

Court File No.: BK-24-03076617-0035
Estate File No. 35-3076617

ONTARIO
SUPERIOR COURT OF JUSTICE
BANKRUPTCY COURT

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
SHU-PAK EQUIPMENT INC.
OF THE CITY OF CAMBRIDGE IN THE PROVINCE OF ONTARIO

**MOTION RECORD OF THE APPLICANT
(Returnable May 31, 2024)**

May 27, 2024

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ONTARIO
SUPERIOR COURT OF JUSTICE
BANKRUPTCY COURT

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
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OF THE CITY OF CAMBRIDGE IN THE PROVINCE OF ONTARIO

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ONTARIO
SUPERIOR COURT OF JUSTICE
BANKRUPTCY COURT

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
SHU-PAK EQUIPMENT INC.
OF THE CITY OF CAMBRIDGE IN THE PROVINCE OF ONTARIO

NOTICE OF MOTION

Shu-Pak Equipment Inc., (“**Shu-Pak**”), will make a motion to a Judge on Friday,
May 31, 2024 at 10:00 a.m., or as soon after that time as the motion can be heard.

PROPOSED METHOD OF HEARING: The motion is to be heard (*choose appropriate option*)

- In writing under subrule 37.12.1 (1) because it is (*insert one of on consent, unopposed or made without notice*);
- In writing as an opposed motion under subrule 37.12.1 (4);
- In person;
- By telephone conference;
- By video conference, at the following location: 80 Dundas St, Unit A, London, ON.

(*Courthouse address for in person hearing or telephