

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE MR.) FRIDAY, THE 28th
)
JUSTICE MORAWETZ) DAY OF MARCH, 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 AND ARRANGEMENT
OF SAAN STORES LTD. - LES MAGASINS SAAN LTÉE**

Applicant

ORDER

(Plan Filing and Meeting)

THIS MOTION made by the Applicant seeking the relief set out in the Notice of Motion dated March 26, 2008 was heard this day at 330 University Avenue, Toronto, Ontario;

ON READING the Notice of Motion and the Motion Record and the Fourth Report of Mintz & Partners Limited in its capacity as monitor of the Applicant (the "**Monitor**") dated March 26, 2008, and on hearing the submissions of counsel for the Applicant, GMAC Commercial Finance Corporation – Canada (the "**DIP Lender**"), RSM Richter Inc., in its capacity as proposal trustee under the Applicant's Second Amended Proposal dated April 20, 2005 (the "**Proposal Trustee**") and the Monitor;

Service

Service

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and Motion Record in respect of this Motion be and it is hereby abridged and that the service of the Notice of Motion and Motion Record herein as effected by the Applicant is hereby validated in all respects.

Plan of Compromise or Arrangement

2. **THIS COURT ORDERS** that the Plan of Compromise and Arrangement in the form attached as **Schedule "A"** hereto (the "**Plan**"), is hereby accepted for filing, and the Applicant shall seek acceptance and sanctioning of the Plan in the manner set forth herein.

3. **THIS COURT ORDERS** that, except where otherwise defined, defined terms in this Order have the meaning assigned in the Plan.

The Meeting of Creditors

4. **THIS COURT ORDERS** that the Applicant is hereby authorized to call, hold and conduct a meeting of Affected Creditors for the purpose of considering, and if deemed advisable, passing, with or without variation, a resolution to approve the Plan (the "**Meeting**").

5. **THIS COURT ORDERS** that the Meeting shall be held on May 2, 2008 at 10:00 a.m. (Toronto Time) at Suite 1600, First Canadian Place, 100 King Street West in Toronto, Ontario (the "**Meeting Date**") and the Applicant is hereby authorized to adjourn the Meeting to such time and place as it deems necessary or desirable.

6. **THIS COURT ORDERS** that the Applicant be and is hereby authorized to modify, amend or supplement the Plan by way of a supplementary or amended plan or plans of compromise or arrangement at any time or from time to time prior to the Meeting Date or at the Meeting, in which case any such supplementary plan or plans of compromise or arrangement shall, for all purposes, be and are deemed to be a part of and incorporated into the Plan.

7. **THIS COURT ORDERS** that a representative of the Monitor shall preside as the chairperson of the Meeting (the "**Chair**") and shall decide all matters relating to the rules and procedures at, and the conduct of, the Meeting.

8. **THIS COURT ORDERS** that, for purposes of voting to approve the Plan, there shall be one class of Affected Creditors as set forth in the Plan.

9. **THIS COURT ORDERS** that Affected Creditors shall be entitled to attend and vote at the Meeting in person, by proxy, or by voting letter.

10. **THIS COURT ORDERS** that the Chair be and is hereby authorized to accept and rely upon proxies and voting letters in such form as are acceptable to the Chair.

11. **THIS COURT ORDERS** that the only persons entitled to attend the Meeting are: (a) the Affected Creditors, including proxy holders and their legal counsel; and (b) the Monitor, the Proposal Trustee and the Applicant and their respective representatives, officers, directors and legal counsel.

12. **THIS COURT ORDERS** that the quorum required at the Meeting shall be any one Affected Creditor present in person, by voting letter or by proxy.

13. **THIS COURT ORDERS** that the quantum of the claim that each Affected Creditor is entitled to vote at the Meeting shall be as established in accordance with the Claims Procedure Order.

14. **THIS COURT ORDERS** that, subject to further Order of the Court, where the Claim of an Affected Creditor has not become a Proven Claim by the Meeting Date, that Affected Creditor's Claim, for the purpose of voting on the Plan only, shall be the lower of (a) the Claim set out in the proof of claim filed by that Affected Creditor pursuant to the Claims Procedure Order; and (b) the amount owing to that Affected Creditor as set out in the Applicant's books and records plus 10 per cent.

15. **THIS COURT ORDERS** that the Chair shall direct a vote with respect to a resolution to approve the Plan and containing such other related provisions as the Applicant may consider appropriate.

16. **THIS COURT ORDERS** that, following the vote at the Meeting, the Chair shall tally the vote and determine whether the Plan has been accepted by the majority required by section 6 of the *Companies' Creditors Arrangement Act* (Canada).

17. **THIS COURT ORDERS** that if the Plan is accepted by the required majority of Affected Creditors, the Applicant shall bring a Motion seeking an order sanctioning the Plan on May 15, 2008, or such later date as the Court may order.

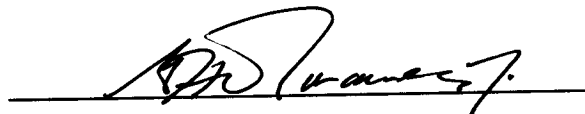
18. **THIS COURT ORDERS** that on or before April 17, 2008, the Monitor shall send by pre-paid post to each Affected Creditor who has filed a proof of claim in accordance with the Claims Procedure Order to the address set forth on the proof of claim filed by that Affected Creditor: (a) a copy of this Order (without attachments); (b) a copy of the Plan; (c) a summary of the Plan substantially in the form attached as **Schedule "B"**; (d) a form of proxy and voting letter substantially in the forms attached as **Schedule "C"**; and (e) a report prepared by the Monitor with respect to the Plan, which report shall describe the Plan and include the Monitor's recommendation with respect to the acceptance of the Plan.

Further and Other Orders

19. **THIS COURT ORDERS** that the Applicant or the Monitor may, from time to time, apply to this Court for directions in the discharge of their powers and duties hereunder or in respect of the proper execution of this Order.

Stay Extension

20. **THIS COURT ORDERS** that the Stay Period, as defined in the Amended and Restated Initial Order dated December 28, 2007 be and is hereby extended to May 15, 2008.



Schedule "A"

PLAN OF COMPROMISE OR ARRANGEMENT

in respect of
SAAN STORES LTD. - LES MAGASINS SAAN LTÉE

PURSUANT TO THE *COMPANIES' CREDITORS ARRANGEMENT*
ACT, R.S.C. 1985, c. C-36, AS AMENDED

MARCH 28, 2008

PLAN OF COMPROMISE OR ARRANGEMENT

ARTICLE 1 INTERPRETATION

Section 1.1 Definitions

In this Plan (including the Schedules hereto), unless otherwise stated or the context otherwise requires:

“2005 Proposal” means the Second Amended Proposal dated April 20, 2005;

“Administrative Fees and Expenses” means: (a) the proper fees, expenses and legal fees and disbursements of the Monitor and the Applicant (and their counsel) on and incidental to the CCAA Proceedings, the negotiation, preparation, presentation, consideration and implementation of the Plan, and all proceedings and matters relating to or arising out of the Plan; and (b) the Administrative Fees and Expenses as defined in the 2005 Proposal;

“Affected Claim” means all Claims other than Unaffected Claims and includes Landlord Claims and the Claims of the Secured Trade Creditors;

“Affected Creditor” means all Creditors with Affected Claims;

“Annual Distributions” has the meaning assigned in paragraph 4.1(d);

“Applicant” means SAAN Stores Ltd. - Les Magasins SAAN Ltée.;

“Business Day” means a day that is not (a) a Saturday or a Sunday; or (b) a day observed as a holiday under the laws of the Province of Ontario or the federal laws of Canada applicable in the Province of Ontario;

“CCAA” means the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended;

“CCAA Proceedings” means the proceedings before the Court in respect of the application by the Applicant commenced pursuant to the CCAA;

“Certificates” has the meaning assigned in paragraph 4.1(c);

“Claim” means any right or claim of any Person against the Applicant, whether or not asserted, in connection with any indebtedness, liability or obligation of any kind of the Applicant, which indebtedness, liability or obligation is in existence at the Filing Date and which is not a Post-Filing Claim, and any interest that may accrue thereon which there is an obligation to pay, and costs which such Person would be entitled to receive

pursuant to the terms of any contract with such Person at law or in equity, any right of ownership of or title to property or assets or to a trust or deemed trust (statutory or otherwise) against any property or assets, whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, or any right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, based in whole or in part on facts which exist prior to the Filing Date, together with any other claims that would have been claims provable in bankruptcy had the Applicant become bankrupt on the Filing Date, and, for greater certainty, shall not include the claims of Senior Secured Creditors or any Claim for GST remittances;

“Claims Procedure Order” means the Order dated February 29, 2008 establishing the procedure for the determination of Claims;

“Confirmation Date” means the date that the Sanction Order is made;

“Court” means the Ontario Superior Court of Justice (Commercial List);

“Creditor” means any Person having a Claim and, if the context requires, an assignee or transferee of a Claim or a trustee, receiver, receiver-manager or other Person acting on behalf of such Person;

“Creditor Shares” has the meaning assigned in Section 4.3;

“Dollars” or **“\$”** means lawful money of Canada unless otherwise indicated;

“Effective Date” means the first Business Day following the date on which all of the conditions set forth in Section 7.6 have been satisfied;

“Effigi” means Effigi Inc.;

“Electing Creditors” has the meaning assigned in paragraph 4.1(b);

“Filing Date” means December 28, 2007;

“Filing Order” means the Order dated March 28, 2008, *inter alia*, authorizing the filing of the Plan, setting the Meeting Date and establishing the procedure for the Meeting;

“GMAC” means GMAC Commercial Finance Corporation – Canada;

“Implementation Date” means the later of: (a) the first Business Day following the day when all of the conditions to the implementation of this Plan set forth in Section 7.7 have been satisfied; and (b) October 31, 2008;

“Initial Distribution” has the meaning assigned in paragraph 4.1(b);

“Initial Order” means the Order dated December 28, 2007, pursuant to which, among other things, the Applicant was granted relief pursuant to the CCAA;

“Landlord Claim” means the Claim of a landlord arising as a result of the actual or prospective repudiation of a Lease where notice of the repudiation of such Lease was given by the Applicant in accordance with the Initial Order which shall be calculated, in the case of a repudiation, as the rent payable by an Applicant to such Landlord for the one (1) month following the delivery of the notice of repudiation;

“Lease” means a real property lease or sublease, an offer to lease or sublease of real property, or any other occupancy agreement for real property pursuant to which the Applicant has or had the right to occupy premises, and includes all amendments and supplements thereto;

“Meeting” means the meeting of the Affected Creditors called for the purpose of considering and approving this Plan and includes any adjournment of such meetings;

“Meeting Date” means the date fixed for the Meeting by the Filing Order, including any dates to which the Meeting is adjourned;

“Monitor” means Mintz & Partners Limited as appointed by the Initial Order, and any successor thereto appointed by any further Order;

“Order” means any order of the Court in connection with the CCAA Proceedings;

