

June 16, 2009

[REDACTED]
[REDACTED]
[REDACTED]
Vancouver, BC [REDACTED]

RE: [REDACTED] and [REDACTED] (collectively referred to as "the Company") located at retail locations in [REDACTED], main offices at [REDACTED], and in storage in [REDACTED], BC.

As instructed by your firm, Timeline Asset Services Ltd. (TAS) provides the following appraisal of assets and inventories of the Company.

On June 10-12 and 16, 2009 TAS representatives inspected the above mentioned locations for the purpose of providing an appraisal of assets and inventories of the Company. We conducted an inventory count at all locations and provide a detailed listing of assets and a photo disk in this report.

We have not verified the actual ownership of these assets and inventories and have based this report on information provided by your office and [REDACTED] (owner). For purposes of this report, we have provided Gross Liquidation Value (GLV) for assets and inventories.

Assets/Raw Materials

The assets of the Company are located in 4 retail locations, one head office location and in storage at [REDACTED] in [REDACTED]. These assets consist of store fixtures, cash counters, mannequins, clothing racks, tables, hangers and retail merchandising supplies as well as office furnishings, computer equipment and warehouse shelving. The Company does not manufacture its inventory, but does have some commercial production equipment at the [REDACTED] location.

The raw materials of the Company are located at the [REDACTED] location and consist of new bolts of material, remnants of material, zippers, notions and packaging supplies.

The assets in the retail locations are in good condition and very well made. The assets at the [REDACTED] location are older but appear to be in good working condition. A detailed listing with individual values is attached as Appendix A.

Statement of Value

Timeline Asset Services Ltd. states the following values as summarized below.

<u>Description of Assets</u>	<u>GLV</u>
Company-owned Assets	
- [REDACTED]	3,590
- [REDACTED]	1,295
- [REDACTED]	3,740

<u>Description of Assets</u>	<u>GLV</u>
- [REDACTED]	1,660
- [REDACTED]	8,200
-raw materials	8,500
- [REDACTED] storage	2,305
Total Company Owned Assets/Raw Materials	\$29,290
Potential Third Party Assets	
-POS and security systems located at all locations	
-water coolers (rental units)	
-MAC notebook computer at [REDACTED] (employee owned)	
-Compaq notebook computer at [REDACTED] (employee owned)	
-various employee owned items at all locations	

Terms of this Report (Assets)

GLV represents the gross proceeds realized from a sale at a properly advertised public liquidation/auction. This sale is normally held within 30-60 days of possession. The value also assumes a default situation where normal maintenance has been deferred.

In the scenario above, we take into account the quantity, quality and condition of assets, the saleability and marketability of these products, and provide a gross dollar amount that does not consider cost of sale or removal. These values are provided in Canadian funds. Please note that the isolation of any single element as the sole basis of comparison to the whole appraisal may be inaccurate. Actual returns will strongly vary depending on method of sale, time available and market conditions.

Inventory

The finished goods inventory of the Company consists of [REDACTED] and [REDACTED] primarily for women. This inventory consists of jackets, pants, shorts, skirts, tank tops, hot pants, bras, thongs and other garments. During our inspection and inventory count, we found that the sizing was good and that the product at each location was well representative of the Company's product lines.

The [REDACTED] market attracts a mid to high end consumer and therefore the product is priced rather high. It is our opinion that a liquidation sale of this inventory would be well received by consumers if priced well below competitors such as [REDACTED].

