C A N A D A
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
NO DE COUR : 500-11-022070-037

S U P E R I O R C O U R T

(Sitting as Tribunal designated under the *Companies' Creditors Arrangement Act*)

IN THE MATTER OF THE PLAN OF ARRANGEMENT OF:

Les Boutiques San Francisco Incorporées, Les Ailes de la Mode Incorporées and Les Éditions San Francisco Incorporées, companies duly constituted under the laws of Canada, having their head office at:

50 de Lauzon Street
Boucherville QC J4B 1E6

Petitioners

– and –

RICHTER & ASSOCIÉS INC.

Monitor

FIRST REPORT OF THE DESIGNATED MONITOR ON THE STATE OF PETITIONERS' FINANCIAL AFFAIRS (JANUARY 14, 2004)

INTRODUCTION

1. On December 17, 2003, Les Boutiques San Francisco Incorporées, Les Ailes de la Mode Incorporées and Les Éditions San Francisco Incorporées (collectively, "Petitioners") filed with the Quebec Superior Court, a "Motion for the Issuance of an Initial Order" pursuant to the *Companies' Creditors Arrangement Act* (the "CCAA"). On that same date, Mr. Justice Clément Gascon issued an Initial Order (hereinafter the "Initial Order"), *inter alia* appointing Richter & Associés Inc. as monitor (the "Monitor");

2. All amount are stated in Canadian currency unless otherwise noted;

3. This first report of the Monitor is to report and inform the Court of the following:

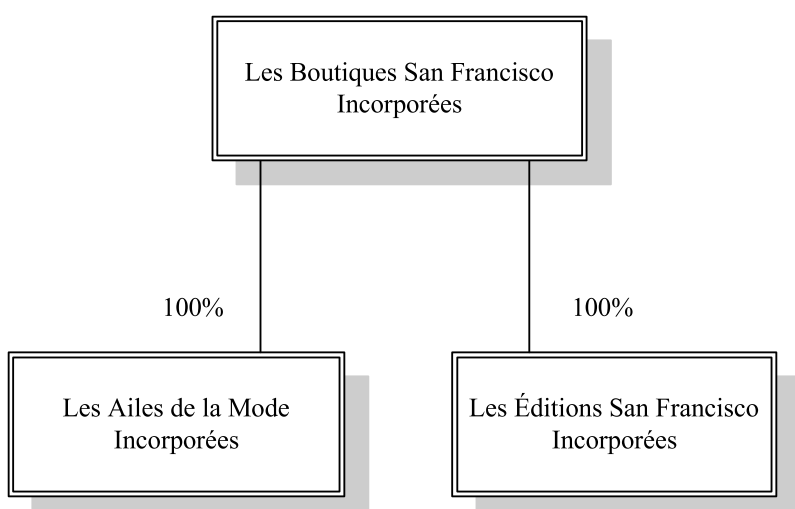
- Background
- Financial Results
- Financial Position
- Activities of the Monitor
- Operations
  - Employees
  - Customers
  - Suppliers
  - Cash management issues
- Senior executive and Board members resignations and CRO appointment
- Cash flow projections

- Post-filing obligations
- Potential directors' and officers' liabilities
- Valuation of inventories
- Operational/restructuring business plan
  - Overview of business plan
  - Financial projections
  - Equity investment
  - Critical path in the implementation of a plan of arrangement
- Filing of a preliminary plan of arrangement
- Request for an extension to the stay of proceedings and amendment to the Initial Order

4. We would hereby inform the Court that the Monitor has not conducted an audit or investigation of the books and records or the receipts and disbursements of Petitioners and that accordingly, it cannot render an opinion regarding the accuracy or completeness of the information contained herein. The present information emanates from the books and records that have been made available to the Monitor, as well as from discussions with the management of Petitioners.

BACKGROUND

5. Petitioners' business consists in the retail sale of men, women and children's apparel and accessories through stores located primarily in the provinces of Québec and also in Ontario. The corporate structure of Petitioners, can be summarized as follows:



6. Les Boutiques San Francisco Inc. is a public company whose shares are listed for trading on the Toronto Stock Exchange.

7. Les Boutiques San Francisco Incorporées (hereinafter "BSF") operates 112 boutiques under six (6) different banners, detailed as follows:

Banners	# of Stores	# of Employees
San Francisco (and New York New York)	36	357
Bikini Village	38	279
San Francisco Maillots	20	164
Victoire Delage/Moments Intimes	18	215
Total	**112**	**1015**

8. Les Ailes de la Mode Incorporées (hereinafter "Les Ailes") operates four (4) department stores, offering merchandise that is available in most of its other banner stores, as well as complementary products such as fashion accessories, fragrances, cosmetics, home decor, linen, kitchen articles, stationary, gift ideas and gourmet products. These stores also incorporate restaurants, hair dressing and beauty salons. The following is a summary of the Les Ailes locations:

Les Ailes stores	Area (sq. ft.)	# of Employees
Brossard	81,700	336
Laval	63,900	319
Sainte-Foy	99,000	355
Downtown Montréal	223,000	607
Total		**1617**

9. Les Éditions San Francisco Incorporées is no longer in operation;

10. Petitioners' head office is currently located at 50 de Lauzon Street in Boucherville, Québec and the warehouse is located at 1250 Nobel Street in Boucherville, Québec;

11. Employees at the head office and the distribution center total 243;

12. Management attributes Petitioners' current financial difficulties to several factors including the following:

- Les Ailes undertook an expansion plan during the fiscal year 2000 which provided for the opening of stores in Ottawa, Pointe-Claire and downtown Montréal. There was significant time and money spent in the construction of the Ottawa and Pointe-Claire locations. The Pointe-Claire store was never opened and the Ottawa store was closed within a year of its opening. The downtown Montréal store opened in August 2002 following significant financial investments, which drained the financial resources of the Petitioners. Despite Petitioners' efforts, the downtown store never reached the anticipated performances;

- Two (2) banners, Frisco and L'Officiel, which were underperforming, were ultimately sold during the year 2003;

- Several stores under various banners which were also underperforming, were ultimately closed in 2003;

- BSF financially supported Les Boutiques West Coast Incorporées (hereinafter "West Coast"), a company in which it had a 50.1% ownership. West Coast was declared bankrupt in 2003 after BSF withdrew its financial support. As a result of said bankruptcy, BSF lost close to $7M;

13. During 2003, Petitioners implemented an informal restructuring plan which included the closure of certain unprofitable stores, the disposal of the previously mentioned unprofitable banners, the reduction of expenses, as well as a reduction of its work force from approximately 4,200 to approximately 2,800 employees. Notwithstanding these measures, Petitioners have continued to remain unprofitable, thus requiring the currently contemplated restructuring.

FINANCIAL RESULTS

14. On December 23, 2003, BSF disclosed its consolidated results (unaudited) for the third quarter ended November 1, 2003;

15. Consolidated net sales for the third quarter amounted to $43.4M compared to $72M for the same period a year earlier. The decline in sales was principally due to closing of the Les Ailes store at the Bayshore Centre in Ottawa and the sale of BSF's unprofitable banners: Frisco, L'Officiel and West Coast. BSF had also closed seven Bikini Village boutiques earlier in the quarter;

16. BSF incurred a consolidated net loss of $43.2M for the third quarter of the current fiscal year, compared to a net loss of $839,000 for the third quarter ended November 2, 2002;

17. For the nine-month period ended November 1, 2003, net consolidated sales amounted to $147.1M, compared to $191.1M for the first nine months of 2002. BSF recorded a consolidated net loss of $43.9M for the nine-month period ended November 1, 2003, compared to a net loss of $1.4M for the period ended November 2, 2002;

18. In the third quarter, given the operating losses incurred, BSF recognized a loss in the value of its capital assets of $23.6M, of which $22.9M related to the Les Ailes downtown store. In addition, BSF also wrote-off previously capitalized stores opening expenses incurred and other current assets amounting to $2.9M, of which $1.8M related to the Les Ailes downtown store. BSF also subjected goodwill to impairment tests, leading to the recognition of a loss in value of goodwill of $11.7M for the period. As a result, the total loss in value of assets recognized in the quarter amounted to $38.2M.

FINANCIAL POSITION

19. Petitioners' consolidated balance sheet as of November 1, 2003 reflects the following:

	(in 000's)
Assets	
Current assets	
Cash and equivalent	$ 5,126
Accounts receivable	1,235
Inventories	39,971
Prepaids and others	2,738
	49,070
Capital assets	31,831
Other assets	296
	$81,197
Liabilities and Shareholders Equity	
Current liabilities	
Accounts payable and accruals	$48,534
Current portion of long-term debt	18,595
	67,129
Long-term debt	9,195
Future income taxes	1,306
Preferred shares	4,000
	81,630
Shareholders equity (deficit)	(433)
	$81,197

20. The preliminary list of creditors as at the date of the Initial Order, reflects the following:

Estimated Creditors (as at the Initial Order) (in 000's)	BSF	Les Ailes	Les Éditions	Total
Secured Creditors				
Banking syndicate	$ --	$17,296	$ --	$17,296
Carrefour Laval Leasehol	--	189	--	189
Ivanhoé	--	5,115	--	5,115
RoyNat	1,650	--	--	1,650
Total	**1,650**	**22,600**	**--**	**24,250**
Unsecured Creditors				
Accounts payable	10,026	21,222	--	31,248
Debenture holders	16,357	--	--	16,357
Due to BSF	--	36,150	--	36,150
Due to Éditions	5,641		--	5,641
Contingent	--	--	Unknown	
Total	**32,024**	**57,372**	**Unknown**	**89,396**
Total	**$33,674**	**$79,972**	**$ --**	**$113,646**

The above accounts payable balances do not include provisions for salaries, vacation pays and fringe benefits, nor does it consider provisions for benefits under customer loyalty programs, gift certificates and credit notes.

ACTIVITIES OF THE MONITOR

21. Immediately upon the granting of the Initial Order, the Monitor deployed efforts to ensure that all interested parties would have access to the relevant available information on a timely manner. These included amongst others:

- Opening of a dedicated telephone number (i.e. (514) 934-3550);
- Posting of all relevant documentary information on the Monitor's Internet site (i.e. www.richter.ca);

22. In accordance with paragraph 59(a) of the Initial Order, on December 23, 2003, the Monitor sent to all of Petitioners' known creditors having claims of more than $250, a copy of the Initial Order and a French translation of same. This notice was also sent to the trustee representing the debenture holders;

23. In addition to the above, the Monitor also sent a copy of the Initial Order (and the translation) to approximately 1,200 individuals listed in the register of the debenture holders maintained by the Canadian Depository for Securities Limited (CDS);

24. Petitioners have provided the Monitor with their full cooperation and the Monitor has had unrestricted access to their premises, as well as to the various books and records. The Monitor has implemented procedures to insure a weekly monitoring of the receipts and disbursements, as provided by the CCAA, and is being provided by Petitioners with a weekly comparison and variance analysis of actual results against Petitioners cash flow projections filed with the application made pursuant to the CCAA;

25. The Monitor has been actively involved with Petitioners' Management in analyzing various restructuring alternatives, including the preparation of numerous financial projections;

26. The Monitor, with Petitioners had meetings with Petitioners' Bankers, landlords, debenture holders and other Creditors;

27. The Petitioners with the aid of the Monitor have devoted a significant amount of time and energy in developing a business plan, and a restructuring of Petitioners' affairs and financial situation, as more fully described hereinafter and in Petitioners' Motion for the extension of the Initial Order;

OPERATIONS

28. Since the granting of the Initial Order, Petitioners have continued to operate all 116 stores and boutiques. In general, Petitioners have been able to obtain the cooperation of their employees and creditors. Petitioners have maintained their levels of quality and service to their customers;

29. Petitioners have faced operational issues unrelated to the CCAA proceedings that have negatively affected the day-to-day operations, including:

- Sales were negatively affected during the week the Initial Order was rendered as the Montréal area and the other regions in the Province of Québec experienced two major snow storms, thus limiting customer traffic in the stores;

- On Boxing Day (December 26, 2003), which is historically the best selling day of the year, the Montréal downtown Les Ailes store was affected by a flood and a power failure that resulted in a delayed opening of the store.