“Person” means any individual, partnership, joint venture, trust, corporation, unincorporated organization, government or any agency or instrumentality thereof, or any other juridical entity howsoever designated or constituted;

“Plan” means this Plan of Compromise or Arrangement, as the same may hereafter be amended or supplemented from time to time in accordance with the terms hereof;

“Post-Filing Claim” means any Claim arising solely from or caused solely by an action taken by the Applicant after the Filing Date and any claim of GMAC against the Applicant in connection with or relating to the period after the Filing Date, but, for greater certainty, does not include a Landlord Claim;

“Proposal Trustee” means RSM Richter Inc. in its capacity as trustee under the 2005 Proposal;

“Proven Claim” of a Creditor means the amount of the Affected Claim of such Creditor (including, without limitation, a Person having a Landlord Claim) as finally determined for voting and distribution purposes in accordance with the Claims Procedure Order and the Filing Order;

“Released Parties” means the Applicant, the Restructuring Officer, the Monitor and each of their respective officers, directors, employees and agents;

“Remaining Affected Creditors” has the meaning assigned in paragraph 4.1(c);

“Rent” means, in respect of each Lease, the base rent payable per month provided for under such Lease plus any amounts payable under the Lease for utilities, taxes, common area maintenance charges, percentage rent or other additional amounts;

“Required Majority” means, in respect of the Affected Creditors, a majority in number of Affected Creditors representing two-thirds in value of the Affected Creditors’ Proven Claims present and voting in person, by voting letter or by proxy at the Meeting;

“Restructuring Officer” means the restructuring officer appointed pursuant to the Initial Order;

“Sanction Order” means the Order of the Court sanctioning and approving the Plan;

“Secured Trade Creditors” means any Creditor that has been granted a security interest in any of the assets, property and undertaking of the Applicant save and except GMAC and any other Senior Secured Creditors;

“Senior Secured Creditors” means GMAC and, subject to the Monitor determining in accordance with the Claims Procedure Order that their Claims are valid, the Creditors listed on the attached **Schedule “A”**;

“Special Distribution” has the meaning assigned in paragraph 4.1(e);

“Tax” or **“Taxes”** shall mean any and all federal, provincial, municipal, local and foreign taxes, assessments, reassessments and other governmental charges, duties, impositions and liabilities including for greater certainty taxes based upon or measured by reference to gross receipts, income, profits, sales, capital, use and occupation, goods and services, and value added, *ad valorem*, transfer, franchise, withholding, custom duties, payroll, recapture, employment, excise and property taxes, together with all interest, penalties, fines and additions with respect to such amounts; and

“Unaffected Claims” means: (a) Claims of the Monitor and its counsel, and Claims of the Applicant’s counsel and Claims of the Proposal Trustee and its counsel arising before or after the Filing Date; (b) claims of the Senior Secured Creditors; (c) Claims compromised by the 2005 Proposal and the Applicant’s obligations to make distributions under the 2005 Proposal; (d) Claims for wages, salary and vacation pay accruing due to employees; and (e) Post-Filing Claims.

Section 1.2 Interpretation, etc.

For the purposes of this Plan:

- (a) any reference to a contract, instrument, release, indenture, or other agreement or documents being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions;

- (b) any reference to an Order or to an existing document or exhibit filed or to be filed means such Order, document or exhibit as it may have been or may be amended, modified, or supplemented from time to time;
- (c) any reference to a statute includes all regulations made thereunder and all amendments to such statute or regulations in force from time to time;
- (d) unless otherwise specified, all references to Sections, Articles and Schedules are references to Sections, Articles and Schedules of or to the Plan;
- (e) the words “herein” and “hereto” refer to this Plan in its entirety rather than to a particular portion of the Plan;
- (f) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of this Plan;
- (g) where the context requires, a word or words importing the singular shall include the plural and vice versa, and a word or words importing the masculine gender shall include the feminine and neuter genders and vice versa;
- (h) the words “includes” and “including” are not limiting;
- (i) the phrase “may not” is prohibitive and not permissive; and
- (j) the word “or” is not exclusive.

Section 1.3 Date for any Action

In the event that any date on which any action is required to be taken under this Plan by any of the parties is not a Business Day, that action shall be required to be taken by 5:00 p.m. on the next succeeding day which is a Business Day.

Section 1.4 Time

All times expressed in this Plan are local time Toronto, Ontario, Canada unless otherwise stipulated.

**ARTICLE 2
PURPOSE AND EFFECT OF THE PLAN**

Section 2.1 Background

The circumstances and events leading up to this Plan are summarized in the Report of the Monitor, which will be circulated to Affected Creditors in connection with this Plan.

Section 2.2 Persons Affected

This Plan provides for a coordinated restructuring and compromising of Affected Claims. This Plan will become effective on the Effective Date and shall be binding on and enure to the benefit of the Applicant and the Affected Creditors and their respective heirs, administrators, executors, legal personal representatives, successors and assigns.

Section 2.3 Persons Not Affected

This Plan does not affect holders of Unaffected Claims and nothing in this Plan shall impact the rights of the Creditors with Unaffected Claims against the Applicant. Nothing in this Plan shall affect any Applicant's rights and defences, both legal and equitable, with respect to any Affected Claims, including, but not limited to, all rights with respect to legal and equitable defences or entitlements to setoffs or recoupment against such Claims.

**ARTICLE 3
CLASSIFICATION OF CREDITORS, VALUATION OF CLAIMS AND
RELATED MATTERS**

Section 3.1 Classes of Claims

The only class of Creditors for the purpose of considering and voting on the Plan shall be Affected Creditors.

