

**AMENDED PLAN OF COMPROMISE AND ARRANGEMENT**

PURSUANT TO THE

*Companies' Creditors Arrangement Act (Canada)*

and

**REORGANIZATION**

PURSUANT TO THE

*Canada Business Corporations Act (Canada)*

**LES BOUTIQUES SAN FRANCISCO INCORPORÉES**

**LES AILES DE LA MODE INCORPORÉES**

**LES ÉDITIONS SAN FRANCISCO INCORPORÉES**

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**ARTICLE 1**

**INTERPRETATION**

**1.1 Definitions**

Unless otherwise specified, the following terms are defined as follows:

- (a) “**Arrangement**” or “**Plan**” means the present Plan of Compromise and Arrangement, as it may be modified from time to time, as the case may be;
- (a.1) “**Articles of Reorganization**” means the articles of reorganization amending BSF’s statutes in relation with the Plan, which shall be filed pursuant to section 191 CBCA;

- (a.2) **“Beneficial Holders”** means notably the customer of an Intermediary holding Debentures in an account opened with the Intermediary;
- (b) **“BSF”** means Les Boutiques San Francisco Incorporées;
- (c) **“Business Day”** means a day, other than Saturday or Sunday, on which chartered banks are generally open in Montreal, Quebec;
- (c.1) **“CBCA”** means the Canada Business Corporation Act, R.S.C. 1985, c. C-44, as amended from time to time;
- (d) **“CCAA”** means the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended from time to time;
- (d.1) **“CDS”** means the Canadian Depository for Securities Limited, in its capacity as registered holder of the Debentures;
- (e) **“Chirographic Creditor”** any creditor other than a Secured Creditor and includes the Crown in right of Canada or a province;
- (f) **“Claim”** means the right of any Person against one or the other of the Companies in connection with any indebtedness, liability or obligation of any kind of the Companies owed to such Person and existing on the Filing Date (or after, to the extent that the Plan applies and affects such Claim) and any interest accrued thereon, whether this indebtedness, liability or obligation be liquidated or not, fixed or contingent, matured or not, contested or not, legal, equitable, secured or not, present, future, known, unknown, by guarantee, surety or otherwise, and whether or not such right is executory or not, including but without limiting the generality of the foregoing, the right or ability of any person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, based in whole or in part on facts existing prior to or on the Filing Date (with the exception of Claims based on, or relative to, facts arising after the Filing Date and which are affected by the Plan), and includes, notably, all (i) secured claims, (ii)

claims of the Crown (iii) unsecured claims (iv) or any other claim which would constitute a provable claim in bankruptcy had the Companies become bankrupt on the Filing Date. A Claim does not include an Unaffected Claim. However, a Claim includes any demand or Claim rising from or relative to the resiliation, resolution or annulment of a Resiliated Contract and all Claims of an Employee laid off for amounts other than Salary. A Claim does not include interest incurred after the Filing Date, or any fees, unless otherwise expressly provided for in the Plan;

- (g) “**Claim Bar Date**” means June 30, 2004 at 5:00 p.m. (Eastern Daylight Time) or any other subsequent date ordered by the Court or thirty days following the date of resiliation or resolution of a Resiliated Contract if the notice of such resiliation or resolution is given less than thirty (30) prior to June 30, 2004;
- (h) “**Company(ies)**” means Les Boutiques San Francisco Incorporées, Les Ailes de la Mode Incorporées and Les Éditions San Francisco Incorporées, or one or more of them according to the context;
- (i) “**Contract of successive performance**” means a contract, the nature of which requires that the Creditor perform its obligations at several different times or without interruption;
- (j) “**Court**” means the Superior Court of Quebec, sitting in Commercial Division, in the district of Montreal, the Court of Appeal of Quebec and, as the case may be, the Supreme Court of Canada;
- (k) “**Creditor**” means all Persons having a Claim and may, where the context requires it, include an assignee, a trustee, a mandatary or any Person acting in the name of such Person. The term “Creditor” does not include an Unaffected Creditor;
- (k.1) “**Debentures**” means the balance of \$14,992,000 in principal of 8% convertible unsecured debentures due in 2008 issued by BSF and outstanding on the Filing Date;

- (l) “**Directors and Officers Indemnification Hypothec**” means the hypothec in favour of the directors and officers constituted pursuant to the Initial Order;
- (m) “**Editions**” means Les Éditions San Francisco Incorporées;
- (n) “**Employee**” means a Person which on the Filing Date was employed by one or the other of the Companies and/or offered services as an employee at the request of one or the other of the Companies;
- (o) “**Filing Date**” means December 17, 2003;
- (p) “**Group of Investors**” means the group of business persons participating in the Placement;
- (q) “**Initial Order**” means the Initial Order issued on December 17, 2003 by the Honourable, Clément Gascon, J.C.S., as amended, reformulated or modified from time to time;
- (r) “**Interim Creditor**” means any Person which has provided or will provide services, goods, materials, supplies or who has advanced or will advance funds to the Companies during the Interim Period, but only with regard to their claims relating to the services provided, goods, material or supplies delivered or funds advanced during the Interim Period, but excluding Employees with regard to Salaries and Creditors having a claim arising from Resiliated Contracts with regard to any Claim arising directly or indirectly from such resiliation or resolution, or which results, emanates or is related thereto;
- (s) “**Interim Period**” means the period between the filing date and the Plan Implementation Date;
- (s.1) “**Intermediary**” means a Person holding Debentures attested by one or more entries on the records of CDS;
- (t) “**Les Ailes**” means Les Ailes de la Mode Incorporées;

- (u) **“Meeting”** means the meeting of creditors called pursuant to the CCAA for the purpose of considering and voting upon the Plan, as well as any adjournment, postponement or continuation thereof;
- (v) **“Monitor”** means RSM Richter Inc. (previously known as Richter & Associés inc.) in its role as monitor of the Companies, as appointed by the Court in the Superior Court file No. 500-11-022070-037;
- (w) **“Monitor and Counsel Hypothec”** means the hypothec in favour of the Monitor and its attorneys constituted pursuant to the Initial Order;
- (w.1) **“Multiple Voting Shares”** means the issued and outstanding class A multiple voting shares of the share capital of BSF;
- (w.2) **“New Common Shares”** means the class of shares to be redesignated pursuant to the Articles of Reorganization;
- (x) **“Person”** means any physical person, legal person, partnership, including, without limiting the generality of the foregoing, the meaning of the word “Person”, as defined in subsection 2(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3;
- (y) **“Placement”** means the aggregate amount of at least 15,44 million \$ that the Group of Investors proposes to invest in BSF in the form of units composed of New Common Shares and warrants, and debentures convertible into New Common Shares;
- (z) **“Plan”** or **“Arrangement”** means the present Plan of Compromise and Arrangement, as it may be modified from time to time, as the case may be;
- (aa) **“Plan Implementation Date”** means the latest of the following dates:
  - i) the first business day following the date on which the delay to appeal from the Sanction and Reorganization Order expires without an appeal having



been filed, or if an appeal or a permission to appeal is filed, the first day after the day where a final and definitive decision is rendered;

- ii) the first business day following the day on which all of the conditions for the implementation of the Plan, as detailed in article 7 of the Plan, have been duly fulfilled, except for those which have been waived in writing;
- (bb) **“Process Order”** means the order of the Court of May 21, 2004 as amended by the Order of the Court of June 17, 2004 establishing the process for the filing and valuation of Claims and the fixing of the Claim Bar Date, as amended from time to time, as the case may be;
- (cc) **“Proof of claim”** means a proof of claim filed by a Creditor, prior to the Claim Bar Date, pursuant to the Process Order and in accordance with the Proof of Claim Form detailing the Claim and duly supported by a statement of account, invoice or affidavit;
- (dd) **“Proof of Claim Form”** means the form prepared by the Monitor which permits the Creditors to file a proof of claim;
- (ee) **“Proven Claim”** means the Claim of the Creditor for which a Proof of Claim has been submitted, the admissibility and amount of which has been finally determined in accordance with the Process Order, the CCAA and any other order issued by the Court;
- (ff) **“Released Party”** means any Person benefiting from the release detailed in subsection 4.9 hereof;
- (gg) **“Resiliated Contract”** means any written or verbal contract, agreement or undertaking to which one or more of the Companies are a party or pursuant to which their property is concerned or encumbered and that is resiliated or resolved by one or the other of the Companies pursuant to the terms of the Initial Order;

- (hh) “**Salary**” means any salary, pay or similar remuneration payable to an Employee, but excluding any payment in lieu of notice, severance indemnity, damages, bonus or any other form of monetary compensation or indemnification other than that specifically provided in the *Act respecting Labour Standards*, R.S.Q. N-1.1 and the *Employment Standard Act*, 2000, S.O. chapter 41;
- (ii) “**Sanction and Reorganization Order**” means the Order sought from the Court sanctioning the Plan once it has been accepted by all the classes of Creditors or by certain of them, as the case may be and authorizing the reorganization of BSF pursuant to section 191 CBCA;
- (jj) “**Secured Creditor**” means any Person holding a hypothec, a pledge or any other security on all or part of the property of the Companies, as a security for a debt due or to become due and includes notably
- (i) the Person holding a right of retention or priority constitutive of a valid and opposable real right on any or part of the property of one or the other of the Companies and
  - (ii) the Person who retains a right of property on any property utilized or used in the course of business of one or the other of the Companies pursuant to a valid and opposable instalment sale or a contract of leasing, valid and opposable, duly published within the required delays, in accordance with the provisions of the *Civil Code of Quebec*;
- (kk) “**Subordinated Shares**” means the issued and outstanding class B subordinated shares of the share capital of BSF;
- (kk.1) “Toronto Stock Exchange” means the Toronto Stock Exchange;
- (ll) “**Unaffected Creditor**” means all Persons having a Claim which is an Unaffected Claim in the Plan, with regards to that Claim. Should a Creditor have both an affected Claim and an Unaffected Claim, it will be considered Creditor for the affected portion of its claim and Unaffected Creditor for the unaffected portion;

## **1.2 Certain rules of interpretation**

In the Plan,

- (a) all accounting terms not otherwise defined shall have the meanings ascribed to such terms, from time to time, in accordance with Canadian generally accepted accounting principles, particularly those prescribed by the Canadian Institute of Chartered Accountants;
- (b) all references to currency are stated in the lawful currency of Canada, except as otherwise indicated;
- (c) the division of this Plan into articles and paragraphs and the insertion of a table of contents are for convenience of reference and do not affect the interpretation of this Plan, nor are the descriptive headings of articles and paragraphs intended as complete or accurate descriptions of the content thereof;
- (d) the use of words in singular or plural, or with a particular gender, shall not limit the scope or exclude the application of any provision of this Plan to any Person or Persons or circumstances as the context otherwise permits;
- (e) unless otherwise specified, all references to time made herein and in any document issued or delivered pursuant hereto shall mean local time in Montreal, Province of Quebec, and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m., on such Business Day;
- (f) unless otherwise provided, any reference to a statute, or other enactment of Parliament or a legislature includes all regulations made thereunder, all enactments or re-enactments of such statutes or regulation in force from time to time, and, if applicable, any statute of regulation that amends, supplements, or supersedes such statute or regulation;

- (g) the words “hereunder”, “hereof” and similar expressions refer to this Plan and not to any particular article or paragraph and reference to “articles” and “paragraphs” are to articles or paragraphs of this Plan, as the case may be;
- (h) unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends; and
- (i) whenever any payment to be made or action to be taken under this Plan is required to be made or to be taken on a day other than a Business Day, such payment shall be made an action taken on the following Business Day.

### **1.3 Governing Law**

This Plan shall be governed by and construed in accordance with the laws of the province of Quebec and the federal laws of Canada applicable therein. All questions as to the interpretation and application of this Plan and proceedings taken in connection with this Plan and its provisions shall be subject to the exclusive jurisdiction of the Court.

## **ARTICLE 2**

### **PURPOSE AND EFFECT OF THE PLAN**

#### **2.1 Purpose**

The purpose of the Plan is :

- (a) to favour the recapitalization of BSF and of Les Ailes by way of the Placement;
- (b) to settle by compromise and arrangement the affected Claims in the manner hereinafter provided for, such that the Companies be relieved thereof on performance of their obligations under this Arrangement, that the Placement may take place and that, as a result, the recovery and continuation of the business of BSF and Les Ailes be ensured;

- (c) to proceed with the reorganization of BSF for the foregoing purpose pursuant to the Sanction and Reorganization Order;

in the expectation that all Persons with an economic interest in the business of the Companies will derive a greater benefit from the implementation of this Plan than would result from a bankruptcy or forced liquidation of the Companies.

## **2.2 Consolidated Plan**

The present Arrangement is presented on a joint and consolidated basis by BSF, Les Ailes and Éditions. However:

- (a) the Chirographic Creditors of each of the Companies constitute a separate class of creditors subject to different compromises;
- (b) none of the Companies is required to follow through with the Arrangement should it not be accepted by all of its classes of Creditors, the Creditors of the other Companies and approved by the Court; but
- (c) BSF, Les Ailes and Éditions may follow through with the Arrangement with regard to the classes of Creditors which will have voted favourably thereon. In this regard, the Arrangement proposed to each class of Creditors of one or the other Company constitutes a distinct compromise.

## **ARTICLE 3**

### **CLASSIFICATION OF CREDITORS**

#### **3.1 Classification of Creditors**

For the purposes of the Arrangement proposed pursuant to the terms hereof, the Creditors are divided in the following classes:

- (a) the Secured Creditors of one or the other of the Companies;
- (b) the Chirographic Creditors of BSF other than the Debenture holders;

(b.1) the Debenture holders;

(c) the Chirographic Creditors of Les Ailes;

(d) the Chirographic Creditors of Éditions.

### **3.2 Claim Procedure**

The procedure for determining the validity and amount of the Claims for voting and distribution purposes shall be governed by the Process Order, as completed by the Plan.

### **3.3 Unaffected Claims**

The following claims will not be affected by this Arrangement:

(a) the Claims of Interim Creditors;

(b) the Claims of Employees for Salary;

(c) the Claims arising from a Contract of successive performance other than a Resiliated Contract, for the period elapsed or to elapse from the Filing Date;

(d) the Claims of BSF or its assignee as Chirographic Creditor of Les Ailes;

(e) the Claims of Editions, or its assignee, as Chirographic Creditor of BSF;

(f) the Claims of the Companies' customers, and notably any right resulting from a prepaid payment card, gift certificate or credit note.

### **3.4 Contracts of Successive Performance**

With the exception of the Resiliated Contracts the Companies shall pay the instalments of the Contracts of Successive Performance subsequent to Filing Date in the ordinary course of business in accordance with the existing agreements or any other agreements concluded with their co-contractants. Creditors holding a Claim pursuant to a Contract of Successive Performance will participate as Chirographic Creditors and are affected by the compromise

proposed by the Company or Companies that are obliged towards the Creditors pursuant to such a contract for any sums due and outstanding as at the Filing Date;

### **3.5 Resiliated Contracts**

Creditors, pursuant to a Resiliated Contract, have a Claim as Chirographic Creditor of any Company which has obligated itself, pursuant to a Resiliated Contract, for sums due and outstanding at the Filing Date and any sum due as a result of the resiliation of such contract. The holders of a proprietary interest in goods used in the business of one of the Companies pursuant to the terms of a Resiliated Contract retake possession of such goods on request at all times following the notice of resiliation.

