

IN THE MATTER OF THE BANKRUPTCY OF
UNIVERSAL HANDLING EQUIPMENT COMPANY LIMITED
A CORPORATION INCORPORATED UNDER THE LAWS OF ONTARIO

TRUSTEE’S REPORT ON PRELIMINARY ADMINISTRATION

ESTATE NUMBER: 32-1939839

Background

Universal Handling Equipment Company Limited (“Universal” or the “Company”) was incorporated in 1978 under the *Ontario Business Corporations Act*.

Universal Handling Equipment began operation in the early 1960’s as a wholly owned subsidiary of a scrap metal company that made lugger containers. Following a change of ownership in 1978 the Company’s focus was expanded and a more complete line of waste and disposal equipment was introduced.

Universal manufactured garbage truck bodies for the waste disposal industry as well as stationary garbage bins for sale throughout Canada and the United States. Universal products are sold directly to municipalities and waste disposal companies.

The Company currently operates from a leased location at 100 Burland Cres. in Hamilton Ontario (the “Premises”).

Due to an overall decline in economic conditions and increasing competition from the United States the company experienced significant losses over the past several years. The Company had been downsizing for several months prior to the bankruptcy. Excerpts from the internal fiscal 2014 financial statements and the internal 2 months ended October 31, 2014 financial statements are included below:

	Year ended Aug. 31, 2014	Two months ended Oct. 31, 2014
Sales	16,382,317	1,273,878
Cost of sales	15,996,394	1,677,261
Gross margin	385,924	(403,383)
Administration Expenses	1,636,178	181,308
Net loss from Operations	(1,250,254)	(584,691)

On December 16, 2014, the Honourable Justice Garson of the Ontario Superior Court of Justice in Bankruptcy and Insolvency, issued an order (the “Appointment Order”) appointing KPMG Inc. as receiver of Universal (the “Receiver”).

Universal had approximately 80 employees at the time of the receivership. The Receiver will complete the Wage Earner Protection Program (“WEPP”) applications on behalf of

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the employees. Once the employees have filed a proof of claim the Receiver will complete the WEPP application and Service Canada will then determine the entitlement and payment for each former employee under the WEPP.

Further information regarding the receivership and bankruptcy can be found on KPMG's website at www.kpmg.com/ca/universalhandling

Section A - Trustee's Duties

Under Section 16(1) of the *Bankruptcy and Insolvency Act* ("BIA"), the Trustee is required to give security in cash or by bond of a guaranty company in an amount set by the Official Receiver. No bond has been set in this estate.

Class I – Stocks of Merchandise

The Company's inventory consists of various types of steel and other small parts required for the manufacturing process. The Receiver is in possession of the inventory and will carry out an inventory count.

Class II – Plant, Machinery and Equipment

The Company's fixed assets include small tools and office equipment located at the Premises. The Receiver is in possession of all of these assets.

Class III - Buildings and Real Estate

As described in the Background above, Universal operated from one leased location. The Receiver is in possession of the leased location.

Class IV – Books and Records

The Receiver has taken possession of the records of Universal. The Trustee has access to the records required to complete the administration of the estate.

Class V – Other Assets

The Company's receivables are in the possession of the Receiver who is reviewing the accounts and will pursue collections.

Section B - Conservatory and Protective Measures

Prior to the appointment of the Receiver the Trustee was in possession of all assets and made arrangements to secure the premises upon its appointment and ensured that utility services and insurance remained in place. Upon its appointment the Receiver took possession of all assets.

Section C - Legal Proceedings

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The Trustee is aware of the following legal proceedings against the Company.

Plaintiff	Defendant	Comment
Chris Ricketts	Universal	Wrongful dismissal claim
Pena	Universal	Negligence causing bodily harm claim

Section D - Provable Claims

Insufficient proofs of claim have been filed to date to permit the Trustee to fully ascertain if the statement of affairs is accurate.

Section E - Secured Creditors

Based on the Company records, the secured creditors and the amount of the indebtedness owed by the Company to each are as follows:

<u>Secured Creditor</u>	<u>Estimated Amount</u>
Davrond Corporation	\$6,479,149
Total	\$6,479,149

Section F – Total Anticipated Realization and Projected Distribution

The Trustee anticipates there will be a shortfall to the secured creditor. Accordingly, the Trustee expects there will not be a dividend to the unsecured creditors.

Section G - Preference Payments and Transfers at Under Value

The Trustee has not as yet performed a review of the Company's activities; however no one has brought forward any information suggesting that there are any fraudulent preferences to pursue. The Trustee intends to perform its search shortly after the meeting of creditors and provide the results of same to the inspectors.

Section H - Other Matters

KPMG was appointed as Receiver on December 16, 2014. In accordance with the BIA, KPMG retained the law firm of Miller Thomson LLP ("Miller"), as independent counsel to the Trustee to advise as to the validity and priority of the secured creditor's claim over the Trustee's interest in the assets of Universal. Miller has provided its written opinion that the secured claim of Davrond Corporation is valid and enforceable as against the Trustee's interest.

The Trustee's fees and costs for the administration of the estate have been guaranteed by the secured creditor.

Dated at Hamilton, Ontario this 19th day of December, 2014

KPMG Inc.

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Trustee of the estate of
Universal Handling Equipment Company Limited