Section 3.2 Claims

Affected Creditors shall vote in respect of the Plan and receive the rights provided for under and pursuant to this Plan. The right of Affected Creditors to vote on the Plan shall be determined in accordance with the Claims Procedure Order and the Filing Order.

Section 3.3 Secured Trade Creditors

For the purposes of this Plan, including voting and distribution, the security held by each of the Secured Trade Creditors is valued at \$0.

Section 3.4 Meetings

The Meeting of the Affected Creditors shall be held and conducted in accordance with this Plan and the Filing Order. The only Persons entitled to attend the Meeting are those persons, including the holders of proxies, entitled to vote at the Meeting and their legal counsel, the Monitor and its legal counsel and the officers, directors and legal counsel of the Applicant. Any other Person may be admitted on invitation of the chairperson of the Meeting. An officer of the Monitor or a person designated by the Monitor shall preside as the chairperson of the Meeting and shall decide all matters related to the conduct of the Meeting.

Section 3.5 Approval by Affected Class

The Applicant will seek approval of the Plan by the affirmative vote of the Required Majority of the Affected Creditors in order that the Plan becomes binding on the Affected Creditors as of the Effective Date.

Section 3.6 Value of Claims for Voting Purposes

Each Affected Creditor (other than a Landlord) shall be entitled to vote based on a value equal to its respective Proven Claim, and each Landlord Creditor shall be entitled to vote based on a value equal to its respective Landlord Claim plus a value equal to any other Proven Claim it may have.

**ARTICLE 4
PLAN OF ARRANGEMENT**

Section 4.1 Implementation of Plan

- (a) On the Implementation Date, the Debtor shall pay any outstanding Administrative Fees and Expenses and shall deliver a retainer of \$50,000.00 (or such other amount as the Applicant and the Monitor may agree) to the Monitor and a \$10,000.00 retainer to the Proposal Trustee.
- (b) On the Business Day that is 10 Business Days after Implementation Date the Applicant will distribute the sum of \$500,000.00 (the "**Initial Distribution**") to the Monitor. All Affected Creditors with a Proven Claim not exceeding \$10,000.00 and all Affected Creditors with a Proven Claim greater than \$10,000.00 who elect, by notice in writing to the Monitor (substantially in the form of the notice attached as **Schedule "B"**) received by the Monitor at least two Business Days prior to the Implementation Date, to value their Proven Claims at \$10,000.00 for distribution purposes (collectively, the "**Electing Creditors**"), shall receive their *pro rata* share of \$500,000.00 provided that no Affected Creditor shall be entitled to receive more than 100% of that Affected Creditor's Proven Claim or, in the case of Affected Creditors whose claims are greater than \$10,000.00, \$10,000.00.
- (c) On the Implementation Date, the Monitor will distribute to the Affected Creditors with Proven Claims greater than \$10,000.00 who do not elect to receive the distribution provided for in **Article 4.1(b)** (the "**Remaining Affected Creditors**") certificates ("**Certificates**") in the amount of their Proven Claims in full and final satisfaction of their Proven Claims. The Certificates will provide that holders are entitled to a *pro rata* share of the amount distributed by the Applicant to the Monitor in accordance with paragraphs (d) and (e);
- (d) Commencing in Fiscal 2009, by no later than October 31st following the end of that fiscal year, the Applicant shall distribute to the Monitor an amount equal to 30% of the Applicant's net cash flow from operations calculated as the Applicant's net income *per* its audited financial statements (excluding income or

loss from sales of assets out of the ordinary course of business and/or extraordinary items) after income tax plus amortization and less amounts paid for capital expenditures (the “**Annual Distributions**”). The Applicant will make the Annual Distribution each year until such time as the aggregate amount of the Annual Distributions made by the Applicant inclusive of any Administrative Fees and Expenses paid from the Annual Distributions equals \$2,000,000.00;

- (e) In addition to the Annual Distributions, the Applicant shall distribute to the Monitor 50% of any amounts, net of legal costs, actually recovered by the Debtor from Effigi in connection with any judgment in favour of the Debtor made in the action commenced by the Applicant against Effigi or as a result of the settlement of that action (the “**Special Distribution**”) and the Monitor shall distribute the Special Distribution, net of any outstanding Administrative Fees and Expenses, *pro rata*, to the Remaining Affected Creditors; and
- (f) The Applicant shall include with the Annual Distributions a report of the Applicant’s auditor stating that, in their opinion, the computation of the Annual Distribution has been made in accordance with paragraph (d).

Section 4.2 Accelerated Distribution

The Applicant may, at any time after the Implementation Date, distribute the sum of \$2,000,000.00 to the Monitor in full and final satisfaction of the Applicant’s obligation to make Annual Distributions pursuant to paragraph 4.1(d).

Section 4.3 Conversion of Certificates

The Certificates may, at the option of the Applicant exercisable at any time after the Implementation Date, be converted into non-voting and redeemable preferred shares of the Applicant with the right to receive an annual dividend equal to the distribution that would have been payable under the Certificates (the “**Creditor Shares**”). The Creditor Shares will, subject to the terms of any required shareholders’ agreement, be issued by the Applicant to the Monitor on the basis of one Creditor Share for each dollar of the Remaining Affected Creditors’ Proven Claims. The Creditor Shares will be held in trust by the Monitor for the Remaining Affected Creditors.

ARTICLE 5 PROVISIONS GOVERNING DISTRIBUTIONS

Section 5.1 Initial Distribution

Within 30 Business Days of receiving the Initial Distribution or as soon as practical thereafter, the Monitor shall distribute the Initial Distribution to the Electing Creditors in accordance with paragraph 4.1(b).

