



SHIELD

SPRINKLER FIRE SYSTEMS INC.

13 KENVIEW BLVD., UNIT #10
BRAMPTON, ONTARIO L6T 5K9

Telephone: (905) 791-3458 - Fax: (905) 791-3635

March 22, 2005

Canada Customs & Revenue Agency
Tax Services Office
Mississauga, Ontario
L5A 4E9

STRICTLY CONFIDENTIAL

Attention: Fairness Committee – Fax (905) 615-2349

Re: Shield Sprinkler Fire Systems Inc.
Account No. 87944 9221 RP0001

Dear Sir/ Madam,

The purpose of this letter is to request relief for some or all of the penalties incurred recently due to late filing of source deductions. The following will outline the extenuating circumstances under which the late filing occurred.

As a preface, Shield has been in business for the past 17 plus years, employing between 40 and 70 workers and faithfully remitting all taxes and levies, as our records with you will show.

As with any business, there is a certain amount of risk that must be taken in order to continue as a going concern. Shield has always been prudent in assessing the business risk; however, late in 2004, we were the unwitting victims of delays in a construction schedule and subsequent payment of accounts.

Shield was successful in winning the contract for the entire Vaughan Mills Mall and most of the tenants. This was to be a lucrative contract and required that Shield hire additional workers to complete the project. In fact, during this project we increased our labor force substantially as reflected in our remittances.

Due to a series of events, including a delay of the construction schedule and two large companies with which we had a contract delaying payment in excess of 120 days – Shield had to finance substantial sums in order to complete the project and remain in business. In fact, these 2 contracts at the time represented over half of our current receivables.



During this period, as a result of the foregoing, Shield had to quickly enlist the help of its banker to extend a temporary loan. Although the bank was willing to negotiate, they did not provide adequate financing with a reasonable repayment schedule, and Shield was very close to closing its doors forever. In addition to the bank financing, we also had to negotiate with our suppliers and because of the good history we have had with them over the years, many of them granted us extensions and relief from late payment fees.

Keeping in mind, these events took place over a very short period of time (November 2004 to present), and still persists to this day, although to a lesser degree. We have taken the necessary steps to secure our interest with the contractors, initiated cost cutting measures, and we are very optimistic that we will recover and become a stronger company because of this experience. It is in this regard, that we are requesting relief which will accelerate our recovery and secure our future.

To support our claim, we would be willing to supply any documentation you request and you may contact our banker regarding the financing history for the period in question.

Your support in this request would be greatly appreciated by the owners and employees of Shield. If you have any questions regarding the foregoing, please do not hesitate to contact any of the undersigned.

Yours truly,


Anna Marciano, VP & Controller


Ken Sylvester, VP Finance


Frank Marciano, President

Kimberly A. Copetti

May 23, 2006

Chartered Accountant

Canada Customs & Revenue Agency
Tax Services Offices
Mississauga, Ontario

CLIENT COPY

Attention: Chair, The Fairness Committee
Appeals Division

RE: Shield Sprinkler Fire Systems Inc. (Acct #87944 9221 RP0001)

Dear Sir / Madam

I am writing to you on behalf of my client Frank Marciano, the President of Shield Sprinkler Fire Systems Inc. The purpose of the letter is to request a further administrative review of the cancellation of interest and penalties on the basis that my client can not at this time conclude a reasonable payment arrangement because the interest charges do absorb a significant portion of the payments to bring the account current.

Shield Inc. is a provincial fire protection consulting and installation company that provides fire suppression, alarm installation, inspection, testing and maintenance of fire protection equipment for new and existing developments. The Company is a Canadian controlled private corporation owned by family members. The Company currently employs around 50 employees and uses the services of approximately 10 trades.

The Company has been in business for over 18 years, and prior to November 2004 had remitted all taxes and levies as your records will indicate.

During 2004 the Company was successful in winning the contract for the entire Vaughan Mills Mall and most of its tenants. Due to a series of contract schedule delays, Shield was forced to incur significant labour costs. In addition there was and continues to be a delay in payment by the contractor for the services rendered. To date Shield is owed approximately \$296,000 from the contractor. This is the single reason the Company has not been able to bring their account current.

During the period of November 2004 to June of 2005, Mr. Marciano was working in the field trying to finish the Vaughan Mills Mall. During that time the financial affairs of the company were being managed by Frank's family and Ken Sylvester. The seriousness of the financial conditions of the company was purposely not shared with Frank who was the President of the company. It was not until the payroll audit in June of 2005 that the financial condition of the Company was shared with Frank. Prior to this time no financial data was provided to him. However it was too late as the company was in arrears including interest and penalties \$407,444. Provisions were made to pay the arrears with the anticipation that Shield would receive the collections from the outstanding accounts receivable from the Mall.

