

**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**

**RESPONDING MOTION RECORD OF THE MONITOR,
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TAB 1

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NINTH REPORT OF THE MONITOR
(Dated as of May 15, 2008)

1. This is the ninth report (the "**Ninth Report**") prepared by Mintz & Partners Limited (the "**Monitor**"), in its capacity as the monitor of Cotton Ginny Inc. ("**CGI**" or the "**Company**"), CG Operations (H/O) Limited ("**H/O**"), CG Operations I Limited ("**CGOI**") and CG Operations II Limited ("**CGOII**") (collectively, "**Cotton Ginny**" or the "**Companies**") appointed pursuant to section 11.7 of the *Companies' Creditors Arrangement Act* (the "**CCAA**") by an Order of the Honourable Justice Morawetz dated February 21, 2008 (the "**Initial Order**").
2. The first report of the Monitor dated as at February 29, 2008 (the "**First Report**") was 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."
3. The second report of the Monitor dated as at March 12, 2008 (the "**Second Report**") sought approval for, among other things, a claims procedure ("**Claims Procedure**") to be conducted by the Monitor. On March 14, 2008, the Honourable Justice Morawetz issued

an Order (the "**March 14th Order**") approving the Claims Procedure and extending the stay of proceedings to April 24, 2008.

4. The third report of the Monitor dated as at March 27, 2008 (the "**Third Report**") was prepared further to the Endorsement of the Honourable Justice Morawetz dated March 14, 2008 in order to provide the Court with a brief update on the status of the \$4.8 million of in-transit inventory referenced at paragraph 30 of the Second Report.
5. The fourth report of the Monitor dated as at April 2, 2008 (the "**Fourth Report**") updated the Court with respect to certain reporting requirements as described in the First Report and specifically with regard to cash flow results, inventory, the Administration Charge, the Companies' restructuring efforts as at April 2, 2008 and the status of the Claims Procedure. In addition, the Fourth Report described the structure and set-up of the Companies, their respective roles in the Cotton Ginny operations and more particularly, the role of H/O.
6. The fifth report of the Monitor dated as at April 17, 2008 (the "**Fifth Report**") updated the Court on the status of the Companies' restructuring efforts, fulfilled certain reporting requirements as described in the First Report, updated the Court with the results of the Monitor's investigation of the Companies' business activities and specifically, whether such activities were carried on in the name of CGI or H/O, reported the results of the Monitor's review of certain activities in H/O's bank accounts in the days immediately preceding the garnishment of those bank accounts by Effigi Inc. ("**Effigi**"), reported on the status of the Monitor's review of the Companies' bank statements and updated the Court on the status of the Claims Procedure.
7. The sixth report of the Monitor dated as at April 18, 2008 (the "**Sixth Report**") was prepared in support of the Monitor's motion to extend the time period to April 25, 2008 to send any Notices of Disallowance or Revision ("**Disallowances**") as provided for in the Claims Procedure. On April 21, 2008, the Honourable Justice Morawetz issued an order (the "**Disallowance Extension Order**") approving the extension of the time period for the sending of Disallowances to 11:59 p.m on April 25, 2008 and also extended the

return date for the scheduling of any motions seeking to appeal Disallowances to May 6, 2008.

8. The seventh report of the Monitor dated as at April 23, 2008 (the "**Seventh Report**") was prepared to, among other things, update the court on various matters relating to these proceedings including reporting on the status of the Claims Procedure and the claims filed with the Monitor, commenting on the Companies' request for an extension of the stay of proceedings and requesting that the Court extend the Administration Charge as provided for in the Initial Order to cover all of the Companies' assets, including the approximately \$2.1 million that was garnished from H/O's operating and concentration bank accounts and is currently being held by a Sherriff in Toronto (the "**Garnished Funds**"). At the Companies' motion to extend the stay of proceedings heard on April 25, 2008, the Honourable Justice Morawetz approved the Company's motion to extend the stay of proceedings to May 16, 2008 and scheduled the motion regarding the extension of the Administration Charge for May 5, 2008, which motion is now scheduled to be heard on May 16, 2008.
9. The eighth report of the Monitor dated as at May 1, 2008 (the "**Eighth Report**") was prepared to, among other things, update the Court on the status of the Companies' restructuring efforts, the Company's inventory levels and cash flow, the status of Disallowances issued by the Monitor pursuant to the Claims Procedure, report on the status of the Monitors' review of certain disbursements made by the Companies over the previous five years and various matters that were outstanding from the Seventh Report.
10. The purpose of this Ninth Report of the Monitor is to:
 - i) update the Court on the status of the Companies' restructuring efforts;
 - ii) report on the Company's inventory levels and cash flow;
 - iii) update the Court on the status of the Claims Procedure and comment on the Companies' motion to accept for filing those claims that were received by the Monitor after 5:00 p.m on April 8, 2008 (the "**Claims Bar Date**") but on or before May 15, 2008 (the "**Late Claims**"); and