- **Employees**

30. Immediately upon the granting of the Initial Order, Petitioners implemented a communication program aimed at informing all of its employees of the CCAA proceedings, with the objective of reassuring the employees, improving moral, and retaining employees;

31. Petitioners have continued to make payments to their employees in the ordinary course of business, with the exception of severance obligations relating to pre-filing terminations which were stayed by the Initial Order.

- **Customers**

32. Since the granting of the Initial Order, Petitioners have continued to honor all benefits under the customer loyalty programs, the gift certificates as well as the credit notes in circulation.

- **Suppliers**

33. Following the Initial Order, Petitioners have addressed suppliers' concerns with respect to pre-filing balances owed and have negotiated with most suppliers to insure the continued supply of goods and services. Petitioners and their advisers have been dealing with certain suppliers to ensure the continued performance under existing contracts including, but not limited to, consignment agreements.

- **Cash management issues**

34. Petitioners have maintained all of their bank accounts, including their main operating accounts with the National Bank of Canada. Upon the granting of the Initial Order, Petitioners ensured that cheques issued prior to the Initial Order were not paid.

SENIOR EXECUTIVE AND BOARD MEMBERS RESIGNATIONS AND CRO APPOINTMENT

35. On December 18, 2003, Mr. Paul-André Guillotte resigned as a member of the Board of Directors and as Chairman of the Audit Committee. Mr. Gaétan Frigon replaced Mr. Guillotte as Chairman of the Audit Committee;

36. On December 29, 2003, Mr. Pierre Hébert resigned as a member of the Board of Directors and Mr. Sylvain Toutant also resigned as President and Chief Executive Officer and as a member of the Board of Directors;

37. Following the above-mentioned resignations, Mr. Gaétan Frigon was appointed Chief Restructuring Officer (the "CRO"), with the responsibility of preparing an operational and financial restructuring plan and developing Petitioners' Plan of Arrangement.

38. Also, the services of Mr. Jean-Claude Gagnon FCMC, FCA and Mr. Laurent Mériaux were retained to act respectively as Chief Operating Officer and Chief Financial Officer.

CASH FLOW PROJECTIONS

39. Included as Appendix "A" of this Report, is a summary statement of Petitioners' receipts and disbursements for the period December 17, 2003 to January 10, 2004 as well as a forecasted statement prepared by Petitioners with the assistance of the Monitor, for the period January 11, 2004 to April 4, 2004. Upon the issuance of the Initial Order, Petitioners had approximately $2.2M of available cash. For the period December 17, 2003 to January 10, 2004, Petitioners had a net cash inflow of approximately $13.1M. As a result, Petitioners' cash balance as at January 10, 2004 was approximately $15.3M. The cash flow projections indicate that Petitioners expect to have approximately $3.5M of cash as of March 14, 2004;

40. Included as Appendix "B" of this Report, is the individual and combined statements of receipts and disbursements compared to the Cash Flow Projections filed with the Court in support to the CCAA application, for the period December 17, 2003 to January 10, 2004 (the ''Period''). There were no receipts and disbursements for Les Éditions San Francisco Incorporées for the Period as forecasted. Our comments will be limited to the combined statement of receipts and disbursements for the Period although it is important to note from the individual statements that there were no transfers of funds between the Companies during the Period, except for payment of the management fees.

41. The positive variance of $8.9M during the Period is explained as follows:

- **Receipts**

  Actual receipts of $22.6M were approximately 6.6% lower than forecasted.

- **Disbursements**

  The disbursements were approximately $9.5M, which is $6.4M lower than forecasted. This positive variance is explained by the following:

  - approximately $4.9M of merchandise purchases were postponed to future periods;

- salaries and DAS were approximately $330,000 lower than forecasted for the Period;
- sales taxes of $2.2M representing the net sales taxes payable for the period December 17, 2003 to January 3, 2004 were paid, together with Ontario sales tax amounting to approximately $59,000 which is for a period prior to the issuance of the Initial Order;
- approximately $2.7M of expenses, initially forecasted to be disbursed during the Period , are believed to be a timing difference which is expected to reverse in future periods.

POST-FILING OBLIGATIONS

42. Petitioners cannot determine the exact amount of the post-filing obligations that have been incurred since December 17, 2003 and remain unpaid as at January 10, 2004, until the monthly closing of the books and records is completed. Based on information provided by Petitioners, the Monitor has estimated certain specific post-filing obligations relating to amounts owing to employees, deductions at source and benefits, sales tax and purchases. These estimates are included in Appendix “C” and are estimated to exceed $3.1M as at January 10, 2004.

POTENTIAL DIRECTORS’ AND OFFICERS’ EXPOSURE

43. Petitioners are providing on a regular basis a report to the Board of Directors estimating the accrued amount of potential statutory post-filing liabilities. Included in Appendix “D” are extracts from said report as at January 10, 2004**.**

VALUATION OF INVENTORIES

44. Gordon Brothers Group LLC, a well-known valuation firm specializing in the retail business, has been appointed by the banking syndicate with the consent of Petitioners and the Monitor, in order to provide a liquidation value appraisal of the inventories of Petitioners;

OPERATIONAL/RESTRUCTURING BUSINESS PLAN

45. Further to the Initial Order, Petitioners, in conjunction with the CRO, performed an in-depth analysis of the various business units. This analysis enabled Petitioners to identify the key strengths and weaknesses of the business and led to the determination of a restructuring plan.