### **3.6 Secured Creditors**

Subject to subsection 3.5 hereof, the Claims of Secured Creditors do not constitute one or more classes of Claims subjected to a compromise submitted to the approval of such Creditors as one or more classes pursuant to the present Arrangement. The Companies will pay the Claims of the Secured Creditors pursuant to the existing agreements or in accordance with arrangements to be entered into with each of them, without requiring the filing of a Proof of Claim.

For the Arrangement:

- (a) The Secured Creditors have a Claim as Chirographic Creditor of one or the other of the Companies only if (i) they assess the realizable value of their security at “0” and (ii) they agree to grant a discharge of such security on the occurrence of the Plan Implementation Date;
- (b) Subject to the above paragraph, the Secured Creditors will not participate in any distribution payable to any class of Chirographic Creditors for the difference between their Claim and any assessment they may make of the realizable value of their security; and
- (c) when a Person is a Secured Creditor of one Company and Chirographic Creditor of another Company for the same Claim, it does not participate as Chirographic

Creditor in the proposed distribution to the Chirographic Creditors of the Company which has granted security;

### **3.7 Solidary Claims**

The Creditor who is the holder of a Chirographic Claim due solidarily by more than one of the Companies may prove its Claim and participate in the distribution payable to the Chirographic Creditors of each of the Companies. In the determination of the amount of the Claim of such a Creditor admissible to such a distribution, the amount payable by any other Company will not be considered.

### **3.8 Articles of Reorganization**

3.8.1 Following the approval of the Arrangement by the required majority of BSF's Creditors eligible to vote, BSF, will require, concurrently with the sanctioning of the Arrangement, the issuance of an order pursuant to section 191 CBCA modifying its articles of incorporation as follows:

- (a) the present name of BSF is changed to "Groupe Les Ailes de la Mode Inc.";
- (b) all class A Multiple Voting Shares issued and outstanding are converted into class B Subordinated Voting Shares with voting right;
- (c) 9,322,895 class B Subordinated Voting Shares of the 12,226,205 class B Subordinated Voting Shares issued and outstanding are cancelled proratably as between the shareholders appearing on the shareholders register on the date on which the Articles of Reorganization become effective;
- (d) the provisions relating to the classes and the maximum number of shares which BSF is authorized to issue are modified as follows:
  - 1. by the cancellation of the following classes of shares; class A Multiple Voting Shares, preferred shares;



2. by the removal of the rights, privileges and restrictions in respect of the class B Subordinated Voting Shares and the class B preferred shares as a class and by replacing them with the rights, privileges and restrictions in respect to common shares and preferred shares as a class detailed in schedule 1 annexed hereto as integral part of the present Articles of Reorganization;
3. by the redesignation of the class B Subordinated Voting Shares into common shares;

so that from thereon, BSF will be authorized to issue an unlimited number of common shares and an unlimited number of preferred shares as a class, the rights, privileges and restrictions of which are detailed in schedule 1 annexed hereto as an integral part of the present Articles of Reorganization.

The Articles of Reorganization will become effective on the date shown in the certificate of amendment relating thereto.

## **ARTICLE 4**

### **TREATMENT OF CREDITORS**

Pursuant to the present Arrangement, the Claims of Creditors will be treated in the manner hereinafter described, depending on the class to which they belong.

#### **4.1 Chirographic Creditors of BSF**

BSF will remit to the Monitor a total sum of \$6,260,000, by means of (i) a first instalment of \$3,130,000 within a delay of 30 days from the Plan Implementation Date, (ii) a second instalment of \$1,565,000 by December 30, 2004 at the latest and (iii) a third instalment of \$1,565,000 by July 29, 2005 at the latest. The Monitor will distribute this sum in the following manner as soon as possible and as it receives each instalment thereof:

- (a) first, in full payment of Claims of the Crown referred to in subsection 18.2(1) of the CCAA, as the case may be;

- (b) then, in payment of each Proven Claim up to \$500, all Claims of a given Person on the Filing Date being deemed to constitute a single Proven Claim for such purpose;
- (c) and as for the balance of the sum remitted to the Monitor, it will be distributed *pro rata* on the balance of the Proven Claims of the Creditors of the present class;

the whole of which shall result in a full and final release and discharge of the Claims of the Creditors of the present class, upon issuance by the Monitor of the Certificate of Performance of the Arrangement by BSF, as provided for in subsection 7.5 hereof.

#### **4.1.A Debenture Holders**

BSF will remit to CDS, within a delay of 30 days from the Plan Implementation Date, for the benefit of the Beneficial Holders:

- (a) the sum of \$1,500,000;
- (b) 9,322,895 New Common Shares issued as fully paid and non assessable, represented by a share certificate naming CDS as holder,

on delivery of the Debentures for cancellation, and in final settlement of all Claims resulting from the Debentures.

