



IN THE MATTER OF THE BANKRUPTCY OF

PRO NAILS SYSTEMS INC.

BKY # 25-1590236

TRUSTEE'S REPORT ON PRELIMINARY ADMINISTRATION

HUDSON & COMPANY INSOLVENCY TRUSTEES INC.

BACKGROUND

Pro Nails Systems Inc. (the "Company") was a nail and esthetic supply house and beauty training location operating in Calgary, Alberta.

The Company obtained supplies from several different manufacturers. INT Advanced Nail Systems Inc ("INT"), as supplier of the Company, filed a lawsuit against Pro Nails among others, alleging the Company had colluded with a start up company, Onyx. INT had stopped supplying Pro Nails with product which resulted in lower sales.

When it became apparent that Pro Nails Systems Inc. would not be able to meet all of its financial obligations, and since it also would be required to fund the legal costs of defending the allegations of INT against it, the Company made a voluntary assignment into bankruptcy, which was accepted by the Office of the Superintendent of Bankruptcy on the 10th day of February 2012. Hudson & Company Insolvency Trustees Inc. was appointed as Trustee of the bankruptcy estate of Pro Nails Systems Inc., subject to the affirmation of that appointment at the first meeting of creditors.

SECTION A - The Trustee's duties under Section 16(3) of the Bankruptcy Act

Class I - Stocks and Merchandise:

- The company's stock was valued on the Statement of Affairs at \$55,685.69. The Trustee has conducted an inventory of the Company's assets.

Class II - Machinery and Equipment:

- The company had a Ricoh copier valued at \$3,882.92, which was likely leased. The Trustee conducted a search at the Personal Property Registry of Alberta which showed no registration by Ricoh. The Trustee has not received a claim from the supplier of the copier.

Class III - Buildings and Real Estate:

- The Company did not own buildings or real estate.

Class IV - Books and Records:

- The Trustee took possession of the books and records on the 10th day of February, 2012.

Class V - Other Assets:

- A receivable in the amount of \$4,382.92 is due to the Company from various clients. The Trustee is unsure of the collectability of the accounts receivable.

SECTION B - Conservatory and Protective Measures:

- The Trustee has confirmed that there is insurance coverage on the inventory, and has requested that the insurer carry on insuring the assets of the Company.

SECTION C - Legal Proceedings:

- INT has filed a statement of claim against Pro Nails Systems Inc., which the Trustee has not determined if it has any merit.

SECTION D - Provable Claims:

- The Trustee is unaware of any significant changes in the nature or amounts of unsecured claims from those noted on the Statement of Affairs.

SECTION E - Secured Creditors:

- Canada Revenue Agency ("CRA") is a secured creditor for unremitted source deductions in the approximate amount of \$300.

SECTION F - Anticipated Realization and Projected Distribution:

- The Trustee anticipates that there will be no funds for the unsecured creditors after the cost of administration.

SECTION G - Reviewable Transactions and Preference Payments:

- None have come to the Trustee's attention.

SECTION H - Other Matters:

- The Trustee is unaware of any other significant matters in the bankruptcy.

DATED at Calgary, Alberta, this 1st day of March 2012.

HUDSON & COMPANY INSOLVENCY TRUSTEES INC.

Per: 

Bruce G. Hudson, Trustee