



BDO Dunwoody Limited

1 City Centre Drive Suite 1040
Mississauga Ontario Canada L5B 1M2
Telephone: (905) 615-8787
Fax: (905) 615-1333

www.bdo.ca

BY FACSIMILE: (416-952-8726)

17 October 2006

Canada Revenue Agency
Insolvency Unit
1 Front St. West
Toronto, Ontario

Dear Ms. Shirley DaSilva:

**Re: Shield Sprinkler Fire Systems Inc., Interim Receivership
12 R Application & Trust Claim Audit**

On 16 October 2006 the Ontario Superior Court of Justice issued an order appointing BDO Dunwoody Limited as Interim Receiver (the "Interim Receiver") of Shield Sprinkler Fire Systems Inc. ("Shield") upon an application made by the Royal Bank of Canada (the "Bank"). A copy of the order is attached. You will note that Her Majesty was represented at the application, and paragraph 17 of the order grants a first charge against the assets in favour of the Interim Receiver and its legal counsel.

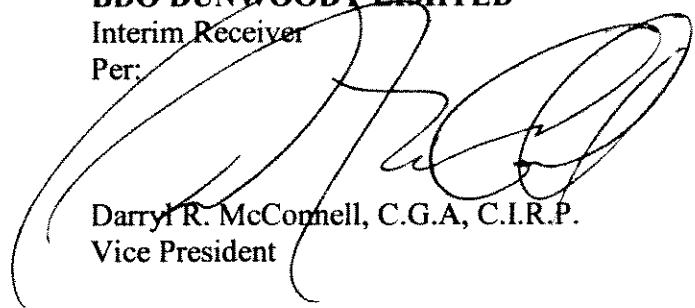
The application was made to preserve the assets upon the principal of Shield, Mr. Frank Marciano, advising the Bank he had made an assignment into bankruptcy personally, had shut down operations and was abandoning the assets of Shield to them. Although the Bank had been led to believe the quantum of arrears for payroll source deductions was relatively modest and less than \$100,000, the statement of affairs of Mr. Marciano suggests he may be liable in the amount of \$500,000 as a director for failure to remit those deductions. Further, our initial investigation suggests the realizable value of the assets may also be substantially less than the Bank had been led to believe.

Accordingly, we request a payroll audit to determine the quantum of the deemed trust claim at the earliest opportunity.

We would also very much appreciate the Crown granting us an agreement under Directive 12R of the *Bankruptcy and Insolvency Act* so that the Interim Receiver may take its reasonable fees in this estate for preserving and realizing upon the assets in the event the deemed trust claim is determined to be as great or greater than the realizable value of the assets. If you could advise us of your position at your earliest opportunity it would be greatly appreciated.

In the interim, if you have any questions or concerns or require additional information, we would be pleased to address same.

Yours very truly,
BDO DUNWOODY LIMITED
Interim Receiver
Per:

A large, stylized handwritten signature in black ink, appearing to read 'Darryl R. McConnell', is written over the typed name and title.

Darryl R. McConnell, C.G.A., C.I.R.P.
Vice President

Encl.

Transmission Report

Date/Time
Local ID 1
Local ID 2

10-17-2006 01:29:23 p.m.
416

Transmit Header Text
Local Name 1
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Mississauga, Ontario L5B 1M2
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Telefax: (905) 615-1333

TELECOPIER COVERING PAGE

DATE: 17 October 2006

PLEASE DELIVER THE FOLLOWING PAGES TO:

NAME: Ms. Shirley DaSilva
FIRM: Canada Revenue Agency
FAX: 416 952 8726

FROM: Darryl R. McConnell, CGA, CIRP

TOTAL PAGES INCLUDING THIS COVERING PAGE: 20
IF YOU DO NOT RECEIVE ALL PAGES, PLEASE NOTIFY SENDER AT (905) 615-8787.

RE: Shield Sprinkler Fire Systems Inc., Interim Receivership

Please see attached letter dated 17 October 2006.

CONFIDENTIALITY CAUTION

This message is intended only for the use of the individual or entity to which it is addressed and may contain information that is privileged, confidential and exempt from disclosure under applicable law. If the reader of this message is not the intended recipient or the employee or agent responsible for delivering the message to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication by error, please notify us immediately by telephone and return the original message to us at the above address via postal service. Thank you.

Total Pages Scanned : 20

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Abbreviations

HS: Host send
HR: Host receive
WS: Waiting send

PL: Polled local
PR: Polled remote
MS: Mailbox save

MP: Mailbox print
CP: Completed
FA: Fail

TU: Terminated by user
TS: Terminated by system
RP: Report
G3: Group 3
EC: Error Correct



29-10-2006

BDO Dunwoody Limited
1 City Centre Drive, Suite 1040
Mississauga, Ontario L5B 1M2

Name: Steve Kecskes
5th Floor
Phone : (905) 803-7531
Fax : (905) 615-2349

By Fax to (905) 615-1313

October 24, 2006

Dear Sir:

Directive 12R Request in the matter of the Estate of Shield Sprinkler Fire Systems Inc.