#### **4.2 Chirographic Creditors of Les Ailes**

Les Ailes will remit to the Monitor a total sum of 3.7 million \$ by means of (i) a first instalment of 1.85 million \$ within 30 days of the Plan Implementation Date, (ii) a second instalment of \$925,000 by December 30, 2004 at the latest and (iii) a third instalment \$925,000 by July 29, 2005 at the latest. The Monitor will distribute this sum in the following manner as soon as possible and as it receives each instalment thereof:

- (a) first, in full payment of the Claims of the Crown referred to in subsection 18.2(1) of the CCAA, as the case may be;

- (b) then, in payment of each Proven Claim up to \$500, all Claims of a given Person on the Filing Date being deemed to constitute a single Proven Claim for such purpose;
- (c) as for the balance of the sum remitted to the Monitor, it will be distributed *pro rata* on the balance of Proven Claims of the Creditors of the present class;

the whole of which shall result in a full and final release and discharge of the Claims of the Creditors of the present class, upon issuance by the Monitor of the Certificate of Performance of the Arrangement by Les Ailes, as provided in subsection 7.5 hereof.

#### **4.3 Chirographic Creditors of Éditions**

Éditions will remit to the Monitor all sums received on account of its Claim against BSF, up to the amount required to pay the Claims detailed below, so that they may be distributed in the manner hereinafter detailed, as the sums are received:

- (a) first, in full payment of the Claims of the Crown referred to in subsection 18.2(1) of the CCAA, as the case may be;
- (b) as for the balance of such sums, it will be distributed *pro rata* of the Proven Claims, up to the amount of the Proven Claims;

the whole of which shall result in a full and final release and discharge of the Claims of the present class upon issuance by the Monitor of the Certificate of Performance of the Arrangement by Éditions, as provided in subsection 7.5 hereof.

#### **4.4 Arrangement as a whole**

All of the provisions of the present Arrangement are part of the compromise proposed to each class of Creditors, as far as they are applicable thereto.

#### **4.5 Currency**

All Claims must be stated in Canadian Dollars for the purposes of the vote and the distribution. Any Claim payable in a currency other than the Canadian dollar must be converted

into Canadian dollars at the exchange rate published by the Bank of Canada effective at noon on the Filing Date.

#### **4.6 Interest**

No interest or indemnity is to be added to the Claims by reason of the period elapsed or to elapse from the Filing Date, for any purpose.

#### **4.7 Effect of the Plan generally**

On the Plan Implementation Date, the settlement of Claims under this Plan shall be final and binding on the Companies and all of the Creditors and their respective heirs and assigns, irrespective of the jurisdiction in which such Creditor resides or the Claims arose, and this Arrangement shall constitute a full, final and absolute settlement of all rights of Creditors for all Claims in consideration of the sums to be distributed pursuant to the present Arrangement.

#### **4.8 Waiver of defaults and Court order**

From and subsequent to the Plan Implementation Date:

- (a) All creditors and other Persons (including Unaffected Creditors) shall be deemed to have waived any and all defaults of one or the other of the Companies, as well as any non compliance with any covenant, warranty, representation, term, provision, condition, obligation, expressed or implied in any contract of instantaneous or successive performance, written or oral, including a cross default, and any notice of default and acceleration of payment pursuant to such contracts will be deemed to have been resiliated;
- (b) in to the Sanction and Reorganization Order, the Companies will seek from the Court the issuance of an order against all Creditors and all other Persons (including Unaffected Creditors) who have a business relationship with any of the Companies extinguishing the enforcement of any right or remedy contained in the instruments evidencing such contractual relationship or any right which might otherwise be available to such Creditors or other Persons as a result of the filing

of the CCAA proceedings, the content of this Plan, the implementation of this Plan, any action taken by the Companies or any third party pursuant to the Plan or the Sanction and Reorganization Order either before or after the Plan Implementation Date, or any other matter whatsoever relating to the CCAA proceedings, the Plan or the transactions contemplated by the Plan;

- (c) the Companies may, in all respects, carry on as if the defaults, non compliance, rights and remedies referred to in paragraph 4.8 had not occurred or had never existed.

#### **4.9 Released parties**

On the effective date, the following Persons, namely:

- (i) the Companies, their legal counsel and financial advisors in the CCAA proceedings;
- (ii) the Monitor and its legal counsel in the CCAA proceedings;
- (iii) present and former Directors, Officers and Employees of any of the Companies in such capacities and not in any other capacity;

shall be released and discharged from any and all demands, claims, actions, causes of action, counter-claims, suits, debt, obligation to do, damages and interests, judgments, proceedings and execution, by reason of any liability, obligation, demand or cause of action of any nature whatsoever, that any Person would otherwise be entitled to assert by reason, in whole or in part, of any act or omission, contract, duty, responsibility, or obligation of any nature existing at the Filing Date or previously thereto relating to the Claims, the conduct of the business of the Companies, this Arrangement or the CCAA proceedings to the fullest extent permissible in law, and any such right resulting from any such act or omission, shall be forever waived and released (other than the right to enforce any of the Companies' obligations under the present arrangement or any related document), provided that nothing herein:

- (a) shall release or discharge a Released Party from an Unaffected Claim or

- (b) shall affect the right of any Person:
  - (i) to recover indemnity from any insurance coverage under which that Person is an insured person; or
  - (ii) to recover a Claim against a Released Party from an insurer pursuant to an insurance policy by which such Released Party is insured, but, for greater certainty, any Claim to which an insurer is or would otherwise be subrogated is released hereunder and the recovery to which such Person shall be entitled shall be limited to the proceeds of insurance actually paid by the insurer with respect to the Claim;

and provided further, however, that, notwithstanding the foregoing releases under the Arrangement, any Claim asserted against the Companies shall remain subject to any right of compensation that otherwise would be available to any of the Companies in the absence of such releases.

