

IN THE MATTER OF THE BANRUPTCY OF
782127 ONTARIO LTD. O/A ALRANGE CONTAINER SERVICES

IN THE CITY OF ETOBICOKE,
IN THE PROVINCE OF ONTARIO

PADDON + YORKE INC.
TRUSTEE IN BANKRUPTCY

**TRUSTEE'S REPORT TO THE CREDITORS
ON PRELIMINARY ADMINISTRATION**

782127 Ontario Ltd. o/a Alrange Container Services (“**Alrange**” or the “**Company**”) made an Assignment in Bankruptcy on May 6, 2013 and Paddon + Yorke Inc. was appointed Trustee of the Estate (the “**Estate**”).

At the time of the Assignment, Alrange had already been placed into Receivership pursuant to the Order of the Honourable Justice Tzimas made on February 15, 2013 (the “**Order**”) appointing Paddon + Yorke Inc. as Receiver. On February 25, 2013 the Receiver gave notice of the receivership to all of the known creditors pursuant to sections 245(1) and 246(1) of the *Bankruptcy and Insolvency Act* (“**BIA**”).

The Designated Officer in the bankruptcy proceeding is Mr. Christopher Cornwall, President and Director of Alrange. Mr. Cornwall was informed of his duties as prescribed by the BIA as well as the requirement to attend the first meeting of creditors. Additionally, Mr. Cornwall was advised that he may be asked to appear for an examination before the Official Receiver.

Trustee's Caveat

In preparing this preliminary report, the Trustee has relied upon certain unaudited financial information, the books and records of Alrange, other information provided by the representatives of the Company and as well, discussions with certain of the Company's employees. The Trustee has not audited, reviewed, or otherwise attempted to verify the accuracy and completeness of such information and accordingly, the Trustee

expresses no opinion or other form of assurance in respect of such information contained in this preliminary report.

Background

Alrange was founded in the early 1990s and operated as a sales, storage and container refurbishment facility for shipping containers. It conducted its principal operations from leased premises at 44 Medulla Avenue in Etobicoke, Ontario. It also leased an outside storage facility at 51 Manstor Drive in Etobicoke at which it stored shipping containers for its various customers.

The Management Team included: Christopher Cornwall, the President; Rick DesRoches, who ran the Select Mobile repair business; and Chris Greig, who acted as Container Sales Manager as well as the Operations Manager.

Alrange appears to have had sufficient cash reserves and liquidity to sustain the operating losses that it began to incur during 2010 and 2011. However, during 2012, as the sales continued to decline, the cash reserves were entirely used up. The Company undertook some reorganization steps: it accelerated its collection efforts, sought additional liquidity from 306440 Ontario Ltd. (the "Secured Creditor") to whom it gave security by means of a general security agreement, entered into some longer term credit arrangements with certain suppliers, and reviewed all of its lines of business in an effort to improve profitability. All internal profit forecasts reflected a projected loss of at least \$1,000,000 for the 2013 fiscal year.

In November 2012, three of Alrange's largest customers announced their intention to move their business elsewhere. The loss of these customers was projected to result in a potential \$1 million reduction in annual revenue. Alrange developed a plan for salvaging the refurbishment portion of its business, but could find no investors prepared to acquire the remainder of the business. With no other apparent options available, on February 15, 2013 Alrange's Secured Creditor applied to the Court for an order appointing a receiver. Paddon + Yorke Inc. was appointed as the Receiver.

By early May 2013, the Receiver had made sufficient progress in realizing upon assets that it applied to the court for an order to, *inter alia*, make an initial distribution to the Secured Creditor. On May 9, 2013, the court authorized the Receiver to distribute \$175,000 to the Secured Creditor on certain conditions. At that time, the court approved the conduct of the Receiver as well as its fees and the fees of its counsel.

The Bankruptcy Assignment

On May 6, 2013 Alrange made an assignment in bankruptcy. This assignment would provide creditors with an opportunity to prove their claim in the estate in the event funds become available for distribution after the claims of secured creditors and costs of the receivership have been satisfied. Secondly, this assignment would serve as a forum for

the creditors to initiate any further steps to investigate the affairs of the company, subject to the provisions of the BIA and the availability of funds to undertake such further steps.

Section A

Assets

A Statement of Affairs (the "SOA") was prepared by the Receiver and signed by Christopher Cornwall. The SOA was filed with the bankruptcy assignment and a copy was sent to the creditors along with a Notice of Bankruptcy and First Meeting of Creditors.