As a result of the audit and other circumstances at the Company, it became apparent that Mr. Marciano would have to take full control of the company if the company was to survive. He had no choice but to facilitate a buyout of existing members and to also seek additional financing.

In the interim the collections did not materialize. The Company could not get an extension of their credit facility as Revenue Canada had garnished their bank account in August 2005. Mr. Marciano was forced to find another financial institution.

Since August 2005 there has been numerous phone calls between Mr. Marciano and Ms Zelenbala with regards to the arrears. Mr. Marciano has tried to pay the arrears and some current when possible.

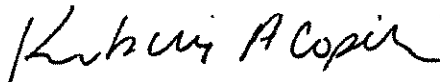
Mr. Marciano has worked diligently on obtaining the financing and now has a commitment to fund from the bank. However in order to complete the funding the bank must be provided with a letter stating that the all priority claims are current. This now is the stumbling block that is hindering the placement of the credit facilities.

Mr. Marciano has outside investors that are willing to invest money to pay off the arrears. That money along with funds from the financing will bring source deductions and arrears current. However the Company will not be able to pay off the interest and penalties. In addition the outside investors will only invest if an agreement is reached with Revenue Canada regarding the interest and penalties.

Mr. Marciano is requesting a further administrative review of the cancellation of interest and penalties on the basis that the Company can not at this time conclude a reasonable payment arrangement because the interest charges do absorb a significant portion of the payments to bring the account current. In addition with out fairness the Company will not be able to put the financing in place and as a result will have no choice but to file for receivership, leading to the layoff of 50 employees.

Your support of this request is essential for the survival of the Company. If you have any questions or require any additional information regarding the foregoing, please do not hesitate to contact the undersigned.

Sincerely,



Kimberly A. Copetti
Chartered Accountant



Frank Marciano
President

 Canada Revenue Agency / Agence du revenu du Canada

Tax Services Office
Mississauga ON L5A 4E9

May 26, 2006 ✓

ATTENTION: FRANK MARCIANO
SHIELD SPRINKLER FIRE SYSTEMS INC.
13 KENVIEW BLVD
UNIT 10
BRAMPTON ON L6T 5K9

Account Number
87944 9221 RT0001

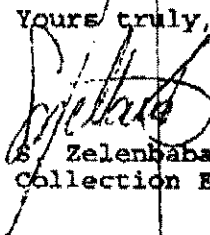
Dear Sir:

Re: GST arrears -2005 ✓
Balance: \$48,562.79

Further to our meeting of May 25, 2006, please be advised that as of today's date, the outstanding balance on your account is \$48,562.79, inclusive of penalties and interest.

If you have any further inquiries, please contact the undersigned at one of the numbers listed below.

Yours truly,



S. Zelenbaba
Collection Enforcement Officer



Toronto West Tax Services Office
P.O. Box 8000
5800 Hurontario Street
Mississauga ON L5A 4E9

Local : (905) 566-8076
Fax : (905) 815-2349
Web site : www.cra.gc.ca



Canada Revenue Agency / Agence du revenu du Canada

Tax Services Office
Mississauga ON L5A 4E9

May 26, 2006

ATTENTION: FRANK MARCIANO
SHIELD SPRINKLER FIRE SYSTEMS INC.
13 KENVIEW BLVD
UNIT 10
BRAMPTON ON L6T 5K9

Account Number
87944 9221 RP0001

Dear Sir:

Re: Meeting held on May 25, 2006

In response to your inquiry of May 25, 2006, please be advised that the outstanding arrears balance for the 2005 tax year is \$175,254.41 plus applicable penalties and interest. ✓

The Agency has received a request from your accountant, Kimberly Copetti for a review of penalties and interest under the Fairness Legislation and it is currently being reviewed.

If you have any further inquiries, please contact the undersigned at one of the numbers provided below.

Yours truly,


S. Zelenbaba
Collection Enforcement Officer



Toronto West Tax Services Office
P.O. Box 6000
5900 Hurontario Street
Mississauga ON L5A 4E9

Local: (905) 566-6076
Fax: (905) 815-2349
Web site: www.cra.gc.ca

Agency **dl Canada**

PAYMENT TRANSCRIPT TAX SERVICES OFFICE CASH SYSTEM **TRANSCRIPTION DE PAIEMENT SYSTEME DE CAISSE DU BUREAU DES SERVICES FISCAUX**

Name - Nom: **Shield Sprinkler Fire Systems Inc.**
 Address - Adresse: **13 Kenyon Blvd Unit 10 Brampton ON L6T 5K9**

Revenue Type - Genre de revenu: PAYD/C, T1, T2, SA G.L.A., MISC. DIVERSE, NON-REG. NON-RES., COTE CTPB, CTS PFE, Trans Type Genre de trans. **(04)**
 Subledger - Grand livre auxiliaire: 1. IND. PART., 2. MISC. DIVERSE, 3. CORP., 4. NON-REG. NON-RES.
 Account Type - Genre de compte: OTHER - AUTRE