#### **4.10 Directors' Statutory Liabilities**

This Arrangement settles all rights, debts owed or claims against present and past directors of the Companies which predate the Filing Date for which these directors may, in their capacity as directors, be liable in law, and for which they will be forever released and discharged on the Plan Implementation Date, with the exception of those Claims detailed in paragraph 5.1(a) of the CCAA.

#### **4.11 Release of certain charges**

On the sixtiest day following the Plan Implementation Date, the Directors and Officers Indemnification Hypothec and the Monitor and Counsel Hypothec shall be terminated and Released and no Person shall be entitled to institute the exercise of a hypothecary right against one or the other of the Companies by reason of the Directors and Officers Indemnification Hypothec or the Monitor and Counsel Hypothec.

**ARTICLE 5**  
**MEETING OF CREDITORS AND DISTRIBUTIONS**

**5.1 Meeting**

The Monitor shall call and the Companies shall hold the Meeting in accordance with the Process Order and the CCAA for the purpose of considering and voting on the Arrangement.

**5.2 Creditor approval**

In order for this Arrangement to be executory in accordance with the CCAA, it must first be accepted by a majority in number of the Creditors of each class holding at least two thirds in value of the Proven Claims present and voting in person or by proxy at the Meeting.

**5.3 Proofs of Claim**

All Proofs of Claim and all disputes relating to the admissibility and the amount of the Claims shall be dealt with in accordance with the Process Order.

**5.4 Failure to file a Proof of Claim**

If a Creditor fails to file a Proof of Claim prior to the Claim Bar Date, such Creditor shall not be entitled to vote or to participate in any distribution and the Companies shall nevertheless be released from the Claims of this Creditor. All the provisions of this Arrangement, other than those relating the right to vote and receive a distribution, shall nevertheless apply to all such Claims.

**5.5 Evaluation of future, unliquidated and litigious Claims**

The Companies and the Monitor will use their best effort in order to finally resolve all disputes relating to the admissibility and amount of Claims prior to the first distribution to a given class of Creditors.

Where the admissibility or the amount of all Claims of a given class is not settled prior to the date of the first distribution, the Monitor will proceed with the distribution as if the unresolved Claims were admissible and the amount settled was that claimed by the Creditor, but

will withhold the amount payable on account of any to such unresolved Claim. Should the unresolved Claim become a Proven Claim, the Monitor will then take into account this Claim in the determination of the amount payable to the Creditors of such class on the occasion of the distribution of the second and/or third instalment and will pay to the Creditors of such class, in addition to the amount to which they would otherwise be entitled in the second or, as the case may be, third distribution, any amount withheld on the first distribution and made available following the settlement of the unresolved Claims and the Monitor will also pay to the holders of the unresolved Claims which have become Proven Claims, the sums to which they are entitled by reason of the first and the second distribution or, as the case may be, the first, second and third distribution.

#### **5.6 Distribution of an amount of less than \$10**

The Monitor does not pay, in any given distribution, a sum to a Creditor that is less than \$10, but will pay, in any subsequent distribution, an aggregate sum of more than \$10 payable to such Creditors pursuant to all distributions paid at that time.

### **ARTICLE 6 THE PLACEMENT**

#### **6.1 Private placement**

Pursuant to the written offer dated May 10, 2004 and accepted by the Board of Directors of BSF on the same day, the Group of Investors has undertaken to make the Placement the second day following the date on which the conditions for closing are met. The Placement is made up for one third (1/3) of subscriptions to units of the capital of BSF and for two-thirds (2/3) of subscriptions to convertible Debentures of BSF.

The subscription price of the units will be fifty cents (\$0.50) per unit. Each unit will be composed of one Subordinated Share and one warrant for Subordinated Shares. Each warrant will give the right to its holder to purchase, at any time within twenty-four (24) months from its issuance, a Subordinated Share at an exercise price of sixty cents (\$0.60) during the first year and seventy cents (\$0.70) during the second year.



The Debentures will have a term of four (4) years and will bear interest, payable monthly from the first month following their issuance at an annual rate of 12% calculated monthly. They will be redeemable by BSF after the third anniversary of their issuance and will be convertible at the option of the holder, at any time up to their due date, in whole or in part, into Subordinated Shares at a conversion price of fifty cents (\$0.50) per share. The net proceeds of the Placement will be applied to:

- (a) a subscription to the capital of Les Ailes which will be used to:
  - (i) pay the outstanding amount due pursuant the secured loan of the Bank Syndicate amounting to about \$7.8 million;
  - (ii) pay the secured claim of BSF towards Les Ailes; and
  - (iii) remit to the Monitor the first instalment of the distribution payable to the Creditors of Les Ailes pursuant to the Arrangement; and
- (b) the payment of the first instalment of the distribution payable to the Chirographic Creditors of BSF and the Beneficial Holders of Debentures pursuant to the terms of the Arrangement.

The source and use of the funds are summarized in the table annexed hereto as Schedule 6.1.

