

**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**

**ELEVENTH REPORT OF THE MONITOR
(Dated as of June 3, 2008)**

1. This is the Eleventh Report prepared by Mintz & Partners Limited (the "**Monitor**"), in its capacity as the monitor of SAAN Stores Ltd. – Les Magasins SAAN Ltée ("**SAAN**" or the "**Company**") appointed pursuant to section 11.7 of the *Companies' Creditors Arrangement Act* (the "**CCAA**") by an Order of the Honourable Justice Morawetz dated December 28, 2007 (the "**Filing Date**") and the Amended and Restated Initial Order dated December 28, 2007 (the "**2007 CCAA Order**").
2. The Purpose of this Eleventh Report is to provide the Court with the Monitor's comments on ~~the Company's application~~ for an extension of the current stay of proceedings.
GMAC's motion
3. In preparing this Eleventh Report, the Monitor has relied upon financial and other information provided by SAAN and on information contained in SAAN's financial records. The Monitor has not audited or independently verified the information provided by SAAN or contained in SAAN's financial records. Capitalized terms used in this Eleventh Report and not otherwise defined herein have the meanings given to them in the 2007 CCAA Order, the Company's Plan of Compromise or Arrangement dated March 28, 2008 (the "**Plan**") or the Sales Process Order dated May 6, 2008.

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SAAN's Request for an Extension of the Stay of Proceedings

4. The stay of proceedings expires on June 3, 2008.
5. On May 28, 2008, the Monitor filed its Tenth Report with the Court in which, *inter alia*, the Monitor recommended that the Court authorize the Company to enter into an Agreement as between Great American Ventures, LLC (including 1416088 Ontario Limited o/a Danbury Industrial and Hudson Capital Partners, LLC) (collectively, "**Great American**") as Agent and SAAN as Merchant (the "**Agency Agreement**").
6. That day, the Court issued an Order authorizing the Company to enter into the Agency Agreement (the "**Agency Approval Order**"). The Monitor has been advised by the Company that on May 30, 2008, the Company and Great American implemented the Agency Agreement that contemplates a liquidation of the Company's inventory from its retail store locations until August 15, 2008 (the "**Sale Termination Date**").
7. For the Company to meet its obligations under the Agency Agreement, it will require an extension of the stay of proceedings to a date not before the Sale Termination Date (the "**Extension Period**"). At present, ~~the Company~~ ^{GMAC} is requesting that the stay of proceedings be extended to June 6, 2008. *Q*
8. The Company has advised that it no longer has access to any funding that will permit it to continue operations. As a result, the Company is in a crisis situation.

Monitor's Observations

9. The Monitor observes that the implementation of the Agency Agreement with Great American has just begun. Great American has entered into the Agency Agreement on the understanding that it will be able to effect a sale of SAAN's assets until the Sale Termination Date.
10. The Monitor also observes that there are further assets of SAAN that remain subject to the Sales Process, and that the Monitor has been authorized by this Court in the Agency Approval Order to bring forward further motions to this Court in respect of offers received for those assets.

11. In the Monitor's view, it would not be appropriate to extend the stay of proceedings unless the obligations of the Company are funded on a go-forward basis.

Implications of Not Extending the Stay of Proceedings

12. If the stay of proceedings is not extended, the Monitor expects that one of the secured creditors of the Company will make a motion to the Court for the appointment of a Receiver and Manager.
13. In such event, the Receiver and Manager would be required to become familiar with, and address, a number of the issues currently being addressed by the Company in these proceedings. This would result in additional time being spent and extra professional fees being incurred, which may be material, thereby likely decreasing the available realizations for the secured creditors of the Company. At this time, the Monitor does not expect that there will any funds available for distribution to unsecured creditors in the event of a receivership, and likely bankruptcy, of the Company.
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14. Further, a receivership may bring additional confusion and delays whereas the current process benefits from the certainty of the debtor remaining in possession of its assets, but subject to Court supervision.
15. In addition and in view of the Sales Process carried out by the Monitor as described in the Monitor's Tenth Report, the Monitor does not believe that realizations from the Company's assets will be enhanced if a receivership was to occur. In fact, the contrary is likely to be the case.
16. GMAC Commercial Finance Corporation – Canada ("GMAC"), the Company's DIP lender, has indicated that, in the circumstances, it will be moving to appoint a Receiver and Manager in very short order, perhaps as soon as Friday, June 6, 2008.
17. The Monitor has been advised by counsel to GMAC that it is prepared to fund those expenses of the Company that are not paid for by the Agent through to and including June 6, 2008. Counsel to GMAC has further advised that it has spoken with the Company's Restructuring Officer to determine the quantum of expenses the Company is

likely to incur. In addition, counsel to GMAC has also advised that, having spoken with the Company's Restructuring Officer, GMAC is prepared to fund the expenses of the Company not covered by the Agent in an amount that could be as much as \$960,000.

18. Finally, the Monitor has also been advised that negotiations continue in respect of a ^{asset purchase} possible ~~plan sponsorship~~ agreement with The Bargain! Shop Holdings Inc. As at the date of this report, the Monitor is not aware however of any agreement having been concluded.

Monitor's Recommendation

19. In the Monitor's view, the Company is proceeding in good faith and with due diligence to ensure that realizations for its creditors are maximized. It is therefore appropriate that this Honourable Court extend the stay of proceedings to June 6, 2008. The Company, the Monitor and other stakeholders were last before this Court on May 28, 2008, in which the Agency Approval Order was issued. It is appropriate that the liquidation of the Company's inventory continue as provided for in the Agency Order.
20. To permit GMAC to bring forward a motion for the appointment of a receiver and manager, the Monitor recommends that ~~the Company's~~ request for an extension of the stay of proceedings to June 6, 2008 be granted. ^{GMAC's}

ALL OF WHICH is respectfully submitted this 3rd day of June, 2008

MINTZ & PARTNERS LIMITED in its capacity
as the Monitor of SAAN Stores Ltd. – Les
Magasins SAAN Ltée and not in its personal
capacity

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