>	<b>352,004</b>	<b>1,874,803</b>	<b>(2,128,325)</b>	<b>1,871,125</b>	<b>634,142</b>	<b>(3,459,482)</b>
<b>Retained earnings, beginning of period</b>	<b>4,296,388</b>	<b>4,648,392</b>	<b>6,523,195</b>	<b>4,394,869</b>	<b>6,327,889</b>	<b>6,962,031</b>
<b>Retained Earnings, end of Period</b>	<b>\$ 4,648,392</b>	<b>\$ 6,523,195</b>	<b>\$ 4,394,869</b>	<b>\$ 6,265,995</b>	<b>\$ 6,962,031</b>	<b>\$ 3,502,548</b>

Elia Fashions Ltd.  
EBITDA  
Fiscal Year for 52 weeks ended,  
in CDNS

	2-Apr-05 (actual)	1-Apr-06 (actual)	31-Mar-07 (actual)	29-Mar-08 (actual)	28-Mar-09 (actual)	27-Mar-10 (actual)
<b>Net earnings</b>	<b>352,004</b>	<b>1,874,803</b>	<b>(2,128,325)</b>	<b>1,871,125</b>	<b>634,142</b>	<b>(3,459,482)</b>
<b>Adjustments</b>						
Amortization	1,194,784	1,632,928	2,065,432	2,336,452	2,367,198	2,506,589
Interest expense	157,084	167,821	187,033	289,019	129,582	138,481
Income tax expense	668,702	1,686,702	(544,276)	150,003	218,888	(1,614,518)
Disposal of P, P & E	(14,565)	(2,000)	(230,676)	9,155	-	-
Asset Impairment loss	-	-	-	-	-	359,391
Management fee	1,420,000	500,000	1,825,000	400,000	400,000	500,000
Loss from discontinued operations, net of taxes	893,749	1,135,599	360,237	-	-	-
<b>EBITDA</b>	<b>\$ 4,671,758</b>	<b>\$ 6,995,853</b>	<b>\$ 1,534,425</b>	<b>\$ 5,055,754</b>	<b>\$ 3,749,809</b>	<b>\$ (1,569,540)</b>

Elia Fashions Ltd.  
Consolidated Balance Sheet  
In CDNS

2-Apr-05  
(actual)

1-Apr-06  
(actual)

31-Mar-07  
(actual)

29-Mar-08  
(actual)

28-Mar-09  
(actual)

27-Mar-10  
(actual)

ASSETS

Current assets:

Cash	\$ 321,990	\$ 623,391	\$ 417,395	\$ 433,630	\$ 489,783	\$ 373,463
Restricted cash	113,220	83,867	100,877	26,633	-	-
Investment In Forward Contracts	-	-	-	-	601,389	-
Accounts receivable	210,944	200,117	105,872	98,935	107,480	279,212
Inventories	8,447,615	6,771,925	6,419,047	7,391,841	8,311,860	8,782,206
Income Tax Receivable	-	-	-	718	2,557	-
Due from shareholder	462,500	2,515,195	-	-	-	-
Prepaid expenses and deposits	424,906	402,348	543,405	644,860	890,600	790,916
Current assets of discontinued operations	1,338,694	962,639	308,101	-	-	-

11,319,869 11,559,482 7,894,698 8,596,617 10,403,669 10,225,797

Property, plant & equipment	4,360,103	5,303,745	8,109,249	8,523,465	8,527,133	7,673,369
Future income taxes	125,682	27,391	-	-	396,223	1,072,575
Partnership organization costs	-	1,283	0	0	0	0
Trademark	22,706	37,375	54,303	65,301	723,691	688,847
Promissory Note	-	-	2,828,400	2,828,400	828,400	828,400
Due from (to) related companies	1,001,908	-	-	-	-	-

5,510,399 5,369,794 10,991,952 11,417,166 10,475,447 10,263,191

\$ 16,830,268 \$ 16,929,276 \$ 18,886,650 \$ 20,013,783 \$ 20,879,116 \$ 20,488,988

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Bank indebtedness	1,841,637	120,000	2,710,000	1,780,000	520,000	1,690,000
Accounts payable and accrued liabilities	6,007,592	5,703,801	5,739,353	4,437,071	6,303,062	7,018,910
Income taxes payable	13,428	1,759	6,227	-	-	-
Current portion of obligations under capita	451,098	534,520	310,145	298,964	246,866	218,439
Term Loans	411,580	88,903	237,833	6,582	867	-
Unrealized Gain on Foreign Exchange Contracts	-	-	-	-	-	278,804
Deferred revenue	30,639	40,877	1,417,783	1,305,465	387,318	452,791
Future Income Taxes	2,069,002	3,017,368	2,215,540	2,200,135	3,024,010	2,085,842

10,824,976 9,507,228 12,636,882 10,028,217 10,482,124 11,744,786

Term Loans	-	-	-	5,132	-	-
Deferred Revenue	-	-	-	-	1,197,334	1,246,887
Obligations under capital lease	320,348	190,295	208,994	346,380	233,329	15,840
Long Term Debt	29,042	245,799	10,907	-	-	2,300,000
Long Term Future Income Taxes	-	-	27,526	192,935	-	-
Due to shareholders	544,750	-	1,607,211	3,174,864	2,004,040	1,678,667