The Placement is subject to the fulfilment of various conditions by July 30, 2004, including particularly, but not exclusively:

- (a) acceptance of the present Arrangement by all of the classes of Creditors affected thereby and its sanction by the Court;
- (b) the absence of an adverse material change in the financial situation of BSF and Les Ailes and the continuation of their business in the normal course, under reserve of the proceedings pursuant to the CCAA;

- (c) the obtention of all consents and approvals required to proceed with the Placement, including, the approval, if required, of the shareholders of BSF.

**ARTICLE 7**  
**CONDITIONS PRECEDENT TO THE IMPLEMENTATION OF THE**  
**ARRANGEMENT**

**7.1 Application for Sanction and Reorganization Order**

If the present Arrangement is approved by all of the classes of affected Creditors, the Companies shall forthwith apply to the Court in order to obtain the sanction and the reorganization of BSF pursuant to section 191 CBCA. If the present Arrangement is accepted by certain classes of Creditors only, the Companies will have the option, but not the obligation, to apply to the Court for the Sanction Order of the Arrangement with regard to such classes of Creditors only. As of the Plan Implementation Date, the Plan will be binding upon all affected Creditors or, as the case may be, the classes of Creditors for which the Sanction Order will have been issued. If the conditions contained in section 7.3 are not satisfied in the stipulated delay and if there is no waiver thereof, the Plan Implementation Date will not occur and the Plan, as well as the Sanction and Reorganization Order shall cease to have any further force or effect.

**7.2 Effect of the Sanction and Reorganization Order**

In addition to sanctioning the Arrangement, the Companies will seek, as part of the Sanction and Reorganization Order, all orders useful to give effect to all of the provisions of the present Arrangement.

**7.3 Conditions precedent to the implementation of the Plan**

The implementation of this Arrangement shall be conditional upon the fulfilment of the conditions detailed hereinafter by August 9, 2004 at the latest, except to the extent that the Companies, or the Group of Investors, as the case may be, renounces thereto or extends the delay for the fulfilment thereof:

(a) ***Creditor Approval***

Approval of this Plan by all classes of Creditors in accordance with the CCAA.

(b) ***Court Approval***

The Court will have pronounced the Sanction Order, an order confirming the terms of the present Arrangement and an order authorizing the reorganization of BSF pursuant to the present Arrangement and such judgment will have the authority of a final and definitive judgment.

**(b.1) Approval of Regulatory Authorities**

All governmental, regulatory and other similar authorizations and approvals shall have been obtained and all required filings shall have been made with the governmental authorities, securities commissions, stock exchanges and other regulatory authorities having jurisdiction in each case to the extent considered necessary by BSF's counsel.

(c) ***The Placement***

The Placement will have been made in the manner and in the delay fixed by the offer of the Group of Investors dated May 10, 2004 and accepted by the Board of Directors of BSF, or in accordance with any other terms agreed to by BSF and the Group of Investors.

(d) *Absence of renunciation*

The Companies will not have not forgone pursuing their proceedings pursuant to the CCAA or requiring the sanction of the Arrangement with regard to all of the Creditors or any given class thereof and the approval of BSF's reorganization. Such a renunciation will only happen with the consent of the Group of Investors, unless the Companies have terminated the accepted offer of the Group of Investors in circumstances where they are entitled to do so.

**7.4 Monitors' Certificate**

Upon satisfaction of all the conditions set out in paragraph 7.3 (or waiver thereof, as the case may be), the Monitor shall file into the Court a certificate stating all such conditions have been met (or have been waived), and that the Plan Implementation Date has occurred. In so certifying, the Monitor shall be entitled to rely upon certificates, representations and confirmations from the Companies, or any of them, the Group of Investors and their respective counsel.

**7.5 Certificate of Performance**

Upon receipt of the last instalment payable by any one of the Companies pursuant to the Arrangement proposed to the Creditors of a given class, the Monitor will deposit into the Court record a Certificate of Performance of the Arrangement as far as such Company is concerned.

**ARTICLE 8**

**AMENDMENT OF ARRANGEMENT**

**8.1 Arrangement Amendment**

The Companies reserve the right, at any time and from time to time, to amend, modify and/or supplement this Plan, including, non restrictively, to remove one or more of the Companies from the Plan, provided that:

- (a) any such amendment, modification or supplement must be contained in a written document filed with the Court and which must be approved in advance by the

Group of Investors and, if made following the Meeting, approved by the Court on notice to the Creditors affected thereby; and

- (b) any amendment, modification or supplement may be made by the Companies following the Sanction and Reorganization Order, provided that it concerns a matter which, in the opinion of the Monitor, acting reasonably, is of an administrative nature and useful to the implementation of the Plan and the Sanction and Reorganization Order and is not adverse to the financial and economic interests of the affected Creditors; and

Any supplementary provision to the Arrangement filed with the Court and, if required by this section, approved by the Court, shall, for all purposes, be and be deemed to be a part of an incorporated in this Plan, for all intents and purposes.

## **8.2 Proxies**

All holders of a proxy authorizing them to vote in favour of the Arrangement as initially submitted to Creditors may exercise this proxy in favour of any amended Arrangement insofar as in the opinion of the Monitor, acting reasonably, such amendment does not render the Arrangement less advantageous for the Creditors affected by such amendment.