Amount - Montant: **148,562.79**
 Account Number - Numéro de compte: **879449221 RR0001**
 Tax Year/Period Ending Année d'imp./Fin de l'exercice: Year - Année, M, D - J
 Effective Interest Date Date d'entrée en vigueur de l'intérêt: Y - A, M, D - J
 Suspense Code Code du C.O.:
 Prepared By - Rempli par: *[Signature]*
 Date: **06 05 29**
 Office Code Code de bureau: **1262**

T31 (04) **Canada**

Canada Revenue Agency / Agence du revenu du Canada

PAYMENT TRANSCRIPT TAX SERVICES OFFICE CASH SYSTEM **TRANSCRIPTION DE PAIEMENT SYSTEME DE CAISSE DU BUREAU DES SERVICES FISCAUX**

Name - Nom: **Shield Sprinkler Fire Systems Inc.**
 Address - Adresse: **13 Kenyon Unit #10 Brampton, ON L6T 5K9**

Revenue Type - Genre de revenu: PAYD/C, T1, T2, SA G.L.A., MISC. DIVERSE, NON-REG. NON-RES., COTE CTPB, CTS PFE, Trans Type Genre de trans. **(04)**
 Subledger - Grand livre auxiliaire: 1. IND. PART., 2. MISC. DIVERSE, 3. CORP., 4. NON-REG. NON-RES.
 Account Type - Genre de compte: OTHER - AUTRE

Amount - Montant: **175,254.41**
 Account Number - Numéro de compte: **879449221 RR0001**
 Tax Year/Period Ending Année d'imp./Fin de l'exercice: Year - Année, M, D - J
 Effective Interest Date Date d'entrée en vigueur de l'intérêt: Y - A, M, D - J
 Suspense Code Code du C.O.:
 Prepared By - Rempli par: *[Signature]*
 Date: **06 05 29**
 Office Code Code de bureau: **1262**

T31 (04) **Canada**



Canada Customs
And Revenue Agency

Agence des douanes
et du revenu du Canada

Your file *Vostra référence*

Our file *Notre référence*

SHIELD SPRINKLER FIRE SYSTEMS INC.
13 KENVIEW BLVD
UNIT 10
BRAMPTON, ONTARIO
L6T 5K9

ATTN : KIM COPETTI

JULY 26, 2006

Re: Account #879449221RP

This is in regards to the review of the payroll remittance for the tax years 2005 and 2006.

The review completed on may 26, 2006 resulted in an assessment of \$243,838.98 including penalty and interest.

Please discuss payment with the collections officer noted on the attached statement of account.

Yours truly,

L. Suppa
Trust Examiner
Canada Customs and Revenue Agency

Facs: (905) 277-8247
Toronto West Tax Services Office
5800 Hurontario St
P.O. Box 8000
Mississauga, Ontario
L5A 4E9

Télécopieur: (905) 277-8247
Bureau des services fiscaux de Toronto-Ouest
5800 Rue Hurontario
Case Postale 8000
Mississauga (Ontario)
L5A 4E9

Canada

Canada Customs and
Revenue Agency

Agence des douanes et du
revenu du Canada

EXAMINER'S STATEMENT OF ACCOUNT
RELEVÉ DE COMPTE DU VÉRIFICATEUR

CLIENT'S NAME - NOM DU CLIENT SHIELD SPRINKLER FIRE SYSTEMS INC.		DATE 2006-07-24
CLIENT'S ADDRESS - ADRESSE DU CLIENT 13 KENVIEW BLVD UNIT 10 BRAMPTON, Ontario L6T 5K9	COLLECTIONS SECTIONS CONTACT - PERSONNE RESOURCE/ SECTION DES RECOUVREMENT S.ZELENBABA	
	COLLECTIONS SECTION TELEPHONE - SECTION DES RECOUVREMENTS TELEPHONE (905) 566-6076	
BUSINESS NUMBER - NUMÉRO D'ENTREPRISE 879449221RP0001	TAX SERVICES OFFICE - BUREAU DES SERVICES FISCAUX Toronto West - Toronto Ouest	

An examination of your payroll records performed on 2006-07-24
covering the period(s) 2004-01-01 to 2006-06-30
discloses discrepancies in your remittances as follows:

Une vérification de vos registres de paye le 2006-07-24
visant les périodes 2004-01-01 au 2006-06-30
a révélé les écarts suivants dans vos versements:

DETAILS - DÉTAILS	Current Year Année courante \$ 2006	Previous Years - Années antérieures	
		\$ 2005	\$ 2004
Total deductions and client's obligation Total des retenues et obligation du client	382,400.47	1,003,277.69	1,030,565.15
Total credits to date Total des crédits jusqu'à maintenant	172,191.22	994,125.08	1,030,565.15
Adjustments Rajustements	0.00	0.00	0.00
Difference Différence	210,209.25	9,152.61	0.00
Corrections re EI and/or GPP (See PD86 attached) Corrections pour A.E. et/ou R.P.C. (voir PD86 ci-jointe)	0.00	0.00	0.00
Balance Solde	210,209.25	9,152.61	0.00
Penalty Pénalité	21,020.86	915.26	0.00
Interest Intérêt	2,210.00	331.00	0.00
Total owing Montant total dû	233,440.11	10,398.87	0.00
Total arrears disclosed during examination Total des arriérés découverts lors de la vérification		243,838.98	
Previous arrears Arriérés antérieurs		275,615.05	
Interest to date Intérêt jusqu'à maintenant		0.00	
Sub total Somme partielle		519,454.03	
Less: Payment received Moins: Paiement reçu		0.00	
Balance due Solde dû		519,454.03	

A Notice of Assessment will follow shortly. However, the amount owing is due and payable immediately and you are therefore required to provide the examiner with the appropriate payment. Failure to do so may result in legal proceedings either by way of garnishee or action in the Federal Court which could result in seizure and sale of your assets.

Nous vous enverrons un avis de cotisation sous peu. Cependant, le solde dû est exigible et payable immédiatement; vous devrez donc remettre au vérificateur le paiement approprié. En omettant de le faire, nous pourrions engager des procédures judiciaires sous forme de saisie-arrière ou d'action en cour fédérale qui pourrait donner lieu à la saisie et à la vente de vos biens.

LOUISE SUPPA

For Assistant Director, Revenue Collections Division
Pour le directeur adjoint de la division de Recouvrement des recettes

Signature for receipt only of this statement
Signature pour attester réception de ce relevé

CLIENT'S NAME - NOM DU CLIENT SHIELD SPRINKLER FIRE SYSTEMS INC.		DATE 2006-10-27
CLIENT'S ADDRESS - ADRESSE DU CLIENT 13 KENVIEW BLVD UNIT 10 BRAMPTON, Ontario L6T 5K9		COLLECTIONS SECTIONS CONTACT - PERSONNE RESOURCE/ SECTION DES RECOUVREMENT S.KESKES
BUSINESS NUMBER - NUMÉRO D'ENTREPRISE 879449221RP0001		COLLECTIONS SECTION TELEPHONE - SECTION DES RECOUVREMENTS TÉLÉPHONE (905) 803-7531
		TAX SERVICES OFFICE - BUREAU DES SERVICES FISCAUX Toronto West - Toronto Ouest

An examination of your payroll records performed on **2006-10-27**
covering the period(s) **2006-07-01** to **2006-10-22**
discloses discrepancies in your remittances as follows:

Une vérification de vos registres de paye le **2006-10-27**
visant les périodes **2006-07-01** au **2006-10-22**
a révélé les écarts suivants dans vos versements:

DETAILS - DÉTAILS	Current Year Année courante \$ 2006	Previous Years - Années antérieures	
		\$	\$
Total deductions and client's obligation Total des retenues et obligation du client	515,471.14		
Total credits to date Total des crédits jusqu'à maintenant	515,471.14		
Adjustments Rajustements	0.00		
Difference Différence	0.00		
Corrections re EI and/or CPP (See PD86 attached) Corrections pour A.E. et/ou R. P.C. (voir PD86 ci-jointe)	0.00		
Balance Solde	0.00		
Penalty Pénalité	0.00		
Interest Intérêt	0.00		
Total owing Montant total dû	0.00		
Total arrears disclosed during examination Total des arriérés découverts lors de la vérification		0.00	
Previous arrears Arriérés antérieurs		514,513.80	
Interest to date Intérêt jusqu'à maintenant		0.00	
Sub total Somme partielle		514,513.80	
Less: Payment received Moins: Paiement reçu		0.00	
Balance due Solde dû		514,513.80	

A Notice of Assessment will follow shortly. However, the amount owing is due and payable immediately and you are therefore required to provide the examiner with the appropriate payment. Failure to do so may result in legal proceedings either by way of garnishee or action in the Federal Court which could result in seizure and sale of your assets.

Nous vous enverrons un avis de cotisation sous peu. Cependant, le solde dû est exigible et payable immédiatement; vous devez donc remettre au vérificateur le paiement approprié. En omettant de la faire, nous pourrions engager des procédures judiciaires sous forme de saisie-arrêt ou d'action en cour fédérale qui pourrait donner lieu à la saisie et à la vente de vos biens.

LOUISE SUPPA

For Assistant Director, Revenue Collections Division
Pour le directeur adjoint de la division de Recouvrement des recettes

Signature for receipt only of this statement
Signature pour accuser réception de ce relevé