- **Overview of business plan**

46. Petitioners have developed a comprehensive restructuring business plan aimed at returning Petitioners’ business to profitability, which incorporates the implementation of a Plan of Arrangement;

47. The business plan focuses on two (2) core businesses for which Petitioners have a position of strength in the marketplace, namely:

  - Les Ailes de la Mode banner;
  - The swimwear division (San Francisco Maillots and Bikini Village).

48. The above was supported mainly by the following:

- Les Ailes department store is a leading Québec fashion-apparel retailer with proven success in smaller-suburban markets;
- Bikini Village and San Francisco Maillots banners have a 50% market share of the Québec swimwear market and a 20% share of the balance of the Canadian swimwear market.

49. Petitioners have decided to dispose of the non-core business units (San Francisco and Victoire Delage/Moments Intimes) on a going-concern basis in order to maximize the realization of the underlying value of these businesses. The reasoning behind this decision is summarized as follows:

- The San Francisco banner has not evolved with the market place and as such has lost market share. Said banner is currently unprofitable and requires a significant investment in leaseholds and marketing in order to return to profitability. Nevertheless, management believes that this banner has an important underlying value given its name recognition and favorable store locations;
- The Victoire Delage and Moments Intimes banners are well recognized brands in Québec, but do not have the critical level of buying power required to compete effectively in the lingerie sector.

50. In order to return the Les Ailes downtown location to profitability, the store is planned to be downsized from 223,000 sq. ft. to approximately 75,000 sq. ft. (two levels). Management anticipates that the downsized store will open in August 2004. In order to achieve the above and allow the renovations and reconfiguration of this store, this location will be temporarily closed no later than April 30, 2004**.** In order to prepare for such renovation, Petitioners will proceed with the immediate liquidation of the inventories of its downtown location;

51. Petitioners will proceed with the sale of the head office building (44,000 sq. ft.), which it currently owns and will move the head office operations into existing office space available (18,000 sq. ft.) at its Les Ailes Brossard store;

52. The above-noted disposal of non-core business units, redundant assets and inventory liquidations is anticipated to generate a significant realization. Any net realization from the sale of fixed assets will be used to repay the Bank Syndicate term loan;

53. During the course of the diagnostic review, Petitioners have identified four (4) unprofitable stores that are to be closed in early fiscal 2004;

54. Furthermore, the business plan provides for significant cost-cutting measures (approximately $8.5M on an annual basis) in order to streamline the remaining administration and warehousing functions given the downsized operations;

55. The business plan further provides for required ongoing investment in information technology and leasehold improvements (approximately $4.9M annually for 2004/5 and 2005/6).

56. As part of the restructuring, Petitioners may recapitalize its business, concurrent or subsequent to the Plan of Arrangement;

- **Financial Projections**

57. The combined projected financial results reflected in Petitioners' business plan are summarized as follows:

Fiscal Year	2004	2005
Sales	$137,754	$143,181
Earnings before restructuring costs	$ 1,205	$ 4,607

58. The projections indicate that subsequent to the restructuring period (2004), Petitioners will return to profitability;

59. Petitioners should have the financial ability to submit a viable Plan of Arrangement to its creditors.

- **Equity investment**

60. The restructuring efforts also involves an equity investment. In this regard, potential investors have already contacted Petitioners as well as the Monitor to advise them of their interests. The recapitalization may be concurrent or subsequent to the Plan of Arrangement.

- **Critical path in the implementation of a Plan of Arrangement**

61. Petitioners have identified, in conjunction with the CRO and the Monitor, the following four (4) phase critical path required to allow the successful restructuring of Petitioners and their emergence from CCAA:

- **PHASE 1**

62. Petitioners have completed phase I of the restructuring plan, which included detailed analytical review of the businesses, leading to the elaboration of the restructuring plan.

- **PHASE II**

63. Phase II of the restructuring plan (January 15, 2004 to March 15, 2004) requires the implementation of the identified rationalization measures, including the termination of employees, the cancellation of leases, the liquidation of inventories as well as the commencement of the process of disposing of non-core businesses and redundant assets. During this phase, Petitioners intend on obtaining a financing commitment for their operations, beginning negotiations for an equity investment, determining the various classes of creditors and initiating the Proof of Claim process.

- **PHASE III**

64. Phase III of the restructuring plan (March 16, 2004 to May 14, 2004) involves the closing of the required financing and the sale of non-core business units and redundant assets, as well as the negotiation of the terms of settlement with the various stakeholders. Petitioners may obtain a commitment for an equity investment and should file the Plan of Arrangement during this phase.

- **PHASE IV**

65. In Phase IV (May 15, 2004 to July 14, 2004), Petitioners expect to hold the meetings with the various classes of creditors, seeking the approval of the Plan of Arrangement by the creditors and the sanctioning of same by the Court. They further intend to complete the previously committed equity investment.