Section 5.2 Distribution to Affected Creditors

Subject to **Article 5.3**, within 30 Business Days of receiving an Annual Distribution or the Special Distribution or as soon as practical thereafter, the Monitor shall deduct any outstanding Administrative Fees and Expenses from the Annual Distribution or Special Distribution and distribute the remaining amount of the Annual Distribution or the Special Distribution to the Remaining Affected Creditors *pro rata* based on the Proven Claims of the Remaining Affected Creditors.

Section 5.3 De Minimus Distributions

The Monitor may not make a distribution to any Remaining Affected Creditor unless the amount of the distribution to be made to that Remaining Affected Creditor is \$10.00. If the amount to be distributed to a Remaining Affected Creditor at any given time based on that Remaining Affected Creditor's *pro rata* share of the Annual Distribution for that year or the Special Distribution plus any amounts held in trust by the Monitor for the Remaining Affected Creditor from a previous Annual Distribution or Special Distribution, is less than \$10.00, the Monitor may: (a) not effect a distribution to that Remaining Affected Creditor; (b) retain the amount of the distribution in trust for that Remaining Affected Creditor; and (c) make a distribution to the Remaining Affected Creditor in the first year where the amount held in trust for that Remaining Affected Creditor is \$10.00.

Section 5.4 Value of Claims for Distribution Purposes

The value of a Claim for distribution purposes shall be determined in accordance with the procedure established by the Claims Procedure Order.

Section 5.5 No Distributions Pending Allowance

Notwithstanding any other provision of the Plan, no payment or distribution shall be made with respect to any Affected Claim unless and until all of the Affected Claims become Proven Claims.

Section 5.6 Interest on Claims

Unless otherwise specifically provided for in this Plan or the Sanction Order, interest shall not accrue or be paid on Affected Claims after the Filing Date, and holders of Affected Claims shall only be entitled to interest accruing on or before the Filing Date on any such Claims.

Section 5.7 Delivery of Distributions

Distributions to Affected Creditors shall be made by prepaid ordinary mail by the Monitor: (a) to the address set forth on the Proof of Claim filed by an Affected Creditor; or (b) to the addresses set forth in any written notices of address changes delivered to the Monitor after the date of any related Proof of Claim. If any Affected Creditor's distribution is returned as undeliverable, no further distributions to such Affected Creditor shall be made unless and until the Monitor is notified of such Affected Creditor's then current address, at which time all missed distributions shall be made to such Affected Creditor without interest. All claims for undeliverable distributions must be made on or before the expiration of six (6) months following the date of the

distribution, after which date the Claim of any Affected Creditor or successor of such Affected Creditor with respect to such unclaimed distributions shall be discharged, and forever barred, notwithstanding any federal or provincial laws to the contrary, and any such undeliverable distributions shall be returned to the Applicant. Nothing contained in the Plan shall require the Applicant or the Monitor to attempt to locate any Affected Creditor.

Section 5.8 Withholding and Reporting Requirements

In connection with this Plan and all distributions hereunder, the Monitor shall, to the extent applicable, comply with all Tax withholding and reporting requirements imposed by any federal, state, provincial, local, or foreign taxing authority, and all distributions hereunder shall be subject to any such withholding and reporting requirements. The Monitor shall be authorized to take any and all actions that may be necessary or appropriate to comply with such withholding and reporting requirements. Notwithstanding any other provision of the Plan: (a) each Affected Creditor that is to receive a distribution pursuant to the Plan shall have sole and exclusive responsibility for the satisfaction and payment of any Tax obligations imposed by any governmental authority, including income, withholding and other Tax obligations, on account of such distribution; and (b), to the extent applicable, no distribution shall be made to or on behalf of any Affected Creditor pursuant to the Plan unless and until such Affected Creditor has made arrangements satisfactory to the Monitor for the payment and satisfaction of such Tax obligations. Any distributions to be distributed pursuant to the Plan shall, pending the implementation of such arrangements, be treated as an undeliverable distribution. It is the Applicant's intent that distributions under the Plan to holders of Claims are in respect of, and to be applied to, principal first and then interest.

ARTICLE 6 RELEASES

Section 6.1 Plan Releases

On the Effective Date, the Released Parties shall, to the extent not specifically prohibited by the CCAA, be released and discharged from any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, liens and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, including, without limitation, any and all claims in respect of potential statutory liabilities of the former, present and future directors and officers of the Applicant, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Effective Date relating to, arising out of or in connection with the Claims, the business and affairs of the Applicant, this Plan and the CCAA Proceedings, provided that nothing herein shall release or discharge the Applicant from or in respect of Proven Claims or from or in respect of their obligations to Creditors under this Plan or under any Order and provided further that nothing therein shall release or discharge a Released Party if the Released Party is adjudged by the express terms of a judgement rendered on a final determination on the merits to have

committed fraud or wilful misconduct. Nothing in this section shall impact the rights of Unaffected Creditors.

Section 6.2 Injunction Related to Releases

The Sanction Order will enjoin the prosecution, whether directly, derivatively or otherwise, of any claim, obligation, suit, judgment, damage, demand, debt, right, cause of action, liability or interest released, discharged or terminated pursuant to the Plan.

**ARTICLE 7
MISCELLANEOUS**

Section 7.1 Confirmation of Plan

Provided that the Plan is approved by the Required Majority of the Affected Class, the Applicant will seek the Sanction Order and, subject only to the satisfaction of those conditions described in Sections 7.6 and 7.7, the Plan will be implemented by the Applicant and will be binding upon the Applicant and all Affected Creditors.

