

District of Ontario  
Division No. 09 – Toronto  
Court No. 32-1252379  
Estate No. 32-1252379

IN THE MATTER OF THE BANKRUPTCY OF  
SILCOM CANADA INC.  
OF THE CITY OF NIAGARA FALLS, IN THE REGIONAL MUNICIPALITY  
OF NIAGARA FALLS, IN THE PROVINCE OF ONTARIO

**TRUSTEE'S REPORT ON ITS PRELIMINARY ADMINISTRATION**

**SECTION A - COMPANY BACKGROUND**

Silcom Canada Inc. ("Silcom" or the "Company") is a company incorporated pursuant to the *Business Corporation Act* in March 3, 1987 and carried on business in Ontario. The sole director of the Company is Mr. Manfred Puhlmann.

Silcom is part of a North American group of companies (the "Edscha Group") that is controlled by Ed Scharwacher GmbH (the "German Parent"). The German Parent Company holds 100% of the shares of Silcom. The Company had been set up primarily as a holding company for the real property owned, specifically 5795 Don Murie Street, Niagara Falls, Ontario. The subject property is an industrial building which was being utilized by an associated company Edscha of Canada L.P. ("Edscha"). Edscha was engaged in the manufacture of certain door hinges and other auto parts for several automobile manufactures.

Edscha's operations were primarily funded by the German Parent company. On February 2, 2009 the German Parent filed for insolvency in Wuppertal, Germany due to a sharp decline in its automotive sales. Accordingly, the German Parent was prohibited from providing any further funding to Edscha and any of its North American subsidiaries. While Edscha and its North American Group attempted to restructure the operations and finances, they were unsuccessful. Accordingly, an assignment in bankruptcy was filed by Edscha on July 15, 2009, and KPMG Inc. was appointed trustee in bankruptcy over Edscha.

Silcom's only asset is the leased premises and Edscha is believed to be the primary creditor in the bankruptcy of Silcom.

As a result of the financial difficulties of the German Parent and bankruptcy of Edscha, an assignment in bankruptcy was filed by the Company on August 31, 2009, and Zeifman Partners Inc. was appointed Trustee.

## **SECTION B - Trustee's Preliminary Evaluation of Assets and Details of Security Interest**

### **Buildings and Real Estate**

As indicated previously in this report Silcom's only asset is the property located at 5795 Don Murie Street, Niagara Falls (the "Property"). There are no liens or mortgages on the Property.

KPMG has informed the Trustee of Silcom of its intent to continue to occupy the building for the purpose of completing the sale and /or auction of the assets owned by Edscha. Originally, the monthly lease payments were being set-off against an amount owing to Edscha from Silcom, which is discussed in more detail below. Zeifman Partners Inc., as the Trustee of the Silcom estate and KPMG, as the Trustee of the Edscha estate are currently negotiating an occupancy agreement.

The Trustee with the approval of inspectors or the court will be seeking a sale and marketing strategy for selling the property.

### **Books and Records**

The Trustee has secured the limited books and records of the company which were available and is currently engaged in a review of same.

Based on limited information provided to the Trustee, there was an intercompany receivable from Silcom to Edscha. According to Edscha's books and records the inter-company receivable totals approximately \$3,000,000. The Trustee has been advised that the receivable relates to Silcom's purchase of the property at 5795 Don Murie from Edscha in a sale and leaseback arrangement that occurred in October 1987. The balance owing from Silcom to Edscha was being set-off against monthly rent owing from Edscha.

## **SECTION C - Conservatory and Protective Measures**

The conservatory and protective measures taken included:

- Attend and inspect the premises;
- Secure the available books and records;
- Ensure adequate insurance is in place on the property.

**SECTION D - Relevant Information Relating to Provable Claims****Provable Claims Filed To Date**

	<u>Per Statement Of Affairs</u>	<u>Filed with Trustee</u>
Unsecured Creditors	\$ 3,000,000	\$ 2,995,030

**SECTION E – Secured Creditors**

There are no secured creditors in the estate.

**SECTION F - Legal Proceedings, Reviewable Transactions and Preference Payments**

The Trustee has retained the law firm of Heenan Blaikie LLP as independent legal counsel.

At this time, the Trustee has not commenced any legal proceedings on behalf of the estate nor is the Trustee aware of any legal proceedings against the Company.

The Trustee is unable to make any statement with respect to reviewable transactions or preferences at this time.

**SECTION G - Projected Distribution and Asset Realization**

It is expected that funds will be available for distribution to the sole unsecured creditor known at this time. The projected distribution cannot yet be determined.

**SECTION H - Other Matters**

We are not aware of any other material matters at this time.

DATED at Toronto this 18<sup>th</sup> day of September, 2009.

**ZEIFMAN PARTNERS INC**  
Trustee

Per:  Allan A. Rutman, CA, MBA