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February 29, 2008

TO: SERVICE LIST ATTACHED

Dear Sir/Madam:

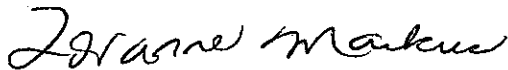
**RE: Cotton Ginny Inc., CG Operations (H/O) Limited, CG Operations I Limited and
CG Operations II Limited
Our Client: Mintz & Partners Limited, the Monitor
Our File No.: 82276**

Please find enclosed the First Report of the Monitor, served upon you pursuant to the *Rules of Civil Procedure*.

Yours very truly,

KRONIS, ROTSZTAIN, MARGLES, CAPPEL

Per:



Mervyn D. Abramowitz, C.S.

for MDA:lm

Encl.

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SERVICE LIST – Updated as of February 29, 2008

Cotton Ginny Inc., CG Operations (H/O) Limited, CG Operations I Limited and CG Operations II Limited

Counsel	Lawyer(s)/ Contact Person(s):	Party Representing	E-MAIL ADDRESS (if applicable)
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**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
(IN BANKRUPTCY AND INSOLVENCY)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF COTTON GINNY
INC., CG OPERATIONS (H/O) LIMITED, CG OPERATIONS I LIMITED, CG OPERATIONS II
LIMITED**

FIRST REPORT OF THE MONITOR
(as of February 29, 2008)

MINTZ & PARTNERS LIMITED in its capacity as
the monitor of Cotton Ginny Inc., CG Operations (H/O)
Limited, CG Operations I Limited and CG Operations II
Limited

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**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
(IN BANKRUPTCY AND INSOLVENCY)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
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COTTON GINNY INC., CG OPERATIONS (H/O) LIMITED, CG OPERATIONS I
LIMITED, CG OPERATIONS II LIMITED**

**FIRST REPORT OF THE MONITOR
(Dated as of February 29, 2008)**

1. This is the First Report prepared by Mintz & Partners Limited (the "**Monitor**"), in its capacity as the monitor of Cotton Ginny Inc. ("**Cotton Ginny**"), CG Operations (H/O) Limited ("**H/O**"), CG Operations I Limited and CG Operations II Limited (collectively, the "**Companies**") appointed pursuant to section 11.7 of the *Companies' Creditors Arrangement Act* (the "**CCAA**") by an Order of Mr. Justice Morawetz dated February 21, 2008 (the "**Initial Order**"). A copy of the Initial Order is attached hereto as **Appendix "A"**.
2. A First Report of the Proposed Monitor (the "**Proposed Monitor Report**") was prepared by Mintz & Partners Limited ("**MPL**") in advance of its appointment as Monitor and was filed with the Court to provide the Court with MPL's preliminary comments on the Company's weekly cash flow projection for the period February to August 2008 and comment on the impact of the receivership proceedings on the Companies' business should such proceedings have been continued. A copy of the Proposed Monitor Report is attached hereto as **Appendix "B"**.
3. This First Report of the Monitor (the "**First Report**") is prepared pursuant to paragraph 26(b) of the Initial Order which directed the Monitor to report to the Court "... eight (8)

days from the date of this Order, which Report shall include a schedule for subsequent reporting by the Monitor, a description of the nature of such reporting and an updated thirteen (13) week cash flow.”

4. In preparing this First Report, the Monitor has relied upon financial and other information provided by the Companies and on information contained in the Companies’ financial records. The Monitor has not audited or independently verified the information provided by the Companies or contained in the Companies’ financial records. Capitalized terms used in this First Report and not otherwise defined herein shall have the meanings given to them in the Initial Order.

I. Background

5. Founded in 1979, Cotton Ginny is a national retailer of privately branded casual women’s wear. Cotton Ginny operates 129 retail stores located in all provinces except Quebec. Cotton Ginny currently employs approximately 1,281 full-and part-time employees. The corporate head office is in Mississauga, Ontario.
6. On February 6, 2008, Retail Funding Inc. (“**Retail Funding**”), the Companies’ primary secured creditor at that time, made an application to Court for the appointment of RSM Richter Inc. (“**Richter**”) as interim receiver and receiver and manager (the “**Receiver**”) of the Companies. The Court reserved its decision at that time. On February 8, 2008, the Companies made an application to the Court for protection from its creditors, including a stay of proceedings, under the CCAA. That application was opposed by Retail Funding and the Court once again reserved its decision.
7. On February 11, 2008, the Court granted the receivership order sought by Retail Funding and dismissed the Companies’ application under the CCAA; however, in his endorsement Justice Morawetz indicated that there was “no prohibition on the management or board of Cotton Ginny from continuing ongoing activities to refinance.”

8. On February 21, 2008, the Companies once again applied to the Court for protection from its creditors under the CCAA based on the fact that new financing had been arranged, such that Retail Funding could be repaid all amounts owing to it. As a result, on February 21, 2008, the Court granted the Companies' application and an Initial Order was issued. At the same time, a further order was granted (the "Termination of Receivership and Discharge Order") which resulted in the termination of the receivership proceedings against Cotton Ginny.

II. Mintz's Relationship with Certain Persons Involved in these Proceedings

9. At the hearing on February 20, 2008, the Court asked Daniel Weisz of the proposed monitor, MPL, whether its related accounting practice, Mintz & Partners ("**Mintz**"), was performing any services for certain persons who may be involved, directly or indirectly, in these proceedings. Mr. Weisz responded, advising the Court that he was not aware of any work being done for those persons.
10. Following the court hearing that day, Mr. Weisz made enquiries of others at Mintz to ensure that, if Mintz was in fact performing certain services for any such persons, the Court could be so advised. The Monitor wishes to report to the Court that Mintz does do certain work for certain persons involved, directly or indirectly, in these proceedings. However, due to issues of client confidentiality, the details of such arrangements are not set out in this report. The Monitor will, if ordered by the Court, disclose the nature of these arrangements to the Court. However, the Monitor wishes to make clear that any such engagements by Mintz for such persons are not of such a nature that would affect, in any way, the ability of the Monitor to fulfill its duties and obligations to this Honourable Court in these proceedings.

III. Reporting to the Court by the Monitor

11. In the Initial Order, the Monitor was directed to provide a report to the Court that would, inter alia, "include a schedule for subsequent reporting by the Monitor, a description of the nature of such reporting and an updated thirteen (13) week cash flow".

12. The updated thirteen (13) week cash flow (the “**Cash Flow Projection**”) is included, and discussed, later in this report.
13. With respect to future reporting by the Monitor, the Monitor proposes to report to the Court on or about the 15th and the 30th day of each month (until a plan of compromise or arrangement is voted on by creditors of the Companies), commencing on or about March 15, 2008. Such reports will address the following matters:
 - i) the Companies’ actual financial results compared with those projections set out in the Cash Flow Projection; and
 - ii) the inventory of Cotton Ginny. Specifically, the Monitor proposes to provide a roll-forward of Cotton Ginny’s inventory that will be based on the perpetual inventory of Cotton Ginny as at February 20, 2008. The roll-forward will reflect Cotton Ginny’s purchases and cost of sales (calculated as sales multiplied by 46.6% representing Cotton Ginny’s cost of sales as per Cotton Ginny’s fiscal 2006 financial statements) for the particular reporting period.

IV. Reporting Requested by Effigi Inc.

14. By letter dated February 25, 2008, Goodmans LLP (“**Goodmans**”), counsel for Effigi Inc. (“**Effigi**”), requested that the Monitor review and advise on certain matters. Goodmans’ requests, and the Monitor’s position in respect of those requests, are set out below:
 - i. A request to confirm in the First Report that Mintz and each of its partners, has no business or financial relationship whatsoever, including as financial advisor, accountant, or auditor, with various entities referred to in that letter. The Monitor’s response to this request is addressed in Section II above.
 - ii. Provide information with respect to the status of H/O. In particular, Goodmans advised of certain information provided to them by the former Receiver and asked the Monitor to confirm or correct such information. The Monitor plans on

conducting the appropriate investigations and reporting to the Court on these matters in its next report;

- iii. Monitor and advise if the inventory levels of the Companies (not including goods in transit), go below the inventory level as at February 20, 2008. The Monitor intends on monitoring and reporting on the Companies' inventory as part of its regular reporting activities as described above;
- iv. Advise interested parties if the assets other than the inventory are at risk to the DIP Lender or if structures are being created that would put other assets at risk. The Monitor will advise the Court if it becomes aware of any such circumstances occurring;
- v. Confirm that the persons who may benefit from the Administrative Charge are being paid on an ongoing basis and are not building arrears. The Monitor intends on providing updates as to the status of the payments of professional fees subject to the Administrative Charge monthly commencing in its report to be filed on or about March 30, 2008;
- vi. Respond, at a later date, to requests for full disclosure of financial information as to the nature of the transactions relied upon by competing creditors and a complete accounting of advances and payments to and from all Cotton Ginny entities and those alleging to be secured creditors. The Monitor will respond to such requests upon receipt; and
- vii. Report, at a later date, on all related party transactions involving any of the Companies in the last five years including the transactions by which the business operations of H/O were transferred to Cotton Ginny. Again, the Monitor will respond to such requests upon receipt.

The Monitor will address Effigi's requests with Goodmans and will update the Court as the Monitor considers appropriate.

V. Cash Flow Projections


15. The Company initially submitted a thirteen week cash flow statement with its first application for protection under the CCAA that was heard by the Court on February 8, 2008. When the Company returned to the Court on February 21, 2008 with its renewed application for protection from its creditors under the CCAA, it did not have access prior to that application to financial information in order to provide the Court with an updated thirteen week cash flow. As such, when granting the Initial Order, the Court requested that an updated thirteen week cash flow statement be included in the First Report.
16. Attached hereto as **Appendix "C"** is the Cash Flow Projection as provided by the Company for the week ending March 2, 2008 to the week ending May 25, 2008. The Monitor has reviewed the Cash Flow Projection and the assumptions therein. The Monitor's review consisted of inquiries and discussions with management and review of supporting documentation provided by the Companies.
17. The significant assumptions in the Cash Flow Projection are as follows:
 - Weekly sales for March, 2008 are approximately 25.7% lower than the same period in the prior year to account for the lower inventory levels forecast to be on hand during the March 2008 as compared to the same period in the prior year, due to: i) the lack of inventory shipments to the stores during the receivership period, ii) an initial delay in reestablishing shipment terms with suppliers, and iii) the negative publicity that the Companies may experience due to the now terminated receivership proceedings;
 - Weekly sales for April, 2008 are approximately 11.5% lower than the same period in the prior year as inventory levels are forecast to increase from March 2008 levels as shipment terms have reestablished;
 - Weekly sales for May, 2008 are approximately 3.1% lower than the same period in the prior year as inventory levels are forecast to continue to increase from the prior months and the Companies reestablishes their relationship with consumers;

- Store rent will be paid bi-weekly;
 - Approximately 50% of forecast merchandise purchases include credit terms as already agreed to with those suppliers with the other 50% forecast on a cash-on-delivery basis;
 - Interest expense of approximately \$69,000 per month represents interest cost for the DIP Facility; and
 - The Monitor was provided with funding of \$231,000 upon the termination of the receivership in order to provide for: i) an estimated \$5,000 of unfunded payroll for the two-week period ended February 17, 2008, ii) an estimated \$124,000 payroll for the three-day period ended February 20, 2008, and iii) estimated sales taxes (provincial and federal) of \$102,000. For the Cash Flow Projection, the Companies have included the funding provided to the Monitor under Other Income and have included the actual payroll expenses and estimated sales taxes.
18. The Cash Flow Projection indicates that the Companies are forecasting that they will generate sufficient cash internally to fund operations and will not require use of further funding from its DIP Facility during the thirteen week period. As of the date of this First Report, the balance drawn on the DIP Facility is \$4.5 million, with a further \$1,000,000 available to the Companies which should provide sufficient availability to cover any unforeseen costs.
19. Based on its review, nothing has come to the Monitor's attention that causes the Monitor to believe that, in all material respects, the assumptions developed by the Companies are not suitably supported and consistent with the Companies' plans or do not provide a reasonable basis for the Cash Flow Projection. Since the Cash Flow Projection is based on assumptions regarding future events, actual results may vary from the information presented, and such variations may be material. Accordingly, the Monitor can provide no assurances that the Cash Flow Projection will be achieved.

ALL OF WHICH is respectfully submitted this 29th day of February, 2008

MINTZ & PARTNERS LIMITED in its capacity as the monitor of Cotton Ginny Inc., CG Operations (H/O) Limited, CG Operations I Limited and CG Operations II Limited and not in its personal capacity

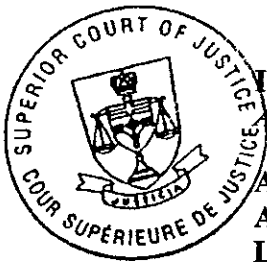
Per _____


HARTLEY BACKS
VICE PRESIDENT

APPENDIX “A”

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE) THURSDAY, THE 21ST
JUSTICE MORAWETZ) DAY OF FEBRUARY, 2008



IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF COTTON GINNY INC., CG OPERATIONS (H/O)
LIMITED, CG OPERATIONS I LIMITED, CG OPERATIONS II
LIMITED

INITIAL ORDER

THIS APPLICATION, made by the Cotton Ginny Inc. ("CGI"), CG Operations (H/O) Limited ("CG Operations"), CG Operations I Limited ("Operations I"), CG Operations II Limited ("Operations II") (individually and together, the "**Applicant**"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") was heard this day at 393 University Avenue, Toronto, Ontario.

ON READING the affidavit of Tony Chahine sworn February 16, 2008, the affidavit of Julie Rulli sworn February 18, 2008, the affidavit of Vincent Wong sworn February 14, 2008, the affidavit of Payal Batra sworn February 14, 2008, the affidavit of Sam Abboud sworn February 15, 2008, the affidavit of Bhupendra sworn February 18, 2008, the Report of Mintz & Partners Limited ("**Mintz**") in its capacity as proposed monitor of the Applicants and the First Report of RSM Richter Inc. in its capacity as interim receiver and receiver of the Applicants, and the Exhibits or Schedules thereto, on hearing the submissions of counsel for the Applicant, the DIP Lender (as hereinafter defined), Retail Funding Inc. ("**RFI**"), Effigi Inc., Pioko International Imports Inc., KTC - Canaren Inc. and Vikeda Industries Inc., 6301533 Canada Inc., QRC

Limited Partnership, OMERS Realty Management Corporation, Ivanhoe Cambridge 1 Inc., Morguard Investments Limited and 20 VIC Management Inc, on behalf of OPB Realty Inc., and Cadillac Fairview Corporation Limited, and on reading the consent of Mintz to act as the monitor of the Applicants.

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that the Applicant are companies to which the CCAA applies.

PLAN OF ARRANGEMENT

3. **THIS COURT ORDERS** that the Applicant shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**") between, *inter alia*, the Applicant and one or more classes of its secured and/or unsecured creditors as it deems appropriate.

POSSESSION OF PROPERTY AND OPERATIONS

4. **THIS COURT ORDERS** that the Applicant shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the Applicant shall continue to carry on business in a manner consistent with the preservation of its business (the "**Business**") and Property. The Applicant shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, and such other persons (collectively, "**Assistants**") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. **THIS COURT ORDERS** that the Applicant shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay, bonuses and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and
- (b) the fees and disbursements of any Assistants retained or employed by the Applicant in respect of these proceedings, at their standard rates and charges.

6. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the Applicant shall be entitled but not required to pay all reasonable expenses incurred by the Applicant in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the Applicant following the date of this Order.

7. **THIS COURT ORDERS** that the Applicant shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the Applicant in connection with the sale of goods and

services by the Applicant, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and

- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicant.

8. **THIS COURT ORDERS** that until such time as the Applicant repudiates a real property lease in accordance with paragraph 10(c) of this Order, the Applicant shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated by the Applicant from time to time ("**Rent**"), for the period commencing from and including the date of this Order, bi-weekly, in advance (but not in arrears).

9. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicant is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicant to any of its creditors as of this date; and (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property.

RESTRUCTURING

10. **THIS COURT ORDERS** that the Applicant shall have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of its business or operations and to dispose of redundant or non-material assets not exceeding \$500,000 in any one transaction or \$1,000,000 in the aggregate, subject to paragraph 10(c), if applicable;

- (b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate on such terms as may be agreed upon between the Applicant and such employee, or failing such agreement, to deal with the consequences thereof in the Plan;
- (c) in accordance with paragraphs 11 and 12, vacate, abandon or quit the whole but not any part of any leased premises and/or repudiate any real property lease and any ancillary agreements relating to any leased premises, on not less than fourteen (14) days' notice in writing to the relevant landlord (and shall pay Rent during such notice period) on such terms as may be agreed upon between the Applicant and such landlord, or failing such agreement, to deal with the consequences thereof in the Plan;
- (d) repudiate such of its arrangements or agreements of any nature whatsoever, whether oral or written, as the Applicant deems appropriate on such terms as may be agreed upon between the Applicant and such counter-parties, or failing such agreement, to deal with the consequences thereof in the Plan; and
- (e) pursue all avenues of refinancing and offers for material parts of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing or any sale (except as permitted by subparagraph (a), above),

all of the foregoing to permit the Applicant to proceed with an orderly restructuring of the Business (the "**Restructuring**").

11. **THIS COURT ORDERS** that the Applicant shall provide each of the relevant landlords with notice of the Applicant's intention to remove any fixtures from any leased premises at least five (5) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicant's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicant, or by further Order of this Court

upon application by the Applicant on at least two (2) days' notice to such landlord and any such secured creditors. If the Applicant repudiates the lease governing such leased premises in accordance with paragraph 10(c) of this Order, it shall not be required to pay Rent under such lease pending resolution of any such dispute, and the repudiation of the lease shall be without prejudice to the Applicant's claim to the fixtures in dispute.

12. **THIS COURT ORDERS** that if a lease is repudiated by the Applicant in accordance with paragraph 10(c) of this Order, then (a) during the notice period prior to the effective time of the repudiation, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicant and the Monitor 24 hours' prior written notice, and (b) at the effective time of the repudiation, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicant in respect of such lease or leased premises and such landlord shall be entitled to notify the Applicant of the basis on which it is taking possession and to gain possession of and re-lease such leased premises to any third party or parties on such terms as such landlord considers advisable, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

13. **THIS COURT ORDERS** that, subject to the other provisions of this Order (including the payment of Rent as herein provided) and any further Order of this Court, the Applicant shall be permitted to dispose of any or all of the Property located (or formerly located) at such leased premises without any interference of any kind from landlords, warehousemen, storers or bailees wherever situate, and, for greater certainty, the Applicant shall have the right to realize upon the Property and other assets in such manner and at such locations, including leased premises, as it deems suitable or desirable for the purpose of maximizing the proceeds and recovery therefrom.

14. **THIS COURT ORDERS** that notwithstanding anything to the contrary in any agreement providing for the liquidation of assets from any leased premises, but subject to: (a) any written agreement between the Applicant, a liquidator and any landlord; or (b) further Order of this Court:

- (a) the Applicant shall at all times abide by and be subject to the terms of all real property leases (collectively the "**Leases**") and shall cause any liquidator to abide

by the terms of the Leases, and the Applicant and the liquidator shall obtain the applicable landlord's approval for all signage and promotional advertising for sales to be conducted by the liquidator pursuant to the agreement with the Applicant in any of the leased premises to the extent otherwise not permitted by the applicable Lease; and

- (b) neither the Applicant nor any liquidator shall augment the merchandise in any leased premises unless otherwise permitted by the applicable Lease or approved by the applicable landlord.

15. **THIS COURT ORDERS** that notwithstanding anything herein but subject to the rights of a trustee in bankruptcy with respect to the assignment of leases: (a) except as expressly permitted by the terms of the Leases, none of the Leases shall be amended or varied, or deemed to be amended or varied, in any way without obtaining the prior written consent of the applicable Landlords; and (b) where any Leases are not, in accordance with their terms, transferable or assignable to a purchaser without first obtaining the consent of the applicable Landlord, none of the Leases shall, absent further Order of the Court be transferred, conveyed, assigned or vested in a purchaser, save and except to the extent that respective consents have been, or are in the future, obtained from the respective Landlords.

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

16. **THIS COURT ORDERS** that until and including March 14, 2008, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicant or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

17. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the

foregoing, collectively being “Persons” and each being a “Person”) against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicant to carry on any business which the Applicant is not lawfully entitled to carry on, (ii) exempt the Applicant from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest as against third parties, or (iv) prevent the registration of a claim for lien, the effect of which is to make the lien or security interest effective as against third parties.

NO INTERFERENCE WITH RIGHTS

18. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicant, except with the written consent of the Applicant and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

19. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicant or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation, services, utility or other services to the Business or the Applicant, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicant, and that the Applicant shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicant in accordance with normal payment practices of the Applicant or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

20. **THIS COURT ORDERS** that, notwithstanding anything else contained herein, no creditor of the Applicant shall be under any obligation after the making of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicant. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

21. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.5(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicant with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicant whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicant, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicant or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

22. **THIS COURT ORDERS** that the Applicant shall indemnify its directors and officers from all claims, costs, charges and expenses relating to the failure of the Applicants, after the date hereof, to make payments of the nature referred to in subparagraphs 5(a), 7(a), 7(b) and 7(c) of this Order which they sustain or incur by reason of or in relation to their respective capacities as directors and/or officers of the Applicants except to the extent that, with respect to any officer or director, such officer or director has actively participated in the breach of any related fiduciary duties or has been grossly negligent or guilty of wilful misconduct.

23. **THIS COURT ORDERS** that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the property, assets and undertaking of Cotton Ginny Inc. (the "**CGI Property**") which charge shall not exceed an aggregate amount of \$750,000, as security for the indemnity provided in paragraph 22 of this Order. The Directors' Charge shall have the priority set out in paragraphs 40 and 42 herein.

24. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicant's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 22 of this Order.

APPOINTMENT OF MONITOR

25. **THIS COURT ORDERS** that Mintz & Partners Limited is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the Property and the Applicant's conduct of the Business with the powers and obligations set out in the CCAA or set forth herein and that the Applicant and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations.

26. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicant's receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein but in any event the Monitor's First Report to this Court shall be filed ~~seven~~ ^{eight} ~~(X)~~ ⁸ days from the date of this Order, which Report shall include a schedule for subsequent reporting by the Monitor, a description of the nature of such reporting and an updated thirteen (13) week cash flow;
- (c) assist the Applicant, to the extent required by the Applicant, in its dissemination, to the DIP Lender and its counsel of financial and other information as agreed to between the Applicant and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;

- (d) advise the Applicant in its preparation of the Applicant's cash flow statements and the reporting required to be made to the DIP Lender (as hereinafter defined), which information shall be delivered to the DIP Lender as required by the DIP Lender;
- (e) advise the Applicant in its development of the Plan and any amendments to the Plan;
- (f) advise the Applicant, to the extent required by the Applicant, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (g) have full and complete access to the books, records and management, employees and advisors of the Applicant and to the Business and the Property to the extent required to perform its duties arising under this Order;
- (h) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;
- (i) consider, and if deemed advisable by the Monitor, prepare a report and assessment on the Plan; and
- (j) perform such other duties as are required by this Order or by this Court from time to time.

27. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

28. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the

protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the “**Environmental Legislation**”), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor’s duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

29. **THIS COURT ORDERS** that the Monitor shall provide any creditor of the Applicant and the DIP Lender (as hereinafter defined) with information provided by the Applicant in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall only provide such information to the party requesting it if the Monitor determines that the information is not confidential, subject to further order of this Court. The Monitor shall not have any responsibility ^{or} liability with respect to the information disseminated by it pursuant to this paragraph. ~~In the case of information that the Monitor has been advised by the Applicant is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicant may agree.~~ [✓]

30. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

31. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicant shall be paid their reasonable fees and disbursements in each case at their normal rates and charges, both before and after the making of this Order, by the Applicant as part of the costs of these proceedings. The Applicant is hereby authorized and directed to pay the accounts of the

Monitor, counsel for the Monitor and counsel for the Applicant on a weekly basis and, in addition, the Applicant is hereby authorized to pay to the Monitor, counsel to the Monitor, and counsel to the Applicant, retainers in the amounts of \$100,000 each to be held by them as security for payment of their respective fees and disbursements outstanding from time to time

32. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

33. **THIS COURT ORDERS** that the Monitor, ^{CGI} counsel to the Monitor, if any, the Applicant's counsel and the Receiver and its counsel as provided by the Order of the Court of even date in the Receivership proceedings bearing Court File No. 08-CL-7371 (the "**Receivership Discharge Order**") shall be entitled to the benefits of and are hereby granted a charge (the "**Administration Charge**") on the ⁽¹²⁾ Property ~~(excluding the property, assets and undertaking of CG Operations)~~, which charge shall not exceed an aggregate amount of \$750,000, as security for their professional fees and disbursements incurred at their normal rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 40 and 42 hereof.

DIP FINANCING

34. **THIS COURT ORDERS** that the Applicant is hereby authorized and empowered to obtain, borrow, repay and reborrow a loan (the "**DIP Loan**") from Black Saxon QRC Inc., in its capacity as general partner for and behalf of QRC Limited Partnership ("**QRC**"), 21st Capital Group Corporation and other lenders who may agree to participate in the loan (collectively, the "**DIP Lender**") in order to: (a) repay the obligations owing to Retail Funding Inc. ("**RFI**"); (b) finance the Applicant's working capital requirements; and (c) and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$6,000,000 unless permitted by further Order of this Court.

35. **THIS COURT ORDERS THAT** such credit facility shall be substantially on the terms and subject to the conditions set forth in the Term Sheet between the Applicant and the DIP Lender dated as of February 14, 2008 (the “**Commitment Letter**”), filed.

36. **THIS COURT ORDERS** that the Applicant is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents as may be reasonably required by the DIP Lender pursuant to the terms thereof (the “**Definitive Documents**”), and the Applicant is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Commitment Letter as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

37. **THIS COURT ORDERS** that QRC, as custodian and agent on behalf of the DIP Lender, shall be entitled to the benefits of and are hereby granted a charge (the “**DIP Lender’s Charge**”) on the Property as security for the DIP Loan, which charge shall not exceed \$6,000,000. Provided however that in respect of the property, assets and undertaking of CG Operations, Operations I and Operations II (the “**Subsidiaries**”) the DIP Lender’s Charge shall be limited to the amounts of the RFI Payment and the Fee Payment as such terms are defined in the Receivership Discharge Order. The DIP Lender’s Charge shall have the priority set out in paragraphs 40 and 42 hereof.

38. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender’s Charge or the Definitive Documents (if any);
- (b) upon the occurrence of an event of default under the Commitment Letter or the Definitive Documents (if any), the DIP Lender, upon 5 days notice to the Applicant and the Monitor, may exercise any and all of its rights and remedies against the Applicant or the Property under or pursuant to the Commitment Letter, Definitive Documents (if any) and the DIP Lender’s Charge, including without limitation, to cease making advances to the Applicant and set off and/or

consolidate any amounts owing by the DIP Lender to the Applicant against the obligations of the Applicant to the DIP Lender under the Commitment Letter, the Definitive Documents (if any) or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicant and for the appointment of a trustee in bankruptcy of the Applicant, and upon the occurrence of an event of default under the terms of the Definitive Documents (if any), the DIP Lender shall be entitled to seize and retain proceeds from the sale of the Property and the cash flow of the Applicant to repay amounts owing to the DIP Lender in accordance with the Definitive Documents (if any) and the DIP Lender's Charge, but subject to the priorities as set out in paragraphs 40 and 42 of this Order provided that in exercising its rights and remedies against the Applicant or the Property, the DIP Lender shall first exercise such rights and remedies against the inventory and proceeds thereof of CGI, and thereafter shall be entitled to proceed against the remaining Property in accordance with this Order; and

- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicant or the Property.

39. **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicant under the CCAA, or any proposal filed by the Applicant under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (the "BIA"), with respect to any advances made under the Commitment Letter.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

40. **THIS COURT ORDERS** that the priorities of the Directors' Charge, the DIP Lender's Charge and the Administration Charge, as among them, shall, subject to paragraph 42, be as follows:

First – Administration Charge (to the maximum amount of \$750,000);

JD
with respect to the CGI Property

Second – DIP Lender’s Charge; and

Third – Directors’ Charge with respect to ^{AD}CGI ^{AD}(to the maximum amount of \$750,000).
the Property

41. **THIS COURT ORDERS** that the filing, registration or perfection of the Directors’ Charge, the DIP Lender’s Charge or the Administration Charge (collectively, the “**Charges**”) shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

42. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, statutory or otherwise (collectively, “**Encumbrances**”) in favour of any Person.

43. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges unless the Applicant also obtains the prior written consent of the Monitor and the beneficiaries of the Charges, or further Order of this Court.

44. **THIS COURT ORDERS** that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the “**Chargees**”) shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease,

sublease, offer to lease or other agreement (collectively, the “**Agreement**”) which binds the Applicant, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Commitment Letter or the Definitive Documents (if any) shall create or be deemed to constitute a breach by the Applicant of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the entering into of the Commitment Letter, the creation of the Charges or the execution, delivery or performance of the Definitive Documents (if any); and
- (c) the payments made by the Applicant pursuant to this Order, the Commitment Letter or the Definitive Documents (if any) and the granting of the Charges, do not and will not constitute fraudulent preferences, fraudulent conveyances, oppressive conduct, settlements or other challengeable, voidable or reviewable transactions under any applicable law.

SERVICE AND NOTICE

45. **THIS COURT ORDERS** that the Monitor shall, within ten (10) business days of the date of entry of this Order, send a copy of this Order to its known creditors, other than employees and creditors to which the Applicant owes less than \$1,000, at their addresses as they appear on the Applicant’s records, and shall promptly send a copy of this Order (a) to all parties filing a Notice of Appearance in respect of this Application, and (b) to any other interested Person requesting a copy of this Order, and the Monitor is relieved of its obligation under Section 11(5) of the CCAA to provide similar notice, other than to supervise this process.

46. **THIS COURT ORDERS** that the Applicant and the Monitor be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the Applicant’s creditors or other interested parties at their respective addresses as last shown on the records of the Applicant and that any such service or notice by

courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

47. **THIS COURT ORDERS** that the Applicant, the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, in accordance with the E-filing protocol of the Commercial List to the extent practicable, and the Monitor may post a copy of any or all such materials on its website at www.mintzca.com.

GENERAL

48. **THIS COURT ORDERS** that the Applicant or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

49. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicant, the Business or the Property.

50. **THIS COURT ORDERS** that notwithstanding anything contained in this Order to the contrary, any charge purported to be created over Leases shall not be effective and shall only apply to the proceeds of such Leases.

51. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.


52. **THIS COURT ORDERS** that each of the Applicant and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

53. **THIS COURT ORDERS** that any interested party (including the Applicant and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

54. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard Time on the date of this Order provided however that this Order shall be of no force or effect until the execution and delivery of the Receiver's Certificate as contemplated in the Receivership Discharge Order.



FEB 22 2006



IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
COTTON GINNY INC., CG OPERATIONS (H/O) LIMITED,
CG OPERATIONS I LIMITED, CG OPERATIONS II LIMITED

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

PROCEEDING COMMENCED AT TORONTO

INITIAL ORDER

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Solicitors for the Applicants

APPENDIX “B”

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF COTTON GINNY INC., CG OPERATIONS (H/O) LIMITED, CG OPERATIONS I LIMITED, CG OPERATIONS II LIMITED

REPORT OF MINTZ & PARTNERS LIMITED, IN ITS CAPACITY AS PROPOSED MONITOR OF COTTON GINNY INC., CG OPERATIONS (H/O) LIMITED, CG OPERATIONS I LIMITED, CG OPERATIONS II LIMITED

I. Background

1. Mintz & Partners Limited ("**Mintz**") has consented to be appointed as monitor of Cotton Ginny Inc. ("**CG Inc.**"), CG Operations (H/O) Limited, CG Operations I Limited, CG Operations II Limited (together "**Cotton Ginny**") in proceedings that Cotton Ginny is seeking to commence under the *Companies' Creditors Arrangement Act* (the "**CCAA**").
2. Mintz is currently acting as monitor of SAAN Stores Limited-Les Magasins SAAN Limitee ("**SAAN**"). SAAN is a company that is related to Cotton Ginny. The two companies share common management, premises and IT/accounting resources. SAAN commenced proceedings under the CCAA on December 28, 2007.
3. Mintz & Partners LLP is the auditor of CG Inc., the main operating company in the Cotton Ginny group of companies.

III. Cash Flow Projections

4. Ms. Julie Rulli, a Vice President of CG Inc., has provided to Mintz a cash flow projection in respect of CG Inc. for the period February to August, 2008 (the “**Cash Flow Projection**”). A copy of the Cash Flow Projection is attached to the affidavit of Mr. Tony Chahine sworn February 16, 2008.

5. Mintz has discussed with Ms. Rulli the major assumptions relied upon in preparing the Cash Flow Projection. The assumptions Cotton Ginny relied upon in producing the Cash Flow Projection appear to be reasonable.

6. The Cash Flow Projection was prepared based on certain assumptions with respect to inventory levels. While these estimates may have been reasonable at the time based on anticipated deliveries and confirmed inventory orders, actual inventory levels have been impacted since Mintz understands that new inventory is not being purchased, or being received, by RSM Richter Inc. in its capacity as interim receiver and receiver of CG Inc.

7. Mintz understands from CG Inc.’s management that key Cotton Ginny suppliers have agreed to ship inventory to CG Inc. once proceedings under the CCAA have been initiated.

8. If proceedings under the CCAA in respect of Cotton Ginny are initiated, Mintz will work with CG Inc.’s management to have the Cash Flow Projection revised, and will prepare a report to the Court within 7 business days of Mintz being appointed as Monitor.

IV. Impact of Continued Receivership

9. The value of CG Inc.'s business will likely further deteriorate with each day that the company remains in receivership. Any decline in value will be detrimental to the positions of Cotton Ginny's subordinate secured and unsecured creditors.

10. Assuming that the necessary stakeholders, including inventory suppliers, are willing to support Cotton Ginny's operations, the return to subordinate and unsecured creditors will likely be maximized through the development of an agreeable plan of compromise or arrangement under the CCAA.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 18th day of February, 2008

MINTZ & PARTNERS LIMITED in its capacity
as proposed monitor of Cotton Ginny Inc., CG
Operations (H/O/) Limited, CG Operations I
Limited, CG Operations II Limited

Per:



Daniel Weisz
Senior Vice President

APPENDIX “C”

APPENDIX "C"

Cotton Ginny Inc. et al.
 Thirteen Week Cash Flow Projection for the Week Ending March 2, 2008 to the Week Ending May 25, 2008
 (in \$000's)

	2-Mar	9-Mar	16-Mar	23-Mar	30-Mar	6-Apr	13-Apr	20-Apr	27-Apr	4-May	11-May	18-May	25-May
						For the Week Ending:							
						6-Apr	13-Apr	20-Apr	27-Apr	4-May	11-May	18-May	25-May
						454	28	1,003	346	561	65	1,074	25
Opening Cash Balance	113	765	80	717	6	454	28	1,003	346	561	65	1,074	25
Cash Receipts													
Store Sales	971	1,017	1,113	1,121	1,204	1,393	1,521	1,624	1,766	1,942	2,285	2,034	1,914
Other Income	232	44			44	44				44			
Cash Receipts	1,203	1,061	1,113	1,121	1,204	1,437	1,521	1,624	1,766	1,986	2,285	2,034	1,914
Cash Disbursements													
Merchandise Payments	350	400	350	250	560	417	400	875	868	1,025	998	1,094	1,260
Tax, Sales and Net GST	-	-	-	200	-	-	-	-	489	-	-	581	-
Rent	86	700	-	700	-	700	-	700	-	700	-	700	-
Leaseholds	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional fees	76	26	26	26	26	26	26	26	26	26	29	29	29
Marketing	2	-	-	-	-	-	20	-	-	-	150	-	-
POS Items - Printers and POS term	-	-	-	-	2	-	-	-	-	10	-	-	-
Payroll	8	580	20	580	-	620	-	580	-	620	-	580	-
Purulator/logistics	25	25	50	50	50	50	50	50	50	50	50	50	50
Supplies	5	15	15	10	20	20	20	20	20	20	20	20	20
Utilities	-	-	15	15	30	30	30	30	30	30	30	30	30
Interest Expense	-	-	-	-	69	-	-	-	69	-	-	-	69
Total Cash Disbursements	552	1,746	476	1,831	757	1,863	546	2,281	1,552	2,481	1,277	3,083	1,458
Closing Cash Balance	765	80	717	6	454	28	1,003	346	561	65	1,074	25	482

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF COTTON GINNY INC., CG
OPERATIONS (H/O) LIMITED, CG OPERATIONS I LIMITED, CG OPERATIONS II LIMITED**

Court File No.: 08-CL-7415

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
(IN BANKRUPTCY AND INSOLVENCY)**

Proceeding commenced at Toronto

**First Report to Court of
Mintz & Partners Limited as Monitor
dated February 29, 2008**

MINTZ & PARTNERS LIMITED in its
capacity as the monitor of Cotton Ginny Inc., CG
Operations (H/O) Limited, CG Operations I
Limited and CG Operations II Limited
1 Concorde Gate, Suite 200
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