894,140 436,093 1,854,638 3,719,311 3,434,703 5,241,394

Shareholders' Equity:

Share capital	462,760	462,760	260	260	260	260
Retained earnings	4,648,392	6,523,195	4,394,870	6,265,995	6,962,029	3,502,548

Partners' Capital

Elia Fashions Ltd.	-	-	-	-	-	-
Bossa Nova Fashions Ltd.	-	-	-	-	-	-

5,111,152 6,985,954 4,395,130 6,266,255 6,962,289 3,502,808

\$ 16,830,268 \$ 16,929,276 \$ 18,886,650 \$ 20,013,783 \$ 20,879,116 \$ 20,488,988

**APPENDIX C**  
**CASH FLOW PROJECTIONS DATED JULY 15, 2011 AND**  
**ACTUAL CASH FLOWS FOR THE THREE WEEKS ENDED JULY 23, 2011**



Week Ending	1	2	3	4	5	6	7	8	9	10	11	12	13	Total
	9-Jul	16-Jul	23-Jul	30-Jul	6-Aug	13-Aug	20-Aug	27-Aug	3-Sep	10-Sep	17-Sep	24-Sep	1-Oct	
Receipts														
Retail/Web Sales	636,892	331,821	260,000	260,000	260,000	305,000	359,000	415,000	524,000	443,000	342,000	285,000	209,000	4,640,712
GST Received	31,845	16,591	13,000	13,000	13,000	15,250	17,950	20,750	26,200	22,150	17,100	14,750	10,450	232,086
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	0
<b>Total Receipts</b>	<b>668,736</b>	<b>348,412</b>	<b>273,000</b>	<b>273,000</b>	<b>273,000</b>	<b>320,250</b>	<b>376,950</b>	<b>435,750</b>	<b>550,200</b>	<b>465,150</b>	<b>359,100</b>	<b>309,750</b>	<b>219,450</b>	<b>4,872,748</b>
Disbursements														
Payroll & Taxes	265,893	303,891	146,520	174,886	96,859	110,160	68,460	106,880	49,600	110,860	64,480	110,860	64,480	1,673,868
GST	-	-	-	-	-	-	223,223	-	197,438	-	70,150	-	-	490,809
Freight	15,000	15,000	15,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	145,000
Store Rent	251,398	-	-	-	121,220	121,220	-	-	242,440	-	46,000	-	-	736,278
Head Office Rent	-	46,000	-	-	-	-	46,000	-	-	-	-	-	-	136,000
Offshore Purchases	57,603	25,463	53,000	18,000	23,000	23,000	18,000	13,000	38,000	23,000	23,000	13,000	23,000	361,067
Trade Payables	153,442	18,578	-	10,805	58,000	-	10,000	12,805	50,000	8,000	10,000	1,805	50,000	76,551
Other	435,252	408,972	214,520	213,681	309,079	254,380	375,883	122,585	597,476	155,160	233,630	355,665	177,490	3,611,373
<b>Total Disbursements</b>	<b>1,352,484</b>	<b>1,099,722</b>	<b>524,520</b>	<b>593,366</b>	<b>517,158</b>	<b>524,380</b>	<b>1,027,752</b>	<b>1,227,265</b>	<b>1,074,746</b>	<b>313,290</b>	<b>185,470</b>	<b>174,085</b>	<b>71,970</b>	<b>1,261,375</b>
Operating Cash Flow	316,252	248,690	148,480	179,634	156,142	195,870	274,198	208,485	475,454	151,860	173,630	135,665	147,480	3,611,373
One-Time Costs	-	-	-	-	-	80,000	-	60,000	-	60,000	-	60,000	-	300,000
Legal/Trustee Fees	-	-	-	60,000	-	80,000	-	40,000	-	60,000	-	20,000	-	100,000
Professional Fees	-	-	-	40,000	-	-	-	-	-	-	48,000	-	-	85,000
Woodland - Environ.	-	-	5,000	-	-	-	32,000	-	-	-	-	-	-	-
Total One-Time	-	-	5,000	100,000	-	80,000	32,000	40,000	-	60,000	48,000	20,000	-	285,000
Net Cash Flow	316,252	248,690	143,480	169,634	156,142	195,870	242,198	168,485	475,454	151,860	125,630	115,665	147,480	3,326,373
Ending Line Bal.	(1,824,376)	(1,591,892)	(1,652,453)	(1,998,973)	(1,639,653)	(1,675,742)	(1,679,872)	(1,710,606)	(1,517,541)	(1,554,816)	(1,301,526)	(1,214,056)	(1,119,974)	(1,824,376)
Net Cash Flow	232,484	(60,560)	53,480	(40,691)	(36,079)	(4,130)	(30,733)	(193,068)	(37,276)	253,290	87,470	94,065	71,970	776,375
Ending Line Bal.	(1,591,892)	(1,652,453)	(1,598,973)	(1,639,653)	(1,675,742)	(1,679,872)	(1,710,606)	(1,517,541)	(1,564,816)	(1,301,526)	(1,214,056)	(1,119,974)	(1,048,001)	(1,048,001)

