

**Estate No. 11-3133560**  
**District 03 – Vernon Registry**

**IN THE SUPREME COURT OF BRITISH COLUMBIA**  
**IN BANKRUPTCY**

**IN THE MATTER OF THE BANKRUPTCY OF**  
**UNIVERSAL PACKAGING INC.**

**TRUSTEE'S PRELIMINARY REPORT TO CREDITORS**

**DATED OCTOBER 15, 2024**

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**Background**

1. Universal Packaging Inc. (the "Company") is family owned business that has been operating since 1985. The Company was a major distributor of decorated glass bottles and glass enclosures to the beverage alcohol industry that operated from leased premises located in Vernon B.C.
2. Until recently, the Company has always been very success and profitable. According to John Norton, a former Director and Chairman, the Company has been negatively impacted by a lagging effect from the pandemic in 2021 and more recent economic slowdown precipitated by monetary policies designed to curb inflation.
3. These factors lead to a dramatic decrease in sales in 2023-2024. Management took steps to scale down the business to extent possible, however, with sales decreasing but more than 50% it was not enough. Management also determined that a significant investment would be required by ownership to properly right size the business based on projected future sales. To properly right size the business would require a relocation.
4. All of the owners being over 70, were not prepared to further invest in the business so a decision was made to try sell the business.
5. Over the past several months ownership reached out to its competitors in North America and other businesses in similar industries without any success.
6. The Company, being unable to continue to meet its financial obligations as they became due, made an assignment in bankruptcy on September 26<sup>th</sup> 2024 and McEown and Associates Ltd. was appointed s Trustee.
7. On September 27, 2024 McEown and Associates Ltd. was also appointed as Receiver of the Company by Universal Labeling Inc. (the "**Lender**") the holder of a general security agreement dated July 6, 2012 and registered in the British Columbia Personal Property Registry.

8. The purpose of the Trustee's preliminary report to creditors is to provide information relating to the following:
- a) Conservatory Measures taken by Trustee;
  - b) The Company's assets;
  - c) The Company's liabilities;
  - d) Preferential payments and transfers at undervalue; and
  - e) The Estimated Realization.

***Disclaimer and Terms of Reference***

Except as specified, in preparing this report the Trustee has obtained and relied upon unaudited, draft and/or internal information which the Company advises has been compiled from the Company's books and records. Where available, the Trustee has reviewed external records and documentation including banking records, corporate searches and financial statements.

Except as otherwise described in this report, the Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information which has been provided in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountant Canada Handbook; and

This report has been prepared solely for the purpose described and readers are cautioned that it may not be appropriate for other purposes.

## Conservatory Measures

9. Upon being appointed the Trustee/Receiver attended the Company's premises in Vernon BC and took possession of the assets and books and records of the Company. The Trustee/Receiver secured the premises, took an inventory of the assets on the premises and arranged for the locks to be changed.
10. The Trustee/Receiver has confirmed that liability insurance is in place and has requested the insurer to add McEown and Associated Ltd. as an additional named insured.
11. The Trustee/Receiver has advised the Royal Bank of Canada of the bankruptcy and requested that all bank accounts in the name of the Company be immediately frozen.
12. The Receiver has made arrangements to have the fund in the Company's account paid to the Receiver.

## The Company's Assets

13. The assets of the Company as shown on the Statement of Affairs are as follows:

Cash	\$ 111,051
Accounts Receivable	450,000
Inventory	50,000
Trade Fixtures	5,000
Machinery & Equipment	5,000
Furniture (including Computer & Equipment)	2,500
Vehicles	<u>35,000</u>
Total Assets	<u>\$658,551</u>

14. As mentioned earlier in this report, the Receiver made arrangements to have the funds in the Company's bank accounts paid to the Receiver. At the date of bankruptcy the funds in the Company's banks accounts were as follows:

RBC Canadian \$ account	\$53,721.63
RBC US \$ account	\$ 244.15

The funds in the account were less than as shown on the Statement of Affairs due to final payments for wages/benefits and statutory creditors that were not accounted for in the cash balance reported on the Statement of Affairs.

15. The Receiver is in possession of the Company's physical assets and has arranged for a sale of the physical assets by way public auction to be held on October 31, 2024. The value of these assets as shown on the Statement of Affairs are based on John Norton's estimate net

auction values after consultation with Maynard Auctions who will be conducting the auction.

16. In addition to the Company's owned assets, ULI owns the majority of the plant equipment used to support the Company's operations.
17. The Company's leased BMW X3 is valued at black book value on the Statement of Affairs. The vehicle was returned to the lease company after determining the black book value of the vehicle was less than the lease payout.
18. A former employee of the Company has been retained to assist with collecting the outstanding accounts receivable. The estimated net recovery for the account receivables is \$450,000 after an allowance for doubtful accounts.

### **The Company's Liabilities**

19. The liabilities of the Company as shown on the Statement of Affairs are as follows:

Secured Creditor	1,377,841.30
Preferred/Priorities	\$77,144.28
Unsecured Creditors	<u>1,536,834.43</u>
Total Liabilities	<u>\$1,991,820.01</u>

### **Secured Creditors**

#### *Universal Labeling Inc.. ("ULI")*

20. The Company's liabilities include a secured amount owing to its parent company ULI.
21. The estimated amount owing to ULI as shown on the Statement of Affairs is \$1,340,000. ULI holds security in the form of a general security agreement dated July 6, 2012 and registered in the British Columbia Personal Property Registry.
22. The Trustee has obtained an independent legal opinion confirming that the security is properly registered, valid and enforceable.

#### *BMW Canada Inc. ("BMW")*

23. The Company's liabilities include a secured amount owing to BMW on a lease of a 2021 BMW X3 vehicle.
24. The estimated amount owing to BMW as shown on the Statement of Affairs is \$35,000. BMW registered its security on the vehicle in the British Columbia Personal Property Registry on May 4, 2021.

25. As mentioned earlier in this report, the vehicle was returned to the lease company after determining the black book value of the vehicle was less than the lease payout amount.

*Royal Bank of Canada ("RBC")*

26. The Company granted security to RBC for an operating line of credit. RBC's security was registered in the British Columbia Personal Property Registry on April 18, 2011.
27. At the date of bankruptcy there was no balance owing to RBC by the Company.

*Employees*

28. The only amount owed to employees is for their termination pay. According to the Company's records, the statutory termination pay owed to the employees is approximately \$216,000. Employee termination pay ranks as an unsecured claim in the bankruptcy.
29. Employees are eligible to make a claim for unpaid termination pay through the Wage Earner Protection Program ("WEPP") to a maximum of approximately \$8,200 per employee. Upon payment to an employee, WEPP is entitled to an assignment of the employees' claim in bankruptcy.
30. The Trustee advised all employees of the amounts they are eligible to claim through WEPP and has provided documents and relevant information to the employees that are required to process their WEPP claims.
31. The Trustee has received, processed and filed the employee claims with WEPP.

*Landlord*

32. The Company main premises are leased through its parent company ULI. The parent company has agreed to allow UPI to occupy the premises until the end of the year to allow for the sale and removal of the Company's assets.
33. The Company leases a warehouse adjacent to the main premises that was vacated prior to the bankruptcy.
34. The landlord for the warehouse has a preferred claim in the bankruptcy that ranks behind CRA's deemed Trust claim and the secured claims.

Unsecured Creditors

35. The total amount owed to unsecured creditors is \$846,635 as shown in the Statement of Affairs.

36. At the date of this report, the Trustee has received 5 claims.

**Preferential Payments and Transfers at Undervalue**

37. At the date of this report the Trustee has not completed its review of the books and records to determine if there have been any preferential payments and/or transfers at undervalue.

**Trustee's Fee Arrangement**

38. The Receiver appointed by ULI has indemnified the Trustee for its fees and disbursements to administer the bankruptcy.

**Estimated Realization**

39. The Trustee has attached as Appendix A to this report a Statement of Estimated Realization.

40. The estimated realization from the assets net of the estimated Trustees' fees and disbursements will not be sufficient to repay the secured creditors in full. Accordingly, the Trustee does not anticipate that any funds will be available for distribution to the preferred and unsecured creditors.

Dated at the City of Vancouver this 15<sup>th</sup> day of October 2024.

**McEown and Associates Ltd.**

Trustee of the Estate of  
Universal Packaging Inc.



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Per: John McEown, CPA, CA, CIRP, LIT

**In the Matter of the Bankruptcy of  
UNIVERSAL PACKAGING INC.**

**Statement of Estimated Realization**

	<b>Low</b>	<b>High</b>
<b>Estimated Receipts</b>		
Cash in Bank	\$ 54,050	\$ 54,050
Auction Net Proceeds of Sale	50,000	70,000
Accounts Receivable	430,000	470,000
	<u>534,050</u>	<u>594,050</u>
<b>Estimated Fees &amp; Disbursements</b>		
Trustee Fees	40,000	60,000
Trustee Disbursements	2,500	4,000
	<u>42,500</u>	<u>64,000</u>
<b>Estimated Funds Available for Distribution</b>	491,550	530,050
<b>Estimated Distribution</b>		
Secured Creditor	<u>491,550</u>	<u>530,050</u>
	<u>\$ -</u>	<u>\$ -</u>
<b>Estimated Shortfall to Secured Creditors</b>	<u>\$ 848,450</u>	<u>\$ 809,950</u>
<b>Funds Available for Unsecured Creditors</b>	<u>\$ -</u>	<u>\$ -</u>