Section 7.2 Paramountcy

From and after the Effective Date, any conflict between the Plan and the covenants, warranties, representations, terms, conditions, provisions or obligations, expressed or implied, of any contract, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, by-laws of the Applicant, lease or other agreement, written or oral and any and all amendments or supplements thereto existing between one or more of the Affected Creditors and the Applicant as at the Effective Date will be deemed to be governed by the terms, conditions and provisions of the Plan and the Sanction Order, which shall take precedence and priority. All Affected Creditors shall be deemed to consent to all transactions contemplated in this Plan.

Section 7.3 Compromise Effective for all Purposes

The payment, compromise or other satisfaction of any Affected Claim under the Plan, if sanctioned and approved by the Court, shall be binding upon such Affected Creditor, its heirs, executors, administrators, legal personal representatives, successors and assigns.

Section 7.4 Modification of Plan

The Applicant reserves the right, at any time and from time to time, to amend, modify and/or supplement this Plan, provided that any such amendment, modification or supplement must be contained in a written document which is filed with the Court and: (a) if made prior to the Meeting, communicated to the Creditors in the manner required by the Court (if so required); and (b) if made following the Meeting, approved by the Court following notice to the Creditors affected thereby.

Any amendment, modification or supplement may be made following the Sanction Order by the Applicant with the consent of the Monitor, provided that it concerns a matter which, in the opinion of the Applicant and the Monitor, acting reasonably, is of an administrative nature required to better give effect to the implementation of this Plan and the Sanction Order and is not adverse to the financial or economic interests of the Affected Creditors.

Any supplementary or amended plan or plans of compromise or arrangement filed with the Court and, if required by this **Section 7.4**, approved by the Court, shall, for all purposes, be and be deemed to be a part of and incorporated in this Plan.

No amendment or modification to the Plan that may affect the Senior Secured Creditors or the Unaffected Claims may be made without the prior written consent of the relevant Senior Secured Creditor(s) or holder(s) of Unaffected Claim(s)..

Section 7.5 Consents, Waivers and Agreements

As at 12:01 a.m. on the Effective Date,

- (a) each Affected Creditor shall be deemed to have consented and to have agreed to all of the provisions of this Plan as an entirety. In particular, each Affected Creditor shall be deemed:
 - (i) to have executed and delivered to the Monitor and the Applicant all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Plan as an entirety;
 - (ii) to have waived any and all defaults then existing or previously committed by the Applicant in any covenant, warranty, representation, term, provision, condition or obligation, expressed or implied, in any contract, agreement, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, lease or other agreement, written or oral and any and all amendments or supplements thereto, existing between any such Affected Creditor and the Applicant and any and all notices of default and demands for payment under any instrument, including, without limitation any guarantee, shall be deemed to have been rescinded; and
 - (iii) to have agreed that, if there is any conflict between the provisions, express or implied, of any agreement or other arrangement, written or oral, existing between such Affected Creditor and the Applicant as at such time (other than those entered into by the Applicant on, or with effect from, such time) and the provisions of this Plan, then the provisions of this Plan take precedence and priority and the provisions of such agreement or other arrangement are amended accordingly.

In this Plan the deeming provisions are not rebuttable and are conclusive and irrevocable.

Section 7.6 Plan Effective

The Plan is not effective unless and until:

- (a) the Required Majority vote in favour of the acceptance of the Plan;
- (b) the Sanction Order, in form and substance reasonably satisfactory to the Applicant, is entered and all applicable appeal periods have expired;
- (c) by no later than May 15, 2008 (or such later date as the Applicant may agree or the Court may order), each of the Senior Secured Creditors has entered into a forbearance agreement with the Applicant on terms acceptable to the Applicant and the relevant Senior Secured Creditor; and
- (d) by no later than May 15, 2008 (or such later date as the Applicant may agree or the Court may order), an agreement is entered into or an order made by the Court that provides for the outstanding and future dividends under the 2005 Proposal to made on the following dates (or such other later dates as may be agreed or ordered):

2005 Proposal Dividend	Revised Payment Date
March 2008 (2007 Payment)	December 31, 2008
August 2008	December, 31, 2009
August 2009	December 31, 2010
August 2014	August 15, 2014

Section 7.7 Conditions Precedent to Implementation of Plan

The implementation of the Plan is subject to the following conditions precedent:

- (a) the Plan shall be effective;
- (b) all actions, documents and agreements necessary to implement the Plan shall have been effected or executed and delivered; and
- (c) all Affected Claims shall have become Proven Claims.

Section 7.8 Notices

Any notices or communications to be made or given hereunder shall be in writing and shall refer to this Plan and may, subject as hereinafter provided, be made or given by personal delivery, by courier, by prepaid ordinary mail or by facsimile addressed to the respective parties as follows:

- (a) if to the Applicant:

SAAN Stores Ltd - Les Magasins SAAN Ltée
2800 Matheson Blvd.
Mississauga ON L4W 4X5

Attention: Tony Chahine
Facsimile: (905) 238-3892

- (b) if to a Creditor:

(i) to the address for such Creditor specified in the Notice of Claim or the Proof of Claim filed by a Creditor or, (ii) at the address set forth in any written notice of address changes delivered to the Monitor after the date of any related Proof of Claim.