Our inventory count states [REDACTED] pieces with an extended retail value of \$984,610 and is summarized below. [Note: The inventory count sheets have been deleted from Appendix A for confidentiality]

<u>Inventory</u>	<u>Piece Count</u>	<u>Retail Value</u>
Location		
- [REDACTED]	1,848	126,819
- [REDACTED]	994	48,743
- [REDACTED]	[REDACTED]	155,282
- [REDACTED]	[REDACTED]	111,445
- [REDACTED]	[REDACTED]	460,630
- [REDACTED] storage	1,370	81,691
Total Finished Goods Inventory	[REDACTED]	\$984,610

It is our opinion that the best liquidation scenario would involve utilising one location [REDACTED] and one location in Vancouver. Given that most mall managers prohibit insolvency liquidations to be conducted on their premises, we recommend using the [REDACTED] location (although this location may be too small) and [REDACTED] head office. The assets and inventories from the [REDACTED] and [REDACTED] stores could be moved to these locations as quickly as possible to minimize costs to the file. Alternatively, all locations could be amalgamated into one Vancouver liquidation centre.

We recommend a 30 to 60 days sale with initial discounts at 30%-60% off retail pricing. As the sale progresses, deeper discounts would allow for the inventory to be depleted faster. At the conclusion of the sale, all remaining inventory could be bulk sold or sold at auction with the assets of the Company.

Statement of Value

Based on our review of the inventory and the liquidation scenario outlined above, TAS states a GLV for all finished goods inventory to be in the \$335,000 to \$375,000 range.

Terms of this Report (Inventory)

GLV represents the gross proceeds realized from a sale at a properly advertised public liquidation. This sale is normally held within 30-60 days of possession.

In the scenario above, we take into account the quantity, quality and condition of the inventory, the saleability and marketability of these products, and provide a gross dollar amount that does not consider cost of sale, advertising or removal. These values are provided in Canadian funds. Please note that the isolation of any single element as the sole basis of comparison to the whole appraisal may be inaccurate. Actual returns will strongly vary depending on method of sale, time available and market conditions.

Estimate of Net Returns (Assets & Inventories)

Based on our inspection and current market conditions, we offer the following observations. An onsite liquidation and subsequent auction could take place over the next two months as outlined above.

We estimate gross proceeds from all sources to be in the \$365,000 to \$400,000 range based on our above appraised values. Typical commission for an liquidation of this size would be 30% (\$109,500 to \$120,000) and would cover marketing and staffing costs. The liquidator would require paid premises (1 or 2 locations), local utilities and asset and inventory insurance for the months of July and August (estimated at \$35,000). Stores not used in the liquidation and product in storage would be moved to the appropriate liquidation location (estimated moving costs at \$7,500 to \$10,000). At the end of the sale, all remaining assets and inventories would be bulk sold or sold at auction.

Given these costs, we estimate net returns from an onsite liquidation and auction at yet to be determined locations to be conducted by the end of August to be in the \$210,000 to \$235,000 range.

In this estimate, we have not given consideration to administrative costs incurred by your office or costs associated with the disposal of any unsaleable inventories or assets.

Exclusions

For purposes of this report we did not value any employee-owned assets and personal belongings, or any consigned [REDACTED] or inventory.

Restrictions

The contents of this report and any appendices are confidential and intended for use only by the addressee named above and other parties who are duly authorized by TAS.

Appraiser's Qualification Statement

Since 1988, Michael Collins has been employed in the auction and liquidation industry and is an accredited Member in Good Standing of the Canadian Personal Property Appraisers Group (CPPAG).

Through employment with Jarvis Auctions, Timeline Sales and Timeline Asset Services, he has performed hundreds of appraisals across companies of all sizes. He has appraised a wide variety of assets and inventories (finished/unfinished goods and raw materials) across many industries including, but not limited to: mining and tunnelling; logging and forestry; metal and wood working; manufacturing and production; restaurant and food services; warehouse and material handling; rolling stock and vehicles; commercial printing and graphic design; laboratory and research testing; office and computer products; and retail outlets.

These appraisals have been prepared for insolvency and restructuring professionals, major accounting firms, banks and lending institutions, lawyers, insurance companies, government institutions, private companies and individuals across Canada.

As a commercial auctioneer and appraiser, he constantly tracks market trends in all industries and has substantial research relationships and resources at his disposal; this enables him to prepare detailed, accurate appraisal reports.