FILING OF A PRELIMINARY PLAN OF ARRANGEMENT

66. Petitioners have prepared a preliminary Plan of Arrangement than can only be finalized once the amount of debts to be settled and the required funds can be determined. Both of these amounts are dependant upon the result of the restructuring plan, particularly the sale of the non-core business units and head office;

67. As the restructuring plan involves the termination of employees and the repudiation of leases, the resulting amounts owing will be required to be settled through the Plan of Arrangement;

REQUEST FOR AN EXTENSION TO THE STAY OF PROCEEDINGS

68. Pursuant to the Initial Order, the stay period expires on January 15, 2004. Petitioners are now seeking an extension of the stay period to March 15, 2004 together with an amendment of the Initial Order;

69. Indeed, not only do Petitioners require additional time, but they also require, inter alia, the right to terminate agreements (including leases and employment agreements), in order to successfully reorganize its business and file a Plan of Arrangement;

70. An extension of the stay period is necessary for Petitioners to implement the corrective measures required under its plan, commence negotiations with its critical suppliers and contact potential purchasers for the redundant assets. The implementation of the operational business plan is essential in order for Petitioners to be in a position to present a definitive Plan of Arrangement to its creditors;

71. The cash flow projections indicate that Petitioners will continue to be able to fund their operations during the stay period if the request for an extension is granted;

72. Based upon the proposed reorganization outlined herein and the financial forecasts for the extension period, it would appear that none of the affected creditors will suffer any prejudice from the granting of an extension. Therefore, the Monitor recommends that Petitioners' request for an extension of the stay period to March 15, 2004 be granted.

All of which is respectively submitted by Richter & Associés Inc. in its capacity as Court-Appointed Monitor of Les Boutiques San Francisco Incorporées, Les Ailes de la Mode Incorporées and Les Éditions San Francisco Incorporées.

DATED AT MONTREAL, this 14th day of January, 2004.

RICHTER & ASSOCIÉS INC.
Court-Appointed Monitor

Per: Benoît Gingues, CA

APPENDIX A

Forecast for the week ending
BOUTIQUES SAN FRANCISCO (consolidated)

	Actual				Forecasted			Forecasted				Forecasted					
	Dec 17 to 20	Dec 27	Jan 3	Jan 10	Jan 17	Jan 24	Jan 31	Feb 7	Feb 14	Feb 21	Feb 28	Mar 7	Mar 14	Mar 21	Mar 28	Apr 4	Total
Receipts																	
Sales receipts, including taxes	4,996,692	9,066,409	4,417,998	4,111,840	3,555,995	3,242,155	2,466,319	3,638,025	3,638,025	3,638,025	3,638,025	3,388,590	3,388,590	3,388,590	3,388,590	3,388,590	63,352,459
Sale of non-core business units and redundant assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,700,000	-	1,700,000
Gift certificate redemptions	-	-	-	-	(250,000)	(250,000)	(250,000)	(125,000)	(125,000)	(125,000)	(125,000)	-	-	-	-	-	(1,250,000)
Rents	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit card rewards program reimbursement	-	-	-	-	400,000	-	-	-	-	-	-	-	-	-	-	-	400,000
Total receipts	4,996,692	9,066,409	4,417,998	4,111,840	3,705,995	2,992,155	2,216,319	3,513,025	3,513,025	3,513,025	3,513,025	3,388,590	3,388,590	3,388,590	5,088,590	3,388,590	64,202,459
Disbursements																	
Purchases	46,566	3,202	345,917	202,919	2,055,729	3,155,576	3,155,576	1,835,738	1,835,738	2,035,738	2,035,738	1,180,920	1,180,920	1,380,920	1,480,920	1,680,920	23,613,038
Salaries	-	1,467,676	776	1,685,062	-	1,735,814	-	1,100,000	-	1,100,000	-	1,100,000	-	1,100,000	-	1,100,000	10,389,328
DAS	95	607,316	-	749,796	-	746,400	-	473,000	-	473,000	-	473,000	-	473,000	-	473,000	4,468,607
General & admin.	249,731	48,810	1,421,618	434,930	2,123,859	922,600	997,750	1,788,813	657,813	1,713,813	657,813	1,863,250	732,250	1,788,250	732,250	1,863,250	17,996,800
Financial	360	-	-	26,452	1,010,000	100,000	200,000	-	10,000	100,000	100,000	-	10,000	100,000	1,000,000	-	2,656,812
Sales taxes	-	58,664	1,714,637	438,928	546,000	-	-	-	-	-	-	-	-	48,149	26,012	150,707	2,983,097
Capital expenditures	-	-	-	-	50,000	25,000	25,000	45,000	45,000	45,000	20,000	20,000	20,000	20,000	20,000	95,000	430,000
Total disbursements	296,752	2,185,668	3,482,948	3,538,087	5,785,588	6,685,390	4,378,326	5,242,551	2,548,551	5,467,551	2,813,551	4,637,170	1,943,170	4,910,319	3,259,182	5,362,877	62,537,682
Net receipts (disbursements) from operations	4,699,940	6,880,742	935,050	573,753	(2,079,593)	(3,693,236)	(2,162,008)	(1,729,526)	964,474	(1,954,526)	699,474	(1,248,580)	1,445,420	(1,521,729)	1,829,408	(1,974,287)	1,664,777
(Payment) Reimbursement of pre-filing letter of credits	(1,950,000)	1,950,000	-	-	(1,950,000)	-	-	-	-	-	-	-	-	-	-	-	(1,950,000)
Net receipts (disbursements)	2,749,940	8,830,742	935,050	573,753	(4,029,593)	(3,693,236)	(2,162,008)	(1,729,526)	964,474	(1,954,526)	699,474	(1,248,580)	1,445,420	(1,521,729)	1,829,408	(1,974,287)	(285,223)
Bank balance, per books - opening	2,170,670	4,920,610	13,751,352	14,686,402	15,260,155	11,230,562	7,537,326	5,375,319	3,645,793	4,610,267	2,655,741	3,355,215	2,106,635	3,552,055	2,030,326	3,859,734	2,170,670
Bank balance, per books - closing before statutory claims	**4,920,610**	**13,751,352**	**14,686,402**	**15,260,155**	**11,230,562**	**7,537,326**	**5,375,319**	**3,645,793**	**4,610,267**	**2,655,741**	**3,355,215**	**2,106,635**	**3,552,055**	**2,030,326**	**3,859,734**	**1,885,447**	**1,885,447**