iv) comment on the Company's motion for an extension of the current stay of proceedings until June 6, 2008 and its request to file a plan of compromise or arrangement.

11. In preparing this Ninth 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 Ninth Report and not otherwise defined herein shall have the meanings given to them in the Initial Order or the Claims Procedure Order.

I. Background

12. Founded in 1979, Cotton Ginny is a national retailer of privately branded casual women's wear. As at the date of the Initial Order, Cotton Ginny operated 129 retail stores located in all provinces except Quebec and employed approximately 1,281 full-and part-time employees. The corporate head office is in Mississauga, Ontario.

13. On February 6, 2008, prior to the Initial Order, Retail Funding Inc. ("**Retail Funding**"), Cotton Ginny's 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.

14. On February 11, 2008, the Court granted the receivership order sought by Retail Funding appointing Richter as Receiver and dismissed the Companies' application under the CCAA; however, in his endorsement, the Honourable Justice Morawetz indicated that there was "no prohibition on the management or board of Cotton Ginny from continuing ongoing activities to refinance."

15. On February 21, 2008, the Companies applied to the Court for protection from their 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 the Initial Order was issued. At that time, a further order was granted (the "**Termination of Receivership and Discharge Order**") which resulted in the termination of the receivership proceedings against the Companies.

II. Status of the Companies' Restructuring

Landlords

16. Cotton Ginny is paying store rent on a bi-weekly basis pursuant to the Initial Order. Payments of store rent for the period February 21, 2008 to May 25, 2008 have been issued.
17. Further to various exchanges of correspondence between the Monitor and a certain landlord, on April 24, 2008, counsel to the Monitor further corresponded with the landlord's counsel to enquire if all matters had been dealt with. The landlord's counsel responded by providing information regarding certain payments of rent that were claimed to be less than the total amount owing for the period, totaling approximately \$2,500, along with a further outstanding amount that appears to relate to the period prior to Cotton Ginny's receivership. The Companies are continuing to review these claims regarding incomplete payment.
18. On May 5, 2008, the Monitor received a copy of a letter from a landlord, addressed to Cotton Ginny, indicating a default under the lease terms with regard to non-payment of rent, additional rent, operating costs, property taxes and goods and services tax totaling approximately \$9,900. Cotton Ginny has advised the Monitor that the Company has contacted the landlord and has resolved this matter, which appeared to be a result of a number of items that were erroneously billed multiple times by the landlord in addition to timing differences that arose as a result of Cotton Ginny paying rent on a bi-weekly basis, while the landlord has been invoicing on a monthly basis.

Employees

19. The Monitor has confirmed that Cotton Ginny's payroll is being paid in the normal course.
20. The Company has advised that during the two-week period subsequent to the release of the Monitor's Eighth Report, the Company's Receptionist, Website Coordinator, Merchandise Manager and Assistant Product Manager have resigned effective the week ending May 18, 2008. The Receptionist's position has been filled. The Company is working towards replacing the remaining three open positions, in addition to the vacant Merchandiser's position which was reported in the Monitor's Eighth Report.

Suppliers

21. The Monitor is not aware of any material developments with suppliers since the Eighth Report.

III. Cash Flow Results

22. Attached as **Appendix "A"** are the actual cash flow results ("**Actual Results**") for the eleven weeks ended May 11, 2008.
23. The Actual Results in Appendix "A" are compared with the Company's initial forecast for the eight week period ended April 20, 2008, as filed with the First Report, and three weeks of the Company's revised forecast for the period ended May 11, 2008, as filed with the Seventh Report (the "**Projection**"). The Monitor reports the following:
 - Sales are below projection by approximately \$2,851,000 or 20%. For the two weeks ended May 11, 2008, sales were \$769,000 or 26.9% below the Projection. The Company has advised that the negative sales variance for the two weeks ended May 11, 2008 is due to a lower receipt of inventory into the retail stores than the Projection as discussed further below.

