



MEYERS NORRIS PENNY LIMITED

CANADA  
Province of Ontario

COURT NO. 31-1334353  
ESTATE NO.31-1334353

**TRUSTEE'S PRELIMINARY REPORT**  
**IN THE MATTER OF THE BANKRUPTCY OF**  
**1186222 ONTARIO INC. O/A HOLLY'S AND ANN STUART**  
**WITH ITS HEAD OFFICE**  
**IN THE CITY OF TORONTO**  
**IN THE PROVINCE OF ONTARIO**

On March 17, 2010, 1186222 ONTARIO INC. O/A HOLLY'S AND ANN STUART (the "Company") filed an assignment pursuant to the *Bankruptcy and Insolvency Act (Canada)* (the "BIA") and Meyers Norris Penny Limited was appointed the Trustee.

The Company was incorporated in January 1996. The Company operated as a women's fashion retailer offering high end clothing. The Company's head office is located in the City of Toronto. The Company operated from five locations in four malls.

The Trustee understands that the bankruptcy was the result of the slowdown of the economy, especially in the retail fashion business, resulting in a decline in sales and increased operating losses.

On March 18, 2010, the Notice to Creditors advising of the bankruptcy and the First Meeting of Creditors, a list of creditors and a proof of claim form, along with a proxy, were sent to all know creditors of the Company. Pursuant to subsection 102(4) of the BIA, the Notice of Bankruptcy was published in the March 22, 2010, edition of the Globe and Mail newspaper.

The information contained in this report has been prepared from the available books and records of the Company. These books and records have not been reviewed or otherwise audited by the Trustee, consequently, the Trustee expresses no opinion whatsoever with respect to the validity, the exactness or the reliability of the information contained herein.

**ASSETS**

Upon being appointed as Trustee our staff visited all five locations and secured and moved the inventory from three locations to the remaining two. We have deposited approximately \$23,000 into the estate bank account from cash on hand at the stores and the Company's bank account.

On March 9 and 10, 2010 an inventory count was completed. Total inventory at ticked retail was approximately \$595,000. The Company did not maintain a perpetual inventory.



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The first secured creditor according to the Personal Property Security Act is TD Canada Trust (the "Bank"). The amount owed to the Bank is approximately \$235,000 according to the Statement of Affairs. The Trustee contacted the Bank and enquired as to their intentions. The Bank stated that the Trustee should proceed immediately with a liquidation sale and that the Bank would file a claim as a secured creditor. The Trustee retained Asset Engineering Corporation to conduct the sale.

Sales generated to March 25, 2010 are \$58,000.

On March 23, 2010 the Trustee placed an advertisement in the Globe and Mail newspaper for the Company's retail leases. The return date for offers is April 5, 2010.

### **BOOKS AND RECORDS**

The Trustee has in its possession certain records of the Company. The following is a summary of key financial data from the Company's externally and internally generated financial statements.

	July 1, 2007 to June 30, 2008	July 1, 2008 to June 30, 2009
Revenue	\$4,304,519	\$2,885,609
Net Income/(loss)	(15,965)	(189,231)

### **CONSERVATORY AND PROTECTIVE MEASURES**

The Trustee did take possession of two of the Company's premises and all of the Company's assets. The locks were changed on the two locations.

### **LEGAL PROCEEDINGS**

The Trustee has requested a copy of the Bank's security documents. We will have the security documents reviewed by an independent lawyer to determine its priority to the unsecured creditors.

### **PROOF OF CLAIMS**

The following is a summary of claims filed:

	Statement of Affairs	Filed to date
Secured	\$734,908.00	\$ 68,042.52
Preferred	47,636.69	198,363.13
Unsecured	377,067.78	47,653.49
	<u>\$1,159,612.47</u>	<u>\$314,059.14</u>



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**SECURED CREDITORS**

The following are the secured creditors listed on the Statement of Affairs:

<b>Secured Creditor</b>	<b>Amount Owing</b>	<b>Security</b>
The Toronto-Dominion Bank	\$235,000.00	General Security agreement
1353543 Ontario Inc.	499,906.00	General Security agreement
Hav-A-Kar	1.00	Motor vehicle
Toyota Credit Canada	1.00	Motor vehicle

**ANTICIPATED RELIZATIONS AND PROJECTED DISTRIBUTION**

It is unlikely that there will be any funds available for the unsecured creditors.

**PREFERENCE PAYMENTS AND PAYMENTS UNDER VALUE**

The Trustee is in the process of reviewing the Company's records and will report its findings to the inspectors.

**OTHER MATTERS**

The Trustee received a payment of \$5,000 from the Company just prior to the assignment. The payment was deposited into the Trustee's retainer trust account and will now be deposited into the estate bank account.

Dated: March 29, 2010

*Meyers Norris Penny Limited*  
Trustee