- (c) if to the Monitor:

Mintz & Partners Limited
1 Concorde Gate
Suite 200
Toronto ON M3C 4G4

Attention: Daniel Weisz
Facsimile: (416) 644-4303

or to such other address as any party may from time to time notify the others in accordance with this **Section 7.8**. In the event of any strike, lock-out or other event which interrupts postal service in any part of Canada, all notices and communications during such interruption may only be given or made by personal delivery or by facsimile and any notice or other communication given or made by prepaid mail within the five (5) Business Day period immediately preceding the commencement of such interruption, unless actually received, shall be deemed not to have been given or made. All such notices and communications shall be deemed to have been received, in the case of notice by facsimile or by delivery prior to 5:00 p.m. (local time) on a Business Day, when received or if received after 5:00 p.m. (local time) on a Business Day or at any time on a non-Business Day, on the next following Business Day and, in the case of notice mailed as aforesaid, on the fourth Business Day following the date on which such notice or other communication is mailed. The unintentional failure by the Applicant to give notice contemplated hereunder to any particular Creditor shall not invalidate this Plan or any action taken by any Person pursuant to this Plan.

Section 7.9 Severability of Plan Provisions

If, prior to the Confirmation Date, any term or provision of the Plan is held by the Court to be invalid, void or unenforceable, the Court, at the request of the Applicant, shall have the power to either: (a) sever such term or provision from the balance of the Plan and provide the Applicant with the option to proceed with the implementation of the balance of the Plan as of and with

effect from the Effective Date; or (b) alter or interpret such term or provision to make it valid and enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such severing, holding, alteration or interpretation, and provided the Applicant proceeds with the implementation of the Plan, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such severing, holding, alteration or interpretation. Notwithstanding the forgoing, no such severance, alternation or interpretation shall affect Unaffected Claims and the rights to Creditors with Unaffected Claims.

Section 7.10 Revocation, Withdrawal, or Non-Consummation

The Applicant reserves the right to revoke or withdraw the Plan at any time prior to the Confirmation Date or to file subsequent plans of compromise or arrangement. If the Applicant revokes or withdraws the Plan, or if the Sanction Order is not issued: (a) the Plan shall be null and void in all respects; (b) any settlement or compromise embodied in the Plan, and any document or agreement executed pursuant to the Plan shall be deemed null and void; and (c) nothing contained in the Plan, and no acts taken in preparation for consummation of the Plan, shall: (i) constitute or be deemed to constitute a waiver or release of any Claims by or against the Applicant or any other Person; (ii) prejudice in any manner the rights of the Applicant or any other Person in any further proceedings involving the Applicant; or (iii) constitute an admission of any sort by the Applicant or any other Person.

Section 7.11 Further Assurances

Notwithstanding that the transactions and events set out in this Plan shall occur and be deemed to occur in the order set out herein without any additional act or formality, each of the Persons affected hereby shall make, do and execute, or cause to be made, done and executed at the cost of the requesting party, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by the Applicant in order to better implement this Plan.

Section 7.12 Governing Law

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

SCHEDULE "A"

Senior Secured Creditors

6301533 Canada Inc.

Gendis Inc./Jana Holdings Ltd.

Multiprint Tex Manufacturing Ltd.

1327463 Ontario Ltd. /Entertainment World Holding Inc.

Mondiale Imports Ltd.

Pioko International Imports Inc.

3952959 Canada Inc.

167986 Canada Inc.

4283147 Canada Inc.

SCHEDULE "B"

Court File No. 05-CL-5695

**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 AND ARRANGEMENT
OF SAAN STORES LTD. - LES MAGASINS SAAN LTÉE**

Applicant

**ELECTION PURSUANT TO SECTION 4.1 OF THE PLAN OF COMPROMISE OR
ARRANGEMENT DATED MARCH 28, 2008 (the "Plan")**

I/We _____ (name of creditor), a creditor of SAAN STORES LTD. - LES MAGASINS SAAN LTÉE having a Proven Claim (as defined in the Plan) greater than \$10,000.00 hereby elect, pursuant to paragraph 4.1(b) of the Plan, to value that Proven Claim at \$10,000.00 for distribution purposes.

DATED this _____ day of _____, 2008.

Print Name of Creditor

Signature of Creditor or, if the Creditor is a corporation, signature of an authorized signing officer of the corporation

Name:

Title:

Schedule "B"

PLAN OF COMPROMISE OR ARRANGEMENT

in respect of

SAAN STORES LTD. - LES MAGASINS SAAN LTÉE

SUMMARY OF KEY TERMS¹

Purpose of the Plan	<p>The purpose of the Plan is to provide for the compromise of the Claims of all Affected Creditors. Affected Creditors will receive distributions under the Plan in full and final satisfaction of their Claims against SAAN.</p> <p>The Plan is based on Affected Creditors receiving their <i>pro rata</i> share of: (a) a fixed percentage of Applicant's net cash flow from operations (excluding sales of assets out of the ordinary course of business or extraordinary items) calculated in accordance with generally accepted accounting principles on the basis of the Applicant's net income (excluding sales of assets out of the ordinary course of business or extraordinary items) after tax plus amortization and less capital expenditures over a period of years up to a maximum aggregate amount; and (b) a fixed percentage of any recoveries from a litigation claim.</p>
Unaffected Creditors	<p>The Plan will not impact the Claims: (a) of the Monitor and its counsel, and the Applicant's counsel and Claims of the Proposal Trustee and its counsel arising before or after the Filing Date; (b) of the Senior Secured Creditors; (c) compromised by the 2005 Proposal or related to the Applicant's obligations to make distributions under the 2005 Proposal; (d) for wages, salary and</p>

¹ This summary is intended to provide general information only. Reference should be had to the Plan. In the event of any inconsistency between this Summary and the Plan, the Plan shall govern. All terms not otherwise defined, have the meaning assigned in the Plan.