Should you have any questions concerning the above, please contact our office.

Yours truly,

Timeline Asset Services Ltd.

Michael Collins, CPPA

Encls. -Appendix A
-Photo Disk

Appendix A

Asset & Inventory Listing and Appraisal of:

[REDACTED] and [REDACTED] (collectively referred to as “the Company”)

Location of Assets:

- Main Offices, [REDACTED], BC
- In storage in [REDACTED], BC
- Retail locations in:
[REDACTED], BC

Notes:

This Appendix accompanies an appraisal report prepared for [REDACTED]. The assets and inventories of the Company were viewed by Michael Collins, CPPA on June 10, 2009 ([REDACTED]), June 16, 2009 ([REDACTED]) and by Ron Price, CPPA and Hilary Watson, CPPA on June 10, 2009 ([REDACTED]), June 11, 2009 ([REDACTED]), June 12, 2009 ([REDACTED]) and June 16, 2009 ([REDACTED]).

This Appendix should be read in conjunction with the appropriate appraisal report that explains specific definitions of values and details the scope of the reporting.

	Location and Description	Gross Liquidation Unit Value	Gross Liquidation Value	Model
	Location 1			
4	- mannequin with stand and clothing	75	300	
	- black leather loveseat	200	200	
	- 4 baskets	50	50	
6	- [REDACTED]	10	60	
2	- mannequin base	10	20	
	- 3 potted plants and vases	20	20	
	- umbrella stand	5	5	
	- chrome waterfall rack	25	25	
	- basket and décor	10	10	
	- square display table	50	50	
	- 4-wheel rolling rack	50	50	
	- half mannequin with stand and clothing	35	35	
3	- wood stool	20	60	
	- sandwich sign	20	20	
5	- vase	10	50	
	- false video camera	10	10	
2	- poster	10	20	
	- original art	20	20	
3	- trifold mirror	25	75	
	- wood square display with drawers	100	100	
	- 3 white display bins	20	20	
2	- chrome 4-way clothing rack	20	40	
	- bevelled mirror	10	10	
	- convex security mirror	25	25	
4	- half mannequin	20	80	
	- wood table	20	20	
	- wall mounted display rack with shelves and accessories throughout store	400	400	
	- 10 ft. wooden cash counter	300	300	
2	- hanger stand with hangers	25	50	
	- small step	10	10	
	- 2 baskets	20	20	
	- canvas bin	10	10	
	- HP all-in-one	300	300	1315

	Location and Description	Gross Liquidation Unit Value	Gross Liquidation Value	Model
	- Sony stereo with speakers	20	20	
	- misc. office and retail supplies	20	20	
	- corkboard	10	10	
	- Panasonic cordless phone	10	10	
	- Amano timeclock	50	50	BX1800
2	- plastic pedestal	10	20	
	- 4 baskets and 3 totes	25	25	
	- 6 ft. aluminum step ladder	25	25	
	- wall-mounted chrome shelving	50	50	
	- Jiffy steamer	50	50	
	- Dirt Devil vacuum and broom	30	30	
	- fire extinguisher	10	10	
	- first aid kit, extension cord and misc.	10	10	
	- box of lights	50	50	
29	- track light heads	5	145	
	- loose wall accessories in cabinets	50	50	
	- loose hangers	250	250	
	- exterior sign	200	200	
	- display table	100	100	
	Location 1 Sub total		3,590	
	Location 2			
	- asstd. shelving brackets and rails	200	200	
28	- track light heads	5	140	
	- silver mirror	10	10	
2	- white mirror	5	10	
	- mannequin with stand	25	25	
2	- half mannequin	15	30	
	- step	10	10	
	- barstool	10	10	
	- 4 curtains	25	25	
2	- storage unit with 8 basket drawers	75	150	
2	- corkboard	5	10	
	- cash counter	100	100	