Further to your request under the above captioned directive. Please be advised that although our position to allow trustees reasonable fees in advance of our Property Claim is not usually denied, it has become policy not to agree, in writing, prior to receiving an itemized accounting of the fees, at which time the request would be actioned. The following information will be required:

1. A complete list of accounts receivable to be provided to CCRA upon request. CCRA will not be precluded from taking garnishment action.
2. Access to books & records will be provided upon our request.
3. The accounting of trustee's fees (included with a copy of the *Work in Progress* or *Affidavit*) specifically providing a breakdown of:
 - the action/duty performed,
 - the amount of time needed to complete the action/duty,
 - the person or persons who performed the action, and;
 - the hourly rate billed by person to the estate.

Please advise if any secured creditor is involved and any action they are taking.

I trust that this is satisfactory for your needs.

Yours sincerely,

Resource/Complex Case Officer
Insolvency Team, Toronto West TSO

Facs: (905) 615-2349
Toronto West Tax Services Office
5800 Hurontario St
P.O. Box 6000
Mississauga, Ontario
L5A 4E9

Télécopieur: (905) 615-2349
Bureau des services fiscaux de Toronto-Ouest
5800 Hurontario St.
Case Postale 6000
Mississauga (Ontario)
L5A 4E9

FILE COPY	
	GENERAL FILE
	CLAIMS
	CREDITOR CORRESP.
	ASSETS
	RETURNS - FINANCIAL
	ACCOUNTS
	SPARES
	OTHER (DESCRIBE)

1.6

1 November 2006

Canada Revenue Agency
 Toronto West Tax Services Office
 5800 Hurontario Street
 P.O. Box 6000
 Mississauga, Ontario
 L5A 4E9

Attention: Mr. Steve Kecskes, Resource/Complex Case Officer

Dear Sir:

**Re: Shield Sprinkler Fire Systems Inc. (the "Company")
 Interim Receivership & Bankruptcy**

Receipt of your correspondence dated 24 October 2006 is acknowledged. We understand you will allow our reasonable fees and costs ahead of your Property Claim, subject to them being reasonable. We thank you for that consideration. We acknowledge the agreement is subject to a review determining the fees and costs are reasonable, and they are subject to taxation of the Court in any event. Of course, the itemized accounting for the fees cannot be prepared until the necessary actions have been taken. We will provide them at the appropriate time.

Please find enclosed:

1. A copy of the Court Order ("Order") appointing BDO Dunwoody Limited as Interim Receiver;
2. A copy of the Certificate of Appointment, appointing BDO Dunwoody Limited as Trustee of the estate;
3. Statement of Affairs of Shield; and
4. Proof of claim and Proxy form.

The Order was obtained upon the application of the Royal Bank of Canada ("RBC"), one on several secured creditors registered against this company. The other registered secured creditors are identified in the Statement of Affairs. The application was made to preserve the assets when RBC received notice from the principal of the Company that he had abandoned the Company's operations, assets and premises. Please take particular note that the appointment is one of Interim Receiver, not to be confused with appointments as a Receiver, or a Receiver Manager.

Please file with us your Proof of Claim, Property, if any, as soon as possible. We have made available all payroll records in our possession to facilitate expeditious filing of that claim.

We also draw your attention to paragraphs 17, 18 and 29 of the order, which provide a first charge against all assets of Shield in favour of the costs of the Interim Receiver and the right of any party affected by this Order to make an application to the Court to amend or vary the Order upon seven (7) days notice to the Interim Receiver and any other party likely to be affected by the Order sought. This Order was granted upon notice to the Department of Justice and during their attendance. We will also be relying upon those provisions.

If any questions arise, please contact me at 905-615-6202, Fax 905-615-1313, or by e-mail at dmcconnell@bdo.ca. To access the payroll records please contact Mr. Peter Naumis at our office at 905-615-8787.

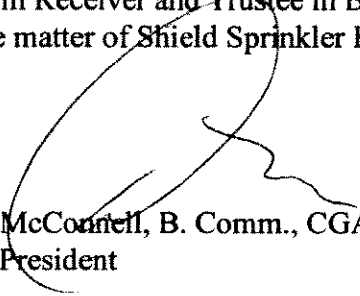
Yours very truly,

BDO DUNWOODY LIMITED

Interim Receiver and Trustee in Bankruptcy

In the matter of Shield Sprinkler Fire Systems Inc.

Per:



D.R. McConnell, B. Comm., CGA, CFE, CIRP
Vice President

Encl.

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FILE COPY	
	GENERAL FILE
	CLAIMS
	CREDITOR CORRESP.
	ASSETS
	RETURNS - FINANCIAL
	ACCOUNTS
	SPARES
	OTHER (DESCRIBE)

November 22, 2006

Canada Revenue Agency
 Toronto West Tax Services Office
 5800 Hurontario Street
 P.O. Box 6000
 Mississauga, Ontario
 L5A 4E9

Attention: Mr. Steve Kecskes, Resource/Complex Case Officer

Dear Sirs:

Re: Estate of Shield Sprinkler Fire Systems Inc., a bankrupt

Further to our previous correspondence and notices to you, our review of the search results on the Personal Property Security Registry a registration of a security interest in the assets may have been made by Canada Revenue Agency. We have not yet received any claim from you for any amounts, whether secured, unsecured or a property claim. Accordingly, we are writing to you in an attempt to determine your position with respect to the potential existence of a property and/or a secured claim in your favour, and its enforceability against intervening creditors. It will obviously assist, and minimize costs, if we can identify the areas of concurrence and dispute.