*[Signature]*  
Please Mum Partnership, Ella Fashions Ltd. & Bossa Nova Fashions Ltd. per Kathryn Adrian

*[Signature]*  
Deloitte & Touche Inc., Proposal Trustee

Please Mum

### Cash Flow Assumptions

#### Web and Retail Store

- Sales are based on 21 stores and web store
- Plan is based on current inventory levels and mix; includes trending from Summer to Back to School periods
- Reduction of stores where sales targets are not being met

#### Headcount

- Minimal head office headcount to maintain baseline operations
- Reduced core Head office staff to 9; Warehouse supervision to 2; Web operations to 3
- Retail support to 1; Field directors will move to stores and will not exceed displaced managers salary costs.

#### Operating Expenses

- Payment of all post-filing operating expenses including lease costs, freight, phone, internet, etc.

#### Priority Payments

- Payment of all priority payments including source, GST and payroll

#### Other

- \$85K of environmental expenses to obtain risk assessment with deferral of remaining \$165K
- RBC's ongoing support substantially based on present credit availability
- NOI filing date was July 7, 2011; Cashflow for week ended July 9th reflects some pre-filing receipts and disbursements

Week Ending	9-Jul	16-Jul	23-Jul	30-Jul	6-Aug	13-Aug	20-Aug	27-Aug	3-Sep	10-Sep	17-Sep	24-Sep	1-Oct	Total
<b>Receipts</b>														
Retail/Wholesale Sales	636,892	333,104	331,821	1,284	325,749	260,000	65,748	260,000	65,748	260,000	65,748	260,000	209,000	4,707,744
GST Received	31,845	16,955	16,591	64	16,287	13,000	3,287	13,000	13,000	22,150	17,100	14,750	10,450	236,387
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	0
<b>Total Receipts</b>	668,736	349,759	348,412	1,348	342,036	273,000	69,036	273,000	69,036	282,150	387,840	374,750	219,450	5,184,381
<b>Disbursements</b>														
Payroll & Taxes	255,593	154,773	303,931	-149,158	315,437	166,520	168,917	174,868	105,578	110,460	108,880	110,860	64,480	1,692,220
GST	15,000	15,000	15,000	-	20,851	10,000	5,851	10,000	10,000	10,000	10,000	10,000	10,000	492,451
Freight	257,398	46,063	46,000	63	-	-	-	-	-	-	-	-	-	450,951
Store Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	145,000
Head Office Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	736,278
Offshore Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-	138,063
Trade Payables	57,603	17,540	25,463	-7,823	1,516	55,000	-51,484	18,000	23,000	23,000	23,000	13,000	23,000	341,659
Other	153,442	9,977	18,578	-6,601	10,932	10,892	-10,892	10,892	59,000	8,000	10,000	1,805	50,000	69,882
<b>Total Disbursements</b>	435,252	243,352	409,972	(165,619)	346,735	214,520	(33,215)	213,691	317,798	284,300	375,663	142,685	147,480	3,613,113
<b>Operating Cash Flow</b>	233,484	106,407	(60,560)	166,967	(6,699)	58,480	(65,179)	59,309	(44,759)	97,850	112,177	232,065	171,970	1,571,268
<b>One-Time Costs</b>														
Legal/Office Fees	-	-	-	-	-	60,000	-	60,000	-	60,000	-	60,000	-	300,000
Professional Fees	-	-	-	-	-	40,000	-	40,000	-	40,000	-	20,000	-	100,000
Woodland - Enviro.	-	-	-	-	-	-	-	-	-	-	48,000	-	-	82,912
<b>Total One-Time</b>	0	0	0	0	2,912	5,000	(2,088)	105,000	32,000	80,000	88,000	80,000	0	462,912
<b>Net Cash Flow</b>	(1,824,376)	(1,591,892)	(1,551,892)	(1,485,485)	(1,652,453)	(1,556,967)	(1,656,967)	(1,556,967)	(1,556,967)	(1,484,450)	(1,230,785)	(1,143,325)	(1,049,240)	(1,854,376)
<b>Ending Line Bal.</b>	232,484	106,407	(60,560)	166,967	(6,699)	58,480	(65,179)	59,309	(44,759)	97,850	112,177	232,065	171,970	1,571,268
<b>Beginning Line Bal.</b>	(1,591,892)	(1,485,485)	(1,485,485)	(1,485,485)	(1,485,485)	(1,485,485)	(1,485,485)	(1,485,485)	(1,485,485)	(1,485,485)	(1,485,485)	(1,485,485)	(1,485,485)	(1,485,485)
<b>Ending Line Bal.</b>	232,484	106,407	(60,560)	166,967	(6,699)	58,480	(65,179)	59,309	(44,759)	97,850	112,177	232,065	171,970	1,571,268