	Location and Description	Gross Liquidation Unit Value	Gross Liquidation Value	Model
2	- 6 ft. maple 2 dr. cabinet	20	40	
	- welcome mat	10	10	
	- 4-wheel rolling rack	50	50	
	- leather barstool	45	45	
	- Amano timeclock	50	50	
4	- [REDACTED]	10	40	
	- fire extinguisher	10	10	
2	- vase with dried plant	15	30	
	- canvas bin with hangers	50	50	
	- broom and dustpan	5	5	
2	- hanger stand with hangers	25	50	
	- Brother multifunction	50	50	MFC7220
	- misc. office and cleaning supplies	10	10	
	- Skil multi-tool set with case	20	20	
2	- 2-way rack	15	30	
	- 4-way rack	20	20	
	- Sony CD/Radio with speakers	10	10	
	- aromatherapy heater	5	5	
	- box of hangers	50	50	
	Location 2 Sub total		1,295	
	Location 3			
2	- mannequin with stand	60	120	
6	- half mannequin with stand	40	240	
	- wicker stand	15	15	
	- 3 level "podium"	50	50	
	- large chrome sign holder	25	25	
	- [REDACTED]	10	10	
	- assorted shelving brackets and rails throughout store	750	750	
2	- large mirror	150	300	
	- 6 asstd. vases	50	50	
3	- small chrome sign holder	10	30	
3	- wicker basket	15	45	

	Location and Description	Gross Liquidation Unit Value	Gross Liquidation Value	Model
	- step	10	10	
	- stool	10	10	
	- broom and dustpan	5	5	
	- round display cabinet	200	200	
	- Canon printer	15	15	
	- Phillips CD player/radio with speakers	50	50	
	- curved sales counter	300	300	
2	- hanger stand with hangers	40	80	
	- 8 ft. display table	200	200	
	- wicker basket	5	5	
	- wicker basket with hangers	50	50	
	- box of hangers	50	50	
	- leather bench with hangers	125	125	
4	- 6 ft. mirror	50	200	
	- leather ottoman	25	25	
4	- 8 ft. plastic shelving unit	15	60	
	- folding lawn chair	5	5	
	- fire extinguisher	10	10	
	- RCA microwave	10	10	
	- Amano timeclock with rack	60	60	
	- corkboard	5	5	
	- misc. fixtures and hardware	25	25	
	- box of hangers	40	40	
	- white bookcase	15	15	
	- wooden folding table	5	5	
	- 6 ft. folding step ladder	40	40	
	- 2 dr. grey filing cabinet	25	25	
	- 2 garbage can	10	10	
	- fixtures in storage room	20	20	
	- wicker basket	5	5	
	- half mannequin with stand	20	20	
	- 6 cartons of walnut laminate flooring (new)	50	50	
	- small mirror	10	10	
	- white bookcase	10	10	
	- broom, mop and bucket	15	15	

	Location and Description	Gross Liquidation Unit Value	Gross Liquidation Value	Model
	- misc. cleaning supplies	10	10	
	- corkboard	20	20	
	- box of Christmas decorations	10	10	
51	- track lighting heads	5	255	
	- misc office supplies	25	25	
	- small garbage can	5	5	
	- cordless phone with 2 sets	15	15	
	Location 3 Sub total		3,740	
	Location 4			
23	- track light heads	5	115	
	- [REDACTED]	10	10	
	- sandwich board	20	20	
3	- half mannequin with stand	40	120	
	- round lit display	100	100	
	- 4-wheel rolling rack	50	50	
	- asstd. fixtures and rails throughout store	300	300	
	- Phillips CD player	20	20	
	- asstd. vases and décor items	50	50	
4	- wooden stool	5	20	
5	- curtain	10	50	
2	- tri-fold mirror	25	50	
	- sales counter	200	200	
	- Swiffer	5	5	
	- V-tech phone with 2 sets	15	15	
2	- hanger stand with hangers	40	80	
2	- small sign holder	5	10	
	- misc. office supplies	25	25	
	- corkboard	15	15	
2	- tote of hangers	50	100	
2	- tote of brackets	10	20	
9	- wicker basket	5	45	
	- folding step	15	15	
	- 10 ft. aluminum step ladder	75	75	