	vacation pay accruing due to employees; and (e) that are Post-Filing Claims.
Affected Creditors	The Plan will compromise the claims of all of SAAN's unsecured creditors. SAAN has provided certain of its suppliers with security. Most of these suppliers will be treated as unsecured creditors for the purposes of the Plan.
Conditions to Plan being Effective	The Plan will not be effective unless and until: (a) a majority in number representing 2/3 in value of the Affected Creditors present and voting at the meeting of Affected Creditors called to consider the Plan vote in favour of the Plan; (b) the Court sanctions the Plan; and (c) by May 15, 2008 the Proposal Trustee agrees to the deferral of certain the payments required to be made under the 2005 Proposal and forbearance agreements are negotiated with the Senior Secured Creditors.
Implementation	The Plan will be implemented on the later of (a) October 31, 2008; and (b) the Business Day following the day the Plan is Effective, all actions, documents and agreements necessary to implement the Plan have been effected or executed and delivered, and all Affected Claims shall have become Proven Claims.
Distribution by Monitor	The Monitor will make all distributions to Affected Creditors under the Plan.
Immediate Distribution	<p>Ten Business Days after the Implementation Date, there will be an immediate distribution to the Monitor of \$500,000.</p> <p>This distribution will be distributed, <i>pro rata</i>, by the Monitor to: (a) Affected Creditors whose Proven Claims are less than \$10,000; or (b) Affected Creditors whose Proven Claims are greater than \$10,000,</p>

	but who elect to value their Proven Claim at \$10,000.
Distributions to Remaining Affected Creditors	<p>On the Implementation Date the Remaining Affected Creditors will receive Certificates in the amount of their Proven Claims.</p> <p>Each year beginning in fiscal 2009, SAAN will distribute to the Monitor an amount equal to 30% of its net income calculated as set forth in the Plan up to an aggregate amount of \$2 million. The Monitor will distribute the Annual Distributions to the Remaining Affected Creditors <i>pro rata</i>.</p> <p>In addition to the Annual Distributions, if SAAN is successful in its on-going litigation with Effigi, SAAN will distribute 50% of the net amount recovered from Effigi (net of legal costs) to the Monitor for distribution, <i>pro rata</i>, to the Remaining Affected Creditors.</p>
Early Payment Rights	SAAN has the option of paying \$2 million in full and final satisfaction of its obligations to make Annual Distributions.
Conversion Rights	SAAN will have the option of converting the Certificates to Creditor Shares – non-voting and redeemable shares that will provide for dividends equivalent to the distributions to be made to Remaining Affected Creditors under the Certificates.
Administrative Fees and Expenses	The Administrative Fees and Expenses will be paid out of the Annual Distributions and the Special Distribution. The amount that will be distributed to the Remaining Affected Creditors under the Plan will be the amount paid to the Monitor by SAAN net of any Administrative Fees and Expenses.

Meeting	A meeting of Affected Creditors to consider the Plan will be held on May 2, 2008. Prior to this meeting, the Monitor will provide all Affected Creditors who have proven a claim against SAAN with a report containing financial information with respect to SAAN to assist Affected Creditors in assessing the Plan.
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Schedule "C"

**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 AND ARRANGEMENT
OF SAAN STORES LTD. - LES MAGASINS SAAN LTÉE**

Applicant

VOTING LETTER

THE UNDERSIGNED has reviewed the Plan of Compromise or Arrangement dated March ____, 2008 (the "**Plan**") and hereby instructs Mintz & Partners Limited in its capacity as monitor of SAAN STORES LTD. - LES MAGASINS SAAN LTÉE and chair of the meeting of creditors to record a vote in respect of the Plan as follows (please check one of the boxes below; if neither box is checked or if both boxes are checked, your vote will be counted in favour of the Plan):

- VOTE FOR** approval of the Plan
- VOTE AGAINST** approval of the Plan.

DATED this _____ day of _____, 2008.

Print Name of Creditor

Signature of Creditor or, if the Creditor is a corporation, signature of an authorized signing officer of the corporation

Name:
Title:

**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 AND ARRANGEMENT
OF SAAN STORES LTD. - LES MAGASINS SAAN LTÉE**

Applicant

PROXY

I/We _____ (name of
creditor), a creditor of SAAN STORES LTD. - LES MAGASINS SAAN LTÉE hereby
irrevocably appoint _____ to be our proxy in the above matter, except as to
the receipt of dividends, with power to appoint another proxy in his or her place.

DATED this _____ day of _____, 2008.

Print Name of Creditor

Signature of Creditor or, if the Creditor is a
corporation, signature of an authorized signing
officer of the corporation

Name:
Title:

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 AND ARRANGEMENT OF SAAN STORES LTD - LES MAGASINS SAAN
LTEE

<p><i>ONTARIO</i> SUPERIOR COURT OF JUSTICE (COMMERCIAL LIST) (IN BANKRUPTCY AND INSOLVENCY) PROCEEDING COMMENCED AT TORONTO</p>	
<p>ORDER</p>	
<p>GOWLING LAFLEUR HENDERSON LLP Barristers and Solicitors Suite 1600 1 First Canadian Place 100 King Street West Toronto, ON M5X 1G5</p>	
<p>E. Patrick Shea (LSUC #39655K) Tel: (416) 369-7399 Fax: (416) 862-7661</p> <p>Cliffon Prophet (LSUC #34845K) Tel: (416) 862-3509 Fax: (416) 862-7661</p>	
<p>SOLICITORS FOR THE APPLICANT</p>	