Forecast for the week ending LES BOUTIQUES SAN FRANCISCO INCORPORÉES	Actual				Forecasted			Forecasted				Forecasted					
	Dec 17 to 20	Dec 27	Jan 3	Jan 10	Jan 17	Jan 24	Jan 31	Feb 7	Feb 14	Feb 21	Feb 28	Mar 7	Mar 14	Mar 21	Mar 28	Apr 4	Total
Sales receipts, including taxes	1,779,519	2,800,805	1,692,493	1,695,398	1,512,994	1,350,792	1,220,125	1,654,850	1,654,850	1,654,850	1,654,850	1,532,260	1,532,260	1,532,260	1,532,260	1,532,260	26,332,826
Sale of non-core business units and redundant assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,700,000	-	1,700,000
Gift certificate redemptions	-	-	-	-	(50,000)	(50,000)	(50,000)	(25,000)	(25,000)	(25,000)	(25,000)	-	-	-	-	-	(250,000)
Recovery of management fees - Les Ailes	-	45,581	79,767	-	254,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	1,479,348
Total receipts	1,779,519	2,846,386	1,772,260	1,695,398	1,716,994	1,400,792	1,270,125	1,729,850	1,729,850	1,729,850	1,729,850	1,632,260	1,632,260	1,632,260	3,332,260	1,632,260	29,262,174
Disbursements																	
Purchases	46,566	-	189,460	131,312	1,255,729	1,255,729	1,255,729	648,075	648,075	848,075	848,075	563,140	563,140	763,140	863,140	1,063,140	10,942,526
Salaries	-	597,782	168	650,827	-	650,000	-	450,000	-	450,000		450,000	-	450,000	-	450,000	4,148,777
DAS	-	247,034	-	276,128	-	279,500	-	193,500	-	193,500		193,500	-	193,500	-	193,500	1,770,162
General & admin.	25,329	16,869	810,150	239,741	1,123,750	298,750	298,750	1,080,313	255,313	1,005,313	255,313	1,041,250	216,250	966,250	216,250	1,041,250	8,890,841
Financial	360	-	-	26,452	10,000	100,000	200,000	-	10,000	100,000	100,000	-	10,000	100,000	1,000,000	-	1,656,812
Sales taxes	-	58,664	600,141	-	-	-	-	-	-	-	-	-	-	-	-	-	658,805
Capital expenditures	-	-	-	-	50,000	25,000	25,000	25,000	25,000	25,000	-	-	-	-	-	75,000	250,000
Total disbursements	72,255	920,349	1,599,919	1,324,460	2,439,479	2,608,979	1,779,479	2,396,888	938,388	2,621,888	1,203,388	2,247,890	789,390	2,472,890	2,079,390	2,822,890	28,317,923
Net receipts (disbursements) from operations	1,707,264	1,926,037	172,341	370,938	(722,485)	(1,208,187)	(509,354)	(667,038)	791,462	(892,038)	526,462	(615,630)	842,870	(840,630)	1,252,870	(1,190,630)	944,251
(Payment) Reimbursement of pre-filing letter of credits	(1,950,000)	1,950,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net receipts (disbursements)	(242,736)	3,876,037	172,341	370,938	(722,485)	(1,208,187)	(509,354)	(667,038)	791,462	(892,038)	526,462	(615,630)	842,870	(840,630)	1,252,870	(1,190,630)	944,251
Bank balance, per books - opening	732,422	489,687	4,365,724	4,538,065	4,909,003	4,186,518	2,978,330	2,468,976	1,801,938	2,593,400	1,701,362	2,227,824	1,612,194	2,455,064	1,614,434	2,867,304	732,422
Bank balance, per books - closing before statutory claims	489,687	4,365,724	4,538,065	4,909,003	4,186,518	2,978,330	2,468,976	1,801,938	2,593,400	1,701,362	2,227,824	1,612,194	2,455,064	1,614,434	2,867,304	1,676,674	1,676,674

