

News release – for immediate distribution

Sender: Les Boutiques San Francisco Incorporées

Symbol TSX : SF.A, SF.B

**LES BOUTIQUES SAN FRANCISCO INCORPORÉES ACCEPT  
THE OFFER OF RECAPITALIZATION AND BUSINESS RECOVERY  
MADE BY A GROUP OF INVESTORS**

LONGUEUIL, QUÉBEC, May 10, 2004 --- Les Boutiques San Francisco Incorporées (the Corporation) announced that its Board of Directors has, on unanimous recommendation of the independent committee of the Board of the Corporation, today accepted the offer of recapitalization and business recovery of the Corporation and Les Ailes de la Mode Incorporées (Les Ailes) made by a group of investors, composed of business people including the Corporation's founder, Mr. Paul Delage Roberge (the Group of Investors). Mr. Paul Delage Roberge and Mrs. Camille Roberge did not attend the meeting of the Board of Directors during which the decision was made to accept the recapitalization offer of the Group of Investors.

The offer of recapitalization and business recovery made by the Group of Investors was the result of a call for offers process managed by the independent committee of the Corporation's Board of Directors. In connection with process, the Corporation received seven offers from third parties pertaining to recapitalization of the Corporation and of Les Ailes or to the purchase of certain assets. For the purpose of its assessment and recommendation, the independent committee specifically relied on the opinions of its financial advisers, PricewaterhouseCoopers. The Board regarded the offer of recapitalization and business recovery made by the Group of Investors as the best of the seven offers received for all interested parties, specifically the creditors of the Corporation and of Les Ailes.

The offer consists in a private offering involving the purchase of units of the Corporation (up to one third of the amounts subscribed) and debentures of the Corporation (up to two thirds of the amounts subscribed). The total minimum amount of the offering is \$15.4 million.

The unit subscription price will be \$0.50 per unit for a total of \$5.1 million. Each unit will be composed of one Class B Subordinate Share of the capital of the Corporation (the Subordinate Shares) and one stock purchase warrant for a Subordinate Share. Each stock purchase warrant will entitle its holder to purchase one Subordinate Share at any time within 24 months of the issuance thereof, at an exercise price of \$0.60 per share in the first year and \$0.70 per share in the second year.

The \$10.3 million in debentures will be for a term of four years and will be secured by a second-ranking mortgage. They will bear interest, payable monthly, as of the first month following the issuance thereof at a per annum rate of 10% calculated monthly. They will be redeemable at the discretion of the Corporation after the third anniversary of their issuance and will be convertible at the discretion of the holder at any time up to maturity, in whole or in part, into Subordinate Shares at a conversion price of \$0.50 per share.

Under the terms of the offering, and assuming complete conversion of the debentures, the Corporation will issue a total of 30,880,000 Subordinate Shares representing approximately 71.6% of all shares issued and outstanding further to implementation of the private offering (including the Subordinate Shares that make up the units and the Subordinate Shares underlying the debentures, but excluding the Subordinate Shares to be issued further to the exercise of the warrants). According to the information received from the Group of Investors, as of the closing date of the offering, the Group of Investors will control the Corporation.

The recapitalization offer is also conditional upon an agreement regarding the Complexe Les Ailes in downtown Montréal being entered into between the Corporation, Les Ailes and Ivanhoe Cambridge by May 27, 2004.

The Corporation intends to apply the proceeds of the private offering to repay the balance of the secured loan granted by the banking syndicate of Les Ailes and to pay the portion of the payable dividend to the creditors of the Corporation and of Les Ailes upon homologation by the Superior Court of Québec of the arrangement contemplated by the recapitalization offer pursuant to the *Companies' Creditors Arrangement Act*. The balance will be used to finance the operations of the Corporation and of Les Ailes after the closing of the recapitalization offer.

The offer also provides for payment of a total of \$15.6 million to the creditors of the Corporation and of Les Ailes other than the banking syndicate. This amount will be distributed among the creditors of both corporations in the proportions and on such terms and conditions that the Corporation and Les Ailes still need to establish. As part of the recapitalization offer, 50% of the dividend will be payable in cash to the creditors as soon as possible after the date the recapitalization plan is homologated by the Court, 25% will be payable in cash on December 30, 2004 and 25% will be payable in cash on July 29, 2005.

The Group of Investors has stated its intention to maintain the current employees of the Corporation and of Les Ailes in their positions and to establish and consolidate a management team.

Implementation of the recapitalization offer is subject to the following: obtaining the consent of the respective creditors of the Corporation and of Les Ailes; homologation by the Court of the arrangement plan contemplated by the recapitalization offer pursuant to the *Companies' Creditors Arrangement Act*; the signing of the final documents and the other usual terms and the obtaining of all requisite consents and approvals from the relevant regulatory authorities and self-regulatory bodies as well as all approvals required pursuant to the contractual obligations of the Corporation and of Les Ailes. The Corporation must obtain all necessary approvals by July 30, 2004.

The Corporation has agreed not to solicit any competing proposals to the recapitalization offer. Under certain circumstances an amount of \$500,000 may be payable to the Group of Investors as a "compensation".

All details pertaining to the terms and conditions of the recapitalization offer will be set forth in the arrangement plan that the Corporation and Les Ailes plan to file with the Court by the end of May, 2004.

On December 17, 2003 the Corporation obtained an initial order under the *Companies' Creditors Arrangement Act*, which order has since been extended to Friday, May 21, 2004.

As part of its restructuring process, the Corporation has sold its Boutiques San Francisco as well as two lingerie boutiques, Victoire Delage and Moments Intimes. The Corporation still operates four Les Ailes de la Mode stores and a network of bathing suit stores operating under the banners Bikini Village and San Francisco Maillots.

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