As shown on the Statement of Affairs, the assets of Alrange consist of the following:

	Per SOA	Estimated to Realize by Court-appointed Receiver
Cash on hand	\$825,913.80	\$745,000.00
Accts Receivable	148,622.87	75,500.00
Fixed Assets	12,000.00	12,000.00
	\$986,536.67	\$832,500.00

It is indeterminate at this point whether there will be any realization by the bankruptcy trustee.

Encumbrances

It appears the assets are subject to the following potential claim:

306440 Ontario Ltd – a creditor with a claim in the amount of \$747,102.17, plus cost of realization, holding perfected security on the property and assets of Alrange pursuant to a General Security Agreement.

Cash on Hand

Alrange held three business bank accounts with the Toronto Dominion Bank. The sum of all bank accounts, including the trust account, as at the date of bankruptcy was \$825,913.80. These monies are being held in trust in our capacity as Court-appointed Receiver.

Accounts Receivable

As of the date of bankruptcy, the net accounts receivable remaining to be collected by the Court-appointed Receiver was \$148,622.87. After taking doubtful accounts into consideration, it is anticipated that the net realization will be a further sum of approximately \$75,500.00.

Fixed Assets

The Court-appointed Receiver has possession of a 2002 Vibromax 605 Roller with an appraised value of \$15,000.00 and a quantity of shop equipment and tools appraised at \$7,750.00. Further investigation into the value of all these assets leads the Court-appointed Receiver to conclude a net amount of approximately \$12,000.00 may be realized from these assets.

Section B – Conservatory and Protective Measures

At the time of our appointment as Trustee, we had already taken possession of the assets of Alrange in our capacity as Court-appointed Receiver. There was nothing for us to take possession of in our capacity as Trustee.

Section C – Legal Proceedings and Special Claims

The Order appointing the Receiver created a stay of any and all proceedings against or in respect of the Company or the property. However, there are two creditors, Textainer and Omni-Box, who assert that they are entitled to advance a proprietary claim against Alrange and the cash proceeds of realization in the hands of the Court-appointed Receiver in priority to secured creditors. Both creditors contend that a number of their shipping containers were entrusted to Alrange for storage, repair and/or resale purposes. However, the shipping containers in question were not on hand or remaining at the Alrange premises as at the date of receivership and are alleged to be missing. The quantum of the combined claims of these claimants could be in the magnitude of \$350,000.00.

It appears that Alrange had a practice of selling containers for which it neither raised the necessary purchase order on a timely basis, nor notified the suppliers that the container had been released and sold. In consequence, it would appear a number of containers were sold or disposed of without the requisite approvals, or clearances, from the supplier. These containers are now being characterized as missing containers.

On May 16, 2013, the Honourable Mr. Justice Morawetz made an order that transferring the administration of the Receivership from the Ontario Superior Court of Justice at Brampton to the Ontario Superior Court of Justice (Commercial List) at Toronto. The Receiver is required, within 90 days, to bring a motion to the Commercial List for the purpose of seeking a determination of the relative priority among secured creditors and trust claimants.

Section D – Provable Claims

Claims against the estate received as at May 23, 2013 will be reported separately at the First Meeting of Creditors.

Section E – Secured Creditors

The Court-appointed Receiver engaged the services of Cassels Brock & Blackwell LLP as legal counsel to the Receiver. Counsel reviewed and confirmed the security held by the secured creditor, 306440 Ontario Ltd, to be valid and enforceable, subject to the usual assumptions and qualifications. According to the SOA, the only secured creditor is 304660 Ontario Ltd.

Section F – Anticipated Realization and Projected Distribution

The administration of this estate is still in its early stages, and hence a Statement of Estimated Realization and Projected Distribution cannot be prepared in any meaningful manner until certain events have taken place (see also Section C above). The trustee will necessarily wait until the outcome of the receivership is complete, and then, only if there are surplus funds available, will the trustee receive any monies for the benefit of the unsecured creditors.

The Statement of Estimated Realization and Projected Distribution will be prepared in due course, and if necessary, discussed with the estate inspector(s).

Section G – Transfers at Undervalue and Preference Payments

The trustee has nothing to report at this time.

Section H – Other Matters

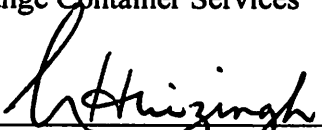
In the May 9 Order, Madame Justice Wein granted that the Court-appointed Receiver be authorized to appropriate a sum of \$10,000.00 to fund the expenses of the bankruptcy.

Dated at Mississauga this 21st day of May, 2013

PADDON + YORKE INC.

In its Capacity as Trustee for the Estate of
Alrange Container Services

Per:



Lambert Huizingh, CIRP
Senior Vice-President