Forecast for the week ending LES AILES DE LA MODE INCORPORÉES	Actual				Forecasted			Forecasted				Forecasted					
	Dec 17 to 20	**Dec 27**	**Jan 3**	**Jan 10**	**Jan 17**	**Jan 24**	**Jan 31**	**Feb 7**	**Feb 14**	**Feb 21**	**Feb 28**	**Mar 7**	**Mar 14**	**Mar 21**	**Mar 28**	**Apr 4**	**Total**
Sales receipts, including taxes	3,217,173	6,265,604	2,725,505	2,416,442	2,043,001	1,891,363	1,246,194	1,983,175	1,983,175	1,983,175	1,983,175	1,856,330	1,856,330	1,856,330	1,856,330	1,856,330	37,019,633
Sale of non-core business units and redundant assets												-	-	-	-	-	-
Gift certificate redemptions	-	-	-	-	(200,000)	(200,000)	(200,000)	(100,000)	(100,000)	(100,000)	(100,000)	-	-	-	-	-	(1,000,000)
Rent	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-
Credit card rewards program reimbursement	-	-	-	-	400,000	-	-	-	-	-	-	-	-	-	-	-	400,000
Total receipts	3,217,173	6,265,604	2,725,505	2,416,442	2,243,001	1,691,363	1,046,194	1,883,175	1,883,175	1,883,175	1,883,175	1,856,330	1,856,330	1,856,330	1,856,330	1,856,330	36,419,633
Disbursements																	
Purchases	-	3,202	156,457	71,607	800,000	1,899,847	1,899,847	1,187,663	1,187,663	1,187,663	1,187,663	617,780	617,780	617,780	617,780	617,780	12,670,512
Salaries	-	869,894	608	1,034,235	-	1,085,814		650,000	-	650,000	-	650,000	-	650,000	-	650,000	6,240,551
DAS	95	360,282	-	473,668	-	466,900	-	279,500	-	279,500	-	279,500	-	279,500	-	279,500	2,698,445
General & admin.	224,403	31,941	611,468	195,189	1,000,109	623,850	699,000	708,500	402,500	708,500	402,500	822,000	516,000	822,000	516,000	822,000	9,105,960
Financial	-	-	-	-	1,000,000	-	-	-	-	-	-	-	-	-	-	-	1,000,000
Sales taxes	-	-	1,114,496	438,928	546,000	-	-	-	-	-	-	-	-	48,149	26,012	150,707	2,324,292
Capital expenditures	-	-	-	-	-	-	-	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	180,000
Reimbursement of management fees	-	45,581	79,767	-	254,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	1,479,348
Total disbursements	224,498	1,310,900	1,962,796	2,213,627	3,600,109	4,176,411	2,698,847	2,945,663	1,710,163	2,945,663	1,710,163	2,489,280	1,253,780	2,537,429	1,279,792	2,639,987	35,699,107
Net receipts (disbursements) from operations	2,992,676	4,954,705	762,709	202,815	(1,357,108)	(2,485,048)	(1,652,653)	(1,062,488)	173,012	(1,062,488)	173,012	(632,950)	602,550	(681,099)	576,538	(783,657)	720,525
(Payment) Reimbursement of pre-filing letter of credits	-	-	-	-	(1,950,000)	-	-	-	-	-	-	-	-	-	-	-	(1,950,000)
Net receipts (disbursements)	2,992,676	4,954,705	762,709	202,815	(3,307,108)	(2,485,048)	(1,652,653)	(1,062,488)	173,012	(1,062,488)	173,012	(632,950)	602,550	(681,099)	576,538	(783,657)	(1,229,475)
Bank balance, per books - opening	1,438,247	4,430,923	9,385,628	10,148,337	10,351,152	7,044,044	4,558,996	2,906,343	1,843,855	2,016,867	954,379	1,127,391	494,441	1,096,991	415,892	992,430	1,438,247
Bank balance, per books - closing before statutory claims	4,430,923	9,385,628	10,148,337	10,351,152	7,044,044	4,558,996	2,906,343	1,843,855	2,016,867	954,379	1,127,391	494,441	1,096,991	415,892	992,430	208,773	208,773

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Forecast for the week ending	Actual				Forecasted			Forecasted				Forecasted					
LES ÉDITIONS SAN FRANCISCO INCORPORÉES	Dec 17 to 20	Dec 27	Jan 3	Jan 10	Jan 17	Jan 24	Jan 31	Feb 7	Feb 14	Feb 21	Feb 28	Mar 7	Mar 14	Mar 21	Mar 28	Apr 4	Total
Sales receipts, including taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of non-core business units and redundant assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gift certificate redemptions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit card rewards program reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disbursements																	
Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Salaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DAS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General & admin.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimbursement of management fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net receipts (disbursements) from operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Payment) Reimbursement of pre-filing letter of credits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net receipts (disbursements)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank balance, per books - opening	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank balance, per books - closing before statutory claims	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Les Boutiques San Francisco Incorporées/Les Ailes de la Mode Incorporées.
For the period December 17, 2003 to April 4, 2004
Assumptions

- **General**
  This financial forecast is management's estimate of the Boutique San Francisco Group's most probable financial position and results of operations for the forecast period. Accordingly, the forecast reflects management's judgement, based on present circumstances, of the most likely set of conditions and its most likely course of action. The assumptions disclosed herein are those that management believes are significai to the forecast or are key factors upon which the financial results of the Boutique San Francisco Group depend. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to January 14, 2004, the date of this forecast. Therefore, the actual results achieved during the forecast period will vary from the forecast and the variation may be material.

- **Sales:**
  Based on historical trending adjusted for current conditions.

- **Expenses:**
  Based on historical trending adjusted for current conditions.

- **Debentures**
  Assumes no interest payments made.

- **Ivanhoe term debt**
  Assumes no interest payments made.

- **Purchases**
  Purchases are based on the Companies buying plans and are assumed to be paid on a C.O.D. basis.

- **Intercompany accts**
  Assumes Les Ailes de la mode Incorporées reimburses weekly management fees to Les Boutique San Francisco Incorporées based on historical management fee calculations.

APPENDIX B

APPENDIX B

LES BOUTIQUES SAN FRANCISCO INCORPORÉES (COMBINED)
STATEMENT OF RECEIPTS AND DISBURSEMENTS
COMPARED TO THE CASH FLOW PROJECTIONS
FOR THE PERIOD DECEMBER 17, 2003 TO JANUARY 10, 2004 (the "Period")
(Note 1)

	Forecast	Actual	Variance
Receipts			
Sales receipts (note 2)	24,624,501	22,592,941	(2,031,560)
Gift certificate redemptions (note 2)	(500,000)		500,000
Rents	70,000		(70,000)
Credit card rewards program reimbursement			
Total receipts	24,194,501	22,592,941	(1,601,560)
Disbursements (note 3)			
Purchases	5,473,164	598,604	4,874,560
Salaries	3,541,500	3,153,513	387,987
DAS	1,299,500	1,357,207	(57,707)
Selling, General & Admin.	4,610,956	2,066,055	2,544,901
Security Deposits	200,000	89,035	110,965
Financial	10,000	26,812	(16,812)
Sales taxes	701,000	2,212,230	(1,511,230)
Capital expenditures	75,000		75,000
Total disbursements	15,911,120	9,503,456	6,407,665
Net receipts (disbursements) from operations	8,283,381	13,089,485	4,806,104
Payment of pre-filing letter of credits	(1,950,000)		1,950,000
Net receipts (disbursements)	6,333,381	13,089,485	6,756,104
Bank balance - opening		2,170,670	2,170,670
Bank balance- closing	6,333,381	15,260,155	8,926,774

(refer to attached notes)

