

CANADA
Province of Ontario

COURT NO. 31-1017222
ESTATE NO. 31-1017222

TRUSTEE'S PRELIMINARY REPORT

IN THE MATTER OF THE BANKRUPTCY OF
PHARMACY WON INC.
WITH ITS HEAD OFFICE IN THE TOWN OF MARKHAM,
IN THE PROVINCE OF ONTARIO

On November 26, 2007, Pharmacy Won Inc. (the "Company") filed a Notice of Intention to File a Proposal pursuant to the *Bankruptcy and Insolvency Act* and Shiner Kideckel Zweig Inc. was appointed the Trustee. On December 21, 2007, February 7, 2008, March 27, 2008 and May 12, 2008 the Company obtained Orders of the Ontario Superior Court of Justice extending the time it must file a proposal to creditors to May 26, 2008. The Company filed a the proposal to creditors on May 26, 2008. The first meeting of creditors was held on June 16, 2008. At the meeting the creditors agreed to adjourn the meeting until September 2, 2008. On August 29, 2008 the Company filed an assignment in bankruptcy.

The Company was incorporated in 2006 and purchased the assets of The Warehouse Drug Store Ltd., which operated as Hy & Zel's, from a Court Appointed Receiver. The Company continued to operate 10 drug store locations. The Company's head office was located in Thornhill, Ontario and distributed its products from a warehouse in Toronto.

On September 3, 2008, the Notice to Creditors advising of the Bankruptcy and of the First Meeting of Creditors, a list of Creditors, and a Proof of Claim form, along with proxy, were sent to all known creditors of the Company. The Notice of Bankruptcy was published in the September 10, 2008, edition of the Globe & 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.

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ASSETS

The prescription files and drugs at three of the Company's stores were sold in January 2008, in a Court approved sales process to Shoppers Drug Mart.

The prescription files and drugs at the remaining six Company stores were sold in May 2008, in a Court approved sales process to a company related to Loblaw.

The Company was unable to find a buyer for the remaining inventory and assets, as a result it held a liquidation sale subsequent to May 2008. Its final store closed in August 2008, prior to filing the assignment.

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 internal financial statements:

	May 13, 2006 to February 7, 2007	February 8, 2007 to January 9, 2008
Revenue	\$ 64,756,417	\$ 66,917,706
Net income/(loss)	(3,279,133)	(4,414,662)

Conservatory and Protective Measures

There were no assets for the Trustee to take possession of.

LEGAL PROCEEDINGS

No legal procedures have been initiated by the Trustee prior to the First Meeting of Creditors.

PROVABLE CLAIMS

	Statement of Affairs	Total Claims Filed to Date
Secured	\$ 1,165,000	\$ Nil
Preferred	--	--
Unsecured	2,064,424	4,807,325
	<u>\$ 3,229,424</u>	<u>\$ 4,807,325</u>

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SECURED CREDITORS

	Statement of Affairs
Asset Engineering LLP	\$1,000,000
Zelco Holding Inc	165,000
	<u>\$1,165,000</u>

In January 2008, during the Proposal period, Jaffe & Peritz LLP had provided Shiner Kideckel Zweig Inc. a written opinion that the security of Asset Engineering LLP is valid and enforceable.

ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION

There will be no funds available for the unsecured creditors.

REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS

The Trustee is not aware of any reviewable transactions or preference payments.

OTHER MATTERS

The Trustee's fees and expenses to perform its statutory duties have been guaranteed by Asset Engineering LP.

Dated: September 18, 2008

Shiner Kideckel Zweig Inc.
Trustee