## **8.3 Severability of certain provisions**

In the event that any provision of the Plan is held unenforceable, then unless otherwise determined by the Companies or objected to by the Group of Investors, such a ruling shall in no way limit or affect the enforceability and executory effect of any other provision of this Plan.

# **ARTICLE 9**

## **CREDITORS' COMMITTEE**

### **9.1 Creditors' Committee**

The Creditors of the Companies may appoint among all of themselves at the Meeting a committee of not more than five (5) persons to exercise the following duties:

- (a) be informed from time to time by the Monitor of the evolution of the business of the Companies and of the progress made in the implementation of the Arrangement;
- (b) extend the delay for payment to the Monitor of any sum to be distributed to the Creditors.

## **ARTICLE 10**

### **GENERAL PROVISIONS**

#### **10.1 Paramouncy**

From and after the Plan Implementation Date any conflict between this Arrangement and the covenants, warranties, representations, terms and conditions, and obligations, expressed or implied, of any contract, credit document, security agreement, agreement for sale, by-laws of the Companies, lease or other agreement, written or oral and any and all amendments or supplements thereto existing between one or more of the Creditors and one or the other of the Companies as at the Plan Implementation Date will be deemed to be governed by the terms, conditions and provisions of this Arrangement and the Sanction and Reorganization Order, which will have precedence and priority.

#### **10.2 Successors and Assigns**

The present Plan shall be binding upon and shall inure to the benefit of the heirs, liquidators, administrators and other legal representatives, successors and assigns of any Person named or referred to in, or subject to, this Arrangement.

#### **10.3 Compromise effective for all purposes**

The compromise of any Claim under this Plan, if sanctioned by the Court under the Sanction and Reorganization Order, shall be binding on the Effective Date on every affected Creditor and such affected Creditors' heirs, executors, administrators, legal representatives, successors and assigns for all purposes.

#### **10.4 Consents, waivers and agreements**

On the Plan Implementation Date, each Creditor shall be deemed to have consented and agreed to all of the provisions of this Plan in its entirety. In particular, without limiting the generality of the foregoing, each Creditor shall be deemed:

- (a) to have executed and delivered to the Companies all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out the Plan in its entirety ;
- (b) to have waived any known default by any of the Companies under any provision of any agreement existing between such Creditor and any of the Companies that has occurred on or prior to the Filing Date; and
- (c) to have agreed that, if there is any conflict between the provisions, expressed or implied, of any agreement or other compromise, written or oral, existing between such Creditor and any of the Companies at the Plan Implementation Date and the present Arrangement, the provisions of this Plan shall take precedence and priority and the provisions of any other agreement or compromise shall be deemed to be amended accordingly.

#### **10.5 Deemed provisions**

In this Plan, the deeming provisions are irrefutable, conclusive and irrevocable.

#### **10.6 Further assurances**

Notwithstanding that the transactions and events set out in the Plan shall be deemed to occur without any additional act or formality other than as set out herein, each of the Persons affected hereby agrees to execute all further documents and do such things that, in the reasonable opinion of the Companies are necessary or simply useful in order to better implement the Arrangement.

## 10.7 English Translation

The present is an English translation of the Arrangement for the convenience of the Creditors. Only the French version of the Plan has legal value and binds the Companies.

DATED in Montréal, province of Québec, this 7<sup>th</sup> day of June 2004.

LES BOUTIQUES SAN FRANCISCO INCORPORÉES

LES AILES DE LA MODE INCORPORÉES

LES ÉDITION SAN FRANCISCO INCORPORÉES

PER: *(s) Gaétan Frigon*

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Gaétan Frigon, Chief Restructuring Officer, duly  
authorized



**SCHEDULE 6.1**  
**SOURCE AND UTILIZATION OF FUNDS**

|   | <b>Source</b>   | <b>Utilization</b> |
|---|-----------------|--------------------|
| <b>A. Net Proceeds of the Placement</b>   |                 |                    |
| · Placement:  | 15.44 M\$       |                    |
| · Fees and study costs of the Investors:  |                 | (0.70 M\$)         |
| Net Proceeds of the Placement:  | 14.74 M\$       |                    |
| <b>B. Funding of the Les Ailes distribution</b>   |                 |                    |
| · Subscription by BSF:  | 12.75M \$       |                    |
| · Payment of Banks Syndicate's secured loan:  |                 | (7.8M \$)          |
| · Payment of BSF's secured loan:  |                 | (3.1M \$)          |
| · Payment of the first instalment of the distribution:  |                 | (1.85M \$)         |
| <b>C. Funding of the BSF distribution:</b>  |                 |                    |
| · Balance of net proceeds of Placement:   | 1.99M \$        |                    |
| · <u>From the</u> payment by Les Ailes of the secured loan of BSF:  | <u>2.64M \$</u> |                    |
| Total :   | <u>4.63M \$</u> |                    |
| · <u>Payment of monetary distribution to the Debenture holders</u>  |                 | <u>(1.50M \$)</u>  |
| · Payment of the first instalment of <u>the distribution to the Chirographic Creditors of BSF other than the Debenture Holders:</u> |                 | <u>(3.13M \$)</u>  |