LES BOUTIQUES SAN FRANCISCO INCORPORÉES
STATEMENT OF RECEIPTS AND DISBURSEMENTS
COMPARED TO THE CASH FLOW PROJECTIONS
FOR THE PERIOD DECEMBER 17, 2003 TO JANUARY 10, 2004 (the "Period")
(Note 1)

	Forecast	Actual	Variance
Receipts			
Sales receipts (note 2)	8,610,404	7,968,216	(642,188)
Gift certificate redemptions (note 2)	(100,000)		100,000
Management fees	400,000	125,348	(274,652)
Total receipts	8,910,404	8,093,564	(816,840)
Disbursements (note 3)			
Purchases	2,731,990	367,338	2,364,652
Salaries	1,500,000	1,248,777	251,223
DAS	551,000	523,162	27,838
Selling, General & Admin.	1,824,472	1,064,054	760,418
Security Deposits	100,000	28,035	71,965
Financial	10,000	26,812	(16,812)
Sales taxes	151,000	658,805	(507,805)
Capital expenditures	75,000		75,000
Total disbursements	6,943,462	3,916,983	3,026,479
Net receipts (disbursements) from operations	1,966,942	4,176,581	2,209,639
Payment of pre-filing letter of credits	(975,000)		975,000
Advances received from Les Ailes			
Net receipts (disbursements)	991,942	4,176,581	3,184,639
Bank balance - opening		732,422	732,422
Bank balance- closing	**991,942**	**4,909,003**	**3,917,061**

(refer to attached notes)

APPENDIX B-2

LES AILES DE LA MODE INCORPORÉES
STATEMENT OF RECEIPTS AND DISBURSEMENTS
COMPARED TO THE CASH FLOW PROJECTIONS
FOR THE PERIOD DECEMBER 17, 2003 TO JANUARY 10, 2004 (the "Period")
(Note 1)

	Forecast	Actual	Variance
Receipts			
Sales receipts (note 2)	16,014,097	14,624,725	(1,389,372)
Gift certificate redemptions (note 2)	(400,000)		400,000
Rent	70,000		(70,000)
Credit card rewards program reimbursement			
Total receipts	15,684,097	14,624,725	(1,059,372)
Disbursements (note 3)			
Purchases	2,741,174	231,266	2,509,908
Salaries	2,041,500	1,904,737	136,763
DAS	748,500	834,045	(85,545)
Selling, General & Admin.	2,786,484	1,002,001	1,784,483
Security Deposits	100,000	61,000	39,000
Sales taxes	550,000	1,553,425	(1,003,425)
Capital expenditures			
Reimbursement of management fees	400,000	125,348	274,652
Total disbursements	9,367,658	5,711,822	3,655,836
Net receipts (disbursements) from operations	6,316,439	8,912,903	2,596,464
Payment of pre-filing outstanding letters of credits	(975,000)		975,000
Advances to BSF			
Net receipts (disbursements)	5,341,439	8,912,903	3,571,464
Bank balance - opening		1,438,249	1,438,249
Bank balance- closing	**5,341,439**	**10,351,152**	**5,009,713**

(refer to attached notes)

LES BOUTIQUES SAN FRANCISCO INCORPORÉES
LES AILES DE LA MODE INCORPORÉES
LES ÉDITIONS SAN FRANCISCO INCORPORÉES

NOTES TO STATEMENTS OF RECEIPTS AND DISBURSEMENTS
COMPARED TO CASH FLOW PROJECTIONS
FOR THE PERIOD DECEMBER 17, 2003 TO JANUARY 10, 2004

Note 1: General

As forecasted, there were no receipts and no disbursements for the Period for Les Éditions San Francisco Incorporées and, consequently, no statement of receipts and disbursements was prepared.

Note 2: Receipts

Actual receipts correspond to the sales of the period (plus taxes), net of gift certificate redemptions, with the exception of American Express transactions which are presented on a cash basis.

Note 3: Disbursements

The actual disbursements are accounted for as of the date of issuance of the cheque.

APPENDIX C

LES BOUTIQUES SAN FRANCISCO INCORPORÉES **APPENDIX C**
LES AILES DE LA MODE INCORPORÉES
LES ÉDITIONS SAN FRANCISCO INCORPORÉES

ESTIMATED LIABILITIES
AS AT JANUARY 10, 2004 (note 1)

		BSF	Les Ailes	Editions	Total
1)	**Net salaries (note 2)**				
	2w/e January 10, 2004 (estimated)	650,000.00 $	1,100,000.00 $	-	1,750,000.00 $
2)	**Deductions at source and benefits**				
	2 w/e December 27, 2003	15,000.00	20,000.00	-	35,000.00
	2w/e January 3, 2004 (estimated)	279,500.00	466,900.00	-	746,400.00
3)	Sales taxes (estimated) (including GST, QST and PST)	251,000.00	295,000.00	-	546,000.00
4)	**Purchases**				
	Purchases (estimated) (note 3)	-	65,000.00	-	65,000.00
	Consignment agreement (note 4)	to be determined	to be determined	-	to be determined
5)	Selling, General & Admin. (note 5)	to be determined	to be determined	-	to be determined
	Total	1,195,500.00 $	1,946,900.00 $	- $	3,142,400.00 $

Note 1 : The above represents estimated liabilities and contingencies as at January 10, 2004 for certain specific expenses incurred since December 17, 2003.

Note 2 : Excluding vacation pay.

Note 3 : Represents estimated value of merchandise received at warehouse less amount paid since December 17, 2003

Note 4 : The various consignment agreements are being reviewed by the companies' attorney.

Note 5 : To be determined upon closing of books at month end.

APPENDIX D

LES BOUTIQUES SAN FRANCISCO INCORPORÉES
Potential Directors & Officers' Liabilities, as at (estimated)

	Jan 10, 2004
Sales taxes payable	$546,000
DAS payable	747,570
Salaries payable	1,735,038
Vacation payable	259,190
	$3,287,798

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