	Location and Description	Gross Liquidation Unit Value	Gross Liquidation Value	Model
	- broom and dustpan	5	5	
	- mop and bucket	10	10	
	- 4-wheel rolling rack	20	20	
	- misc. cleaning supplies	10	10	
	- first aid kit	10	10	
	- 2 dr. filing cabinet	20	20	
	- wastebasket	5	5	
	- small step	5	5	
	- white bookshelf	15	15	
	- large floor mirror	50	50	
	Location 4 Sub total		1,660	
	Location 5			
	- corkboard	5	5	
	- 3 totes	10	10	
	- highback chair	10	10	
2	- stacking chair	5	10	
	- 2 dr. filing cabinet	20	20	
	- double rack	50	50	
	- small mirror	10	10	
	- 2 frames	5	5	
	- antique dining table	75	75	
3	- Roman blind	10	30	
	- sandwich board	20	20	
	- stainless steel sandwich board	50	50	
	- antique dining table	75	75	
5	- wicker basket	5	25	
18	- track lighting heads	5	90	
	- 4-wheel rolling rack	50	50	
	- wall fixtures, brackets and railings throughout store	200	200	
4	- 4-way rack	20	80	
4	- double rack	50	200	
	- artificial tree	75	75	
	- display table	75	75	

	Location and Description	Gross Liquidation Unit Value	Gross Liquidation Value	Model
	- black plastic shelf	15	15	
2	- mannequin with stand	60	120	
	- half mannequin with stand	40	40	
5	- Roman blinds	10	50	
4	- canvas curtain	10	40	
	- Enstar portable A/C unit	150	150	
	- ceramic heater	40	40	
	- rubber mat	10	10	
2	- hanger stand with hangers	40	80	
	- JVC stereo	20	20	
	- swivel barstool	50	50	
	- misc. office supplies	25	25	
	- shop broom	15	15	
	- mirror	5	5	
	- stacking chair	5	5	
	- white bookshelf	5	5	
	- fire extinguisher	10	10	
	- halogen lamp	10	10	
	- tote	5	5	
	- misc. office supplies	20	20	
	- blue velvet executive chair	35	35	
	- white table	15	15	
	- floor fan (in box)		-	
	- mirror	5	5	
	- garbage can	5	5	
	- misc. kitchen supplies and cleaning supplies	15	15	
	- Amano timeclock and rack	75	75	
	- coffee maker and kettle	10	10	
	- microwave and toaster	15	15	
	- GE phone and sets throughout	75	75	
	- refrigerator	75	75	
	- industrial shop vac	75	75	
7	- large tarp (2 new)	20	140	
	- floor fan	20	20	
	- floor fan	50	50	

	Location and Description	Gross Liquidation Unit Value	Gross Liquidation Value	Model
	- misc. shelving components	20	20	
	- 3-bay run of shelving	300	300	
	- mannequin parts on shelving	75	75	
	- quantity of hangers and tags	150	150	
	- whiteboard	15	15	
	- asstd. sign holders and brackets	50	50	
3	- box of hangers	40	120	
	- misc. shelving components	40	40	
	- older PC	5	5	
2	- fire extinguisher	40	80	
	- shop vac (in box)	25	25	
	- display table	25	25	
	- 4 totes	20	20	
2	- hanger stand with hangers	40	80	
	- bathroom scale	10	10	
	- hand dolley	30	30	
	- antique dining table	45	45	
	- box of hangers	50	50	
	- display bench	30	30	
	- 6 ft. work table	45	45	
6	- mannequin stand	5	30	
	- 6 ft. aluminum ladder	50	50	
	- 8 ft. aluminum ladder	75	75	
5	- stainless steel frame	10	50	
4	- stainless steel sign holder	5	20	
	- 3 totes	20	20	
	- misc. office and paper supplies	50	50	
	- box of shelf brackets	20	20	
3	- yellow work light (new)	20	60	
5	- box of hangers	40	200	
2	- 4-wheel rolling rack	50	100	
	- asstd. racks, parts and sign holders	75	75	
4	- Roman blind	10	40	
	- shop built 4-wheel dolley	25	25	
	- roll of heavy duty paper	10	10	