Please find enclosed our demand that you prove your secured claim, if any, within 30 days of this notice. If you do not file with us a proof of claim and proof of security in respect of the property, within the 30 days after the day on which this notice is served we may, with leave of the court, sell or dispose of the property, free of your security.

Although we have extended the courtesy of not including a formal demand that the Proof of Claim (Property) be filed within 15 days pursuant to Section 81(4) of the Bankruptcy and Insolvency Act at this time, we understand the necessary books and records were provided to your auditor. We request you file the property claim for source deductions not remitted as soon as possible.

If you do not claim a debt due from this bankrupt, with or without a security or property interest in these assets, or you do not intend to file a Proof of Claim, please advise us accordingly at your earliest opportunity.

The secured claims against the assets far exceed their value. As Trustee, therefore, we do not have any practical reason to take issue with any secured claims against this bankrupt estate although we must reserve the right to obtain a legal opinion and take a position in the unlikely event the property comes into our possession as Trustee. The perfection or enforceability of your secured claim against the

estate, however, does not necessarily have any bearing on its enforceability against intervening secured creditors, who may have rights in addition to those of the Trustee.

It is anticipated that all receipts and disbursements, and any release of assets, will be conducted in our capacity as Interim Receiver, and will be subject to the final approval of the court. Our duties as Interim Receiver are similar to the Trustee, to review the claims, protect the assets and distribute the receipts, although the formal process may vary. We will not take a position on disputes on the distribution between competing claims, except, if it should become necessary to carry out our duties to preserve a right, or if we are placed in an adversarial position.

All disputed issues must be settled by agreement between all interested parties, or by further order of the court. We are canvassing all known parties believed to have an interest. Any distribution or release of assets will be subject to court approval.

Please provide us with your claim(s), if any, and your position on the priority of those claim(s) along with legible copies of all documents in your possession pertaining to the security in general. Competing claims may include the security registered to Royal Bank of Canada, including a mortgage on real property, and of Ms. Anna Marciano-De Giorgio and other security registered on specific assets.

Please also provide us with the contact information if you wish notices or other correspondence pertaining to your claim, to also be provided to the Department of Justice.

We trust you will find the foregoing satisfactory and appreciate your cooperation. If any questions arise, please contact me at 905-615-6202 (Fax 905-615-1333)(e-mail dmccconnell@bdo.ca).

Yours very truly,

BDO DUNWOODY LIMITED

Trustee in Bankruptcy and Interim Receiver

In the matter of
Shield Sprinkler Fire Systems Inc.

Per:



D.R. McConnell, B.Comm., CGA, CFE, CIRP
Vice President

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BDO Dunwoody Limited
Trustee in Bankruptcy

1 City Centre Drive, Suite 1040
Mississauga, Ontario, Canada L5B 1M2
Telephone: (905) 615-8787
Fax: (905) 615-1333

www.bdo.ca

District of ONTARIO
Division No. 9-MISSISSAUGA
Court No. 32-156397
Estate No. 32-156397

**SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE BANKRUPTCY OF
SHIELD SPRINKLER FIRE SYSTEMS INC.
OF THE CITY OF BRAMPTON,
IN THE REGIONAL MUNICIPALITY OF PEEL,
IN THE PROVINCE OF ONTARIO.**

**Form 76 – Notice by Trustee Requiring Filing of Proof of Security
(Subsection 128(1) of the Act)**

Take notice that:

1. You are hereby required, pursuant to subsection 128(1) of the Act, to file with me a proof of claim and proof of security (security documents) relating to any security that you hold on the property of Shield Sprinkler Fire Systems Inc., a bankrupt, which property is described below:

All of the debtor's present and after-acquired personal property including, but not restricted to, machinery, equipment, furniture, fixtures, inventory and receivables.

2. The proof of claim and proof of security must give full particulars of the security, including the date on which it was given and the value at which you assess it.
3. If you do not file with us a proof of claim and proof of security in respect of the property, within the 30 days after the day on which this notice is served we may, with leave of the court, sell or dispose of the property, free of your security.
4. A proof of claim in the required form is attached.

Dated at Mississauga, Ontario, this 22nd day of November, 2006.

BDO Dunwoody Limited
As Trustee in Bankruptcy in the matter of
Shield Sprinkler Fire Systems Inc.

To:
Canada Revenue Agency
Toronto West Tax Services Office
5800 Hurontario Street
P.O. Box 6000
Mississauga, Ontario
L5A 4E9

Attention: Mr. Steve Kecskes, Resource/Complex Case Officer