- The increase in Other Income of \$44,000 since the Monitor's Eighth Report is a result of rent and associated payments received from SAAN Stores Ltd., a subtenant of the Company's head office space.
- Merchandise payments are approximately \$1,768,000 or 36% below the Projection. For the two week period ended May 11, 2008, merchandise payments were \$185,000 or 31% below the Projection. As discussed in the prior reports, this variance results from an initial delay in the receipt of merchandise at the outset of the CCAA proceedings when Cotton Ginny was re-establishing supply terms with key suppliers and from the Company's inability to fully fund the payment of storage and demurrage charges for the release of all foreign inventory held by its storage supplier.
- There has been no change in either forecast or actual disbursements related to sales tax payments since the Monitor's Eighth Report.
- Actual professional fee disbursements of \$355,000 as reported by the Company comprise payments to the Monitor of approximately \$191,000, the Monitor's counsel of approximately \$21,000 and the Company's counsel of approximately \$143,000.
- POS Payments to date are approximately \$82,000 and \$23,000 greater than the Projection cumulatively and for the two weeks ended May 11, 2008, respectively. For the two weeks ended May 11, 2008, Cotton Ginny incurred unanticipated charges for maintenance and annual fees totaling approximately \$20,000.
- Purolator/Logistics payments are approximately \$168,000 or 40% below the Projection, primarily due to the delays in the receipt of merchandise as previously noted.
- Supplies and miscellaneous expenses are \$98,000 or 63% greater than the Projection due to various miscellaneous expenses that were not forecast by the Company.
- Utility payments are approximately \$81,000 or 35% below the Projection. As discussed in the Monitor's Eighth Report, approximately \$34,000 of this variance relates to amounts owing from Richter for the receivership period, as advised by the

Company. The remainder relates to a permanent positive variance for amounts that were stayed under the Initial Order. For the two week period ended May 11, 2008, actual disbursements exceeded forecast by approximately \$34,000, which is the reversal of a timing difference between the Projection and actual receipt of invoices and payment of same.

24. In the Fifth Report, the Monitor reported that the balance drawn on the Term Credit Facility (the "DIP Facility") is unchanged at \$4.5 million, with a further \$1,000,000 available to the Companies. The Monitor clarified in the Seventh Report that the DIP Facility was established as a \$5.0 million term facility subject to an increase of \$500,000 at the election of the DIP Facility lender. In the Seventh Report, the Monitor reported that it had been advised that the \$500,000 difference between the amount advanced and the \$5.0 million facility is being used to account for accrued interest on the DIP Facility. As of the date of this Ninth Report, the Companies have not accessed the \$500,000 portion of the DIP Facility that is subject to the election of the DIP Facility lender.
25. In reviewing the Company's cash position, the Monitor notes that based on the Company's cash on hand as at May 14, 2008 and its outstanding cheques as at that date, the Company will, if all cheques are cashed, be in a cash surplus position of approximately \$238,000.

IV. Inventory Roll-forward

26. Attached hereto as **Appendix "B"** is an inventory roll-forward for the period February 21, 2008 to May 11, 2008. The opening inventory balance as at February 21, 2008 of \$5,859,595 is based on a year-end inventory count conducted by Western Inventory Service Limited during the period February 8 – 10, 2008 and is net of a \$513,205 year end shrinkage adjustment. According to the Companies' perpetual inventory system, the weighted average cost value of inventory as at May 11, 2008 is \$4,977,064. This balance does not include inventory that has landed in Canada but has not been received in Cotton Ginny's warehouse, estimated by the Company to be \$1.1 million. This is inventory that Cotton Ginny has been unable to access due to its inability to pay the storage and demurrage charges as referred to above. In addition, Cotton Ginny reports that

approximately \$3.6 million of inventory for which it does not yet have original bills of lading (“OBLs”) is in transit to the Company and this entire amount of inventory has landed in Canada. Once this inventory has been received at the third-party warehouse facility, storage and demurrage costs will also have to be paid before this inventory can be released to the Company.

27. Weekly sales and gross margins realized by the Company for the period up to May 11, 2008 are set out in the following table:

| Week ending | Sales ⁽¹⁾ | Gross Margin |
|-------------------------|----------------------|--------------|
| Feb. 21 to 24, 2008 | \$ 516,054 | 42.9% |
| Feb. 25 to Mar. 2, 2008 | 831,853 | 31.5% |
| Mar. 3 to 9, 2008 | 714,480 | 30.0% |
| Mar. 10 to 16, 2008 | 799,382 | 41.7% |
| Mar. 17 to 23, 2008 | 728,586 | 52.3% |
| Mar. 24 to 30, 2008 | 1,069,377 | 51.6% |
| Mar. 31 to Apr. 6, 2008 | 1,029,253 | 41.5% |
| Apr. 7 to 13, 2008 | 1,034,064 | 49.5% |
| Apr. 14 to 20, 2008 | 1,117,910 | 51.0% |
| Apr. 21 to 27, 2008 | 1,104,496 | 52.3% |
| Apr. 28 to May 4, 2008 | 1,003,570 | 59.4% |
| May 5 to May 11, 2008 | 1,131,998 | 62.2% |
| Total to May 11, 2008 | \$ 11,081,023 | 48.3% |

(1) The above Sales include sales for the period February 21-24, 2008 and exclude sales taxes. Actual store sales in Appendix “A” totaling \$11,110,000 reflect sales proceeds for the eleven-week period commencing on February 25, 2008 and include sales taxes received.

28. For the two-weeks ended May 11, 2008, the Company projected that merchandise having a cost value of approximately \$1,057,000 would be released to its stores; the actual amount released was approximately \$450,000, resulting in a negative variance of approximately \$607,000 or 57.4%. A further \$1,563,000 of inventory at cost is forecast to be received for the two-week period ending May 25, 2008, of which approximately

\$750,346 has been received in the stores as of May 14, 2008. While it appears that certain of the merchandise in storage is being released to the stores, the Monitor continues to be concerned with the Company's ability to raise or generate sufficient cash to fund the demurrage and storage costs in order to make the inventory held by warehousemen and the inventory in-transit available to the Company. As discussed in the Monitor's Eighth Report, if the Company is unable to access further inventory, the Monitor is concerned as to how the Company proposes to fund ongoing operations.

V. Status of the Claims Procedure

29. In the Monitor's Eighth Report, the Monitor provided information to the Court on the claims that had been filed as at the Claims Bar Date and Notices of Revision or Disallowance ("Disallowance") that had been issued by the Monitor.
30. Creditors that received a Disallowance that wished to dispute the Disallowance were required to file a notice of motion returnable for scheduling on May 6, 2008. The Monitor received three notices of motion seeking to appeal a Disallowance. Those appeals have been scheduled to be heard by the Court on June 5, 2008.
31. The Monitor has subsequently determined that additional Disallowances should have been issued to creditors in respect of Claims filed, particularly in respect of those Claims where creditors indicated that their Claims were being made against more than one of the Companies. The Monitor will be attempting to address this issue directly with the respective creditors, however, in the event the Monitor is unable to do so, the Monitor will seek the direction of the Court.

VI. Fees Subject to the Administration Charge

32. Pursuant to paragraph 33 of the Initial Order, the Monitor, counsel to the Monitor, counsel to the Companies, the Receiver and counsel to the Receiver were granted an Administration Charge. The Monitor was also subsequently ordered to address in its reports any issue with professional fees as they may impact the Administration Charge.
33. Attached hereto as **Appendix "C"** is a schedule summarizing the status of the fees and disbursements of the Monitor and its counsel as at May 11, 2008. As set out in Appendix "C", the estimated amount outstanding to the Monitor and its counsel as at May 11, 2008 is approximately \$318,000. The Companies' counsel advises that as at May 8, 2008, it is owed approximately \$115,000. In addition to this amount, the Monitor was advised at the time of the Seventh Report by the Receiver that it may need to have recourse to \$15,000 of the Administration Charge.
34. While the amount of the outstanding and unpaid fees of the Monitor and its counsel have reduced from the time of the Eighth Report, the Monitor continues to be concerned that the current Administration Charge is not sufficient to cover outstanding invoices and work in process of the Monitor and its counsel and counsel to the Companies. In the Seventh Report, the Monitor recommended that the Administration Charge be extended beyond the assets of CGI to include all assets of the Companies including the Garnished Funds. The Monitor served a Notice of Motion on the Service List for a motion returnable May 5, 2008 seeking an amendment to the Initial Order and in particular, the paragraphs that referred to the Administration Charge. The Monitor has issued a Supplementary Notice of Motion returnable on May 16, 2008 which seeks to vary paragraphs 33 and 40 of the Initial Order to expand the Administration charge to include all of the assets of the Companies including the Garnished Funds, subject to the beneficiaries of the Administration Charge first exercising their rights against inventory, or the proceeds thereof, before exercising any rights against the remaining property of the Companies.

VII. Cotton Ginny's Proposed Plan of Compromise or Arrangement (the "Plan")

35. A draft copy of the Plan was attached as Exhibit "A" to the affidavit of Mr. Tony Chahine sworn on May 14, 2008 in support of the Companies' motion to file the Plan, which motion is scheduled to be heard on May 16, 2008.
36. The Plan involves the compromise or arrangement of the Claims of CGI and H/O. The Plan does not include the compromise or arrangement of claims filed against CGOI and CGOII as the Companies believe that a compromise of those claims is not necessary and, they intend to pay those claims of CGOI and CGOII in full, assuming the Plan is approved and sanctioned. The Plan also provides for the amalgamation of CGI and H/O, which the Company advises is intended to complete the implementation of a previously commenced yet incomplete amalgamation. The Plan provides for the Claims of CGI and H/O to be combined into one class of claims for the purposes of voting on the Plan.
37. The Monitor's review of the operations of the Companies is described in the Fourth Report and the Fifth Report. As set out in the Fifth Report, it appears that, for the most part, the operating company used documentation in the name of H/O in its business transactions with suppliers (who in turn shipped product and invoiced H/O in many cases), in its government remittances, and in other documented transactions prior to the reorganization that resulted in CGI becoming the primary operating company. Notwithstanding the transition to CGI, documentation denoting H/O continued to be used by many third parties in their exchanges with the Company. In the Monitor's view as set out in the Fifth Report, this could be attributable to those entities either not being made aware of the transition or, alternatively, being aware and not taking the steps necessary to update their records. As such, the Monitor supports the fact that the Plan is treating the Claims against CGI and H/O in a similar manner.
38. The Company has advised the Monitor that it intends to hold a meeting of its creditors to consider and vote on the Plan on or about May 30, 2008 (the "**Creditors Meeting**").
39. If this Honourable Court permits the filing of the Plan, the Monitor will examine the Plan in greater detail and prepare a report to be mailed on or about May 23, 2008 to the Affected Creditors who have filed a Claim in accordance with the Claims Procedure,

which report will include comments on the Companies' 5 year business plan prepared by the Company to support the Plan.

40. The Monitor is not aware of any circumstances such that this Honourable Court ought not to permit the filing of the proposed Plan.

VIII. Cotton Ginny's Request for an Extension of the Stay of Proceedings

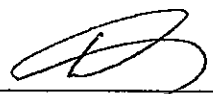
41. The stay of proceedings expires on May 16, 2008.
42. The Company advises that it intends to seek this Honourable Court's approval to file its Plan with the Court on May 16, 2008. In order to permit the creditors of the Company an opportunity to consider and vote on the Plan and review the report of the Monitor in respect of the Plan, and to permit the Company to seek the approval of this Honourable Court of the Plan by way of a sanction order, in the event the required number and majority of the Company's Affected Creditors vote to accept the Plan, the Company is seeking an extension of the stay of proceedings until June 6, 2008 (the "**Extension Period**").
43. In the Monitor's Fifth, Seventh and Eighth Reports, the Monitor reported that Cotton Ginny needed to address its cash flow issues forthwith as storage and demurrage charges for the release of new inventory were not being paid to enable new inventory to be shipped to the individual stores and because the amount of unpaid professional fees, consisting primarily of those of the Monitor and its counsel, were increasing.
44. Additionally, in the Seventh Report, the Monitor expressed its concerns whether, absent additional DIP funding or an equity injection, the Company could avail itself of sufficient cash to ensure that inventory is released from storage and moved into the stores as soon as possible.
45. For the two-weeks ended May 11, 2008, the Monitor notes that the Company's inventory levels have decreased from prior weeks and that this is due to the Company's working capital shortage, which results in its inability to pay for and access further inventories. It is imperative that the Company continues to obtain the release of its inventory to the

stores as soon as possible in order that the highest realizations from the inventory can be achieved and the Company's cash position can be improved.

- 46. The Monitor will continue to monitor the Company's cash flow and inventory positions and costs subject to the Administration Charge and will report further to the Court as it considers necessary.
- 47. The Monitor is of the view that the Companies are proceeding in good faith and with due diligence in these proceedings as evidenced by their application to file their Plan on May 16, 2008. The Monitor, therefore, supports the Companies request for an extension of the stay of proceedings to June 6, 2008.

ALL OF WHICH is respectfully submitted this 15th day of May, 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  _____

APPENDIX

A

APPENDIX "A"

Cotton Ginny Inc. et al.
Actual Cash Flow Results Compared to Forecast
For the Eleven Weeks Ended May 11, 2008
(in \$000's)

| | Actual | Forecast (1) | \$ Variance | % Variance |
|--|-----------|-----------------|-------------|------------|
| Opening Cash Balance (2) | \$ 184 | \$ 113 | \$ 71 | 63% |
| Cash Receipts | | | | |
| Store Sales (4) | 11,110 | 13,961 | (2,851) | -20% |
| Other Income (3) | 465 | 364 | 101 | 28% |
| Cash Receipts | \$ 11,575 | \$ 14,325 | \$ (2,750) | -19% |
| Cash Disbursements | | | | |
| Merchandise Payments | \$ 3,125 | \$ 4,893 | \$ (1,768) | -36% |
| Tax, Sales and Net GST | 324 | 439 | (115) | -26% |
| Rent | 3,522 | 3,571 | (49) | -1% |
| Leaseholds | - | - | - | |
| Professional fees | 355 | 385 | (30) | -8% |
| Financing fees | 50 | - | 50 | - |
| Marketing | 38 | 47 | (10) | -21% |
| POS Items - Printers and POS terminals | 94 | 12 | 82 | 679% |
| Payroll | 3,103 | 2,998 | 105 | 4% |
| Purolator/logistics | 254 | 422 | (168) | -40% |
| Supplies and miscellaneous | 253 | 155 | 98 | 63% |
| Utilities | 152 | 233 | (81) | -35% |
| Interest Expense | 62 | 74 | (12) | -16% |
| Total Cash Disbursements | \$ 11,331 | \$ 13,229 | \$ (1,899) | -14% |
| Closing Cash Balance | \$ 428 | \$ 1,209 | \$ (780) | -64% |

Notes:

- Forecast receipts and disbursements for the period February 25 to April 20, 2008 are based on the initial Cash Flow Projection (as defined in the Monitor's First Report to the Court). Forecast receipts and disbursements for the period April 21 to May 11, 2008 are based on the Extension Cash Flow Projection (as defined in the Monitor's Seventh Report to the Court).
- Cash balance includes outstanding cheques and excludes any deposits in transit.
- Actual Other Income includes \$195,000 paid by the Monitor towards the payroll and sales taxes as per the Termination of Receivership and Discharge Order.
- Included in store sales is approximately \$205,000 in cash that the Company transferred from its various retail store deposit accounts to its operating account on the afternoon of May 9, 2008. This amount is not processed and deposited into the Company's operating account by its bank until Monday, May 12, 2008.

APPENDIX

B

APPENDIX "B"

Cotton Ginny Inc., et. al.
 Inventory Roll-Forward at Cost
 From February 21, 2008 to May 11, 2008

| | Feb 21 to Apr 27 | April 28 to May 4 | May 5 to May 11 | Total |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|
| Opening Inventory (1) | \$ 5,859,595 | \$ 5,365,135 | \$ 5,134,446 | \$ 5,859,595 |
| Deduct: Cost of Goods Sold | (4,894,343) | (407,082) | (427,604) | (5,729,029) |
| Add: Inventory receipts (2) | 4,322,481 | 177,991 | 271,674 | 4,772,146 |
| Adjustments | 77,402 | (1,598) | (1,452) | 74,352 |
| Closing Inventory | \$ 5,365,135 | \$ 5,134,446 | \$ 4,977,064 | \$ 4,977,064 |

Notes:

1. Opening inventory as at February 21, 2008 is reported net of a \$513,205 year-end inventory adjustment based on a physical inventory count performed between February 8-10, 2008.
2. Inventory represents merchandise in stores and the Cotton Ginny warehouse. It does not include inventory in transit or inventory that has arrived in Canada but that has not been released to Cotton Ginny.
3. The Monitor has been advised that inventory totaling approximately \$1.1 million (including costs for related storage and demurrage), for which Cotton Ginny has original bills of lading, is currently being held at its storage supplier pending payment of storage and demurrage charges for same.
4. The Monitor has been advised that as at May 11, 2008, approximately \$3.6 million of inventory was in-transit for which the Company has not received original bills of lading. All of this inventory has landed in Canada.
5. The Monitor has consolidated the weekly inventory sales and receipts for the period February 21 to April 27, 2008. Weekly results for the period February 21 to March 30, 2008 can be found in the Monitor's Fourth Report, dated April 2, 2008, and weekly results for the period March 31 to April 27, 2008 can be found in the Monitor's Eighth Report, dated May 1, 2008, both of which are posted on the Monitor's website at <http://www.mintzca.com>.

APPENDIX C

APPENDIX "C"

Cotton Ginny Inc. et al
Reconciliation of Professional Fees Subject to the Administration Charge
As at May 11, 2008

| Invoice/Payment Date | Period Covered | Invoice Amount/ Payments Received |
|--|----------------------------------|--------------------------------------|
| <u>Mintz & Partners Limited - Monitor</u> | | |
| March 6, 2008 | January 24 to February 29, 2008 | \$ 50,682.35 |
| March 13, 2008 | March 1 to March 7, 2008 | 20,184.15 |
| March 14, 2008 | Payment | (16,000.00) |
| March 19, 2008 | March 8 to March 15, 2008 | 24,724.88 |
| March 26, 2008 | March 17 to March 23, 2008 | 20,098.04 |
| March 30, 2008 | Payment | (15,000.00) |
| April 2, 2008 | Payment | (19,682.35) |
| April 2, 2008 | March 24 to March 30, 2008 | 33,710.02 |
| April 9, 2008 | March 31 to April 6, 2008 | 40,700.31 |
| April 11, 2008 | Payment | (15,000.00) |
| April 15, 2008 | Payment | (5,184.15) |
| April 22, 2008 | April 7 to April 13, 2008 | 56,676.03 |
| April 29, 2008 | April 14 to April 20, 2008 | 41,213.55 |
| April 30, 2008 | April 21 to April 27, 2008 | 86,174.55 |
| May 8, 2008 | Payment | (12,000.00) |
| May 8, 2008 | Payment | (39,710.02) |
| May 8, 2008 | Payment | (12,724.88) |
| May 8, 2008 | Payment | (20,098.04) |
| May 9, 2008 | Payment | (34,700.31) |
| | Estimate to May 11, 2008 | 70,000.00 |
| Balance outstanding - Mintz | | \$ 254,064.13 |
| <u>Kronis Rotzstain Margles Cappel - Counsel to the Monitor</u> | | |
| March 3, 2008 | February 20 to February 29, 2008 | \$ 11,479.38 |
| March 10, 2008 | March 1 to March 7, 2008 | 3,991.05 |
| March 14, 2008 | Payment | (5,000.00) |
| March 17, 2008 | March 8 to March 14, 2008 | 9,103.24 |
| March 24, 2008 | March 15 to March 21, 2008 | 11,116.09 |
| March 28, 2008 | Payment | (6,479.38) |
| March 31, 2008 | March 22 to March 28, 2008 | 4,123.88 |
| April 7, 2008 | March 29 to April 4, 2008 | 6,796.65 |
| April 14, 2008 | April 5 to April 11, 2008 | 1,223.78 |
| April 15, 2008 | Payment | (5,000.00) |
| April 22, 2008 | April 12 to April 18, 2008 | 9,626.62 |
| April 28, 2008 | April 19 to April 25, 2008 | 15,206.10 |
| May 5, 2008 | April 26 to May 2, 2008 | 5,374.16 |
| May 8, 2008 | Payment | (4,123.88) |
| May 12, 2008 | May 3 to May 9, 2008 | 6,061.18 |
| Balance outstanding - Kronis | | \$ 63,498.87 |
| Total Outstanding Professional Fees for the Monitor and its Counsel | | \$ 317,563.00 |

Note:

1. The Companies' counsel advises that as at May 8, 2008, it is owed approximately \$115,000 for unpaid professional fees.
2. The Fees of RSM Richter Inc. and its counsel are also covered by the Administration Charge. The Receiver has advised the Monitor that it may need to have recourse to \$15,000 of the Administration Charge.

**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

**RESPONDING MOTION RECORD
OF THE MONITOR,
MINTZ & PARTNERS LIMITED**

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