	Location and Description	Gross Liquidation Unit Value	Gross Liquidation Value	Model
	- Juki industrial sewing machine	200	200	DDL 550-6
	- 2 totes	5	5	
2	- 12 ft. bay of light duty racking	75	150	
	- folding chair	5	5	
	- plastic shelf	5	5	
	- round antique table	20	20	
	blue task chair	10	10	
	- corkboard	5	5	
2	- stainless steel frame	10	20	
	- Lexmark printer	25	25	E232
	- Cicero PC with CRT monitor	50	50	
	- misc. office supplies	15	15	
	- tote	5	5	
	- folding chair	5	5	
43	- plastic shelving unit	10	430	
	- 2 small table	10	10	
2	- 5 ft. work table	25	50	
	- 4-wheel rolling rack	50	50	
	- stool	5	5	
	- small wood table	5	5	
	- HP printer (not in use)	5	5	P1005
	- maple desk	10	10	
	- articulating desk lamp	5	5	
	- mannequin	20	20	
	- half mannequin	15	15	
	- ironing board and iron	45	45	
2	- 6 ft. work table	40	80	
	- stool	5	5	
	- bay of light duty racking	50	50	
	-	1,000	1,000	
	- ceramic heater	25	25	
	- drafting chair	25	25	
	- asstd. totes and baskets	75	75	
2	- folding chair	5	10	
2	- black highback chair	25	50	

	Location and Description	Gross Liquidation Unit Value	Gross Liquidation Value	Model
	- misc. office and shipping supplies	50	50	
	- 3 small corkboard	10	10	
	- small antique side table	20	20	
	- Lexmark printer	225	225	C520
	- 4 dr. filing cabinet	75	75	
	- Brother multifunction	50	50	MFC 5 460CN
	- Compaq computer with 15 in. LCD monitor	100	100	
	- computer with 17 in. LCD monitor	150	150	
	- asstd. white desks and bookshelves	75	75	
	- broom	5	5	
	- fire extinguisher	50	50	
	- half mannequin	20	20	
	- tote	5	5	
	- cork/whiteboard	20	20	
	- 4-wheel rolling rack	50	50	
	- 4-way rack (in pieces)	25	25	
	- window bars	250	250	
	Location 5 Sub total		8,200	
	Location 6 (storage)			
3	- maple shelving unit	75	225	
2	- 2 dr. storage and display unit	75	150	
	- 6 ft. display table	30	30	
6	- stacking chair	15	90	
2	- 4 ft. table	75	150	
	- chair	20	20	
	- 8 ft. ladder	75	75	
	- plastic shelving unit	10	10	
5	- wooden stool	15	75	
3	- wooden cubby	5	15	
2	- wooden display components	40	80	
	- metal door with frame	50	50	
	- box of hangers	50	50	
	- folding chair	5	5	

		Gross Liquidation Unit Value	Gross Liquidation Value	Model
	- water feature	75	75	
	- decorative sticks	5	5	
	- asstd. shelving and racking	200	200	
18	- half mannequin (some with stand)	15	270	
6	- mannequin	40	240	
	- grid racking	50	50	
	- timeclock	50	50	
	- stereo	30	30	
	- glass vase	10	10	
	- 10 ft. cash counter and display	350	350	
	Location 6 (storage) Sub total		2,305	
	Company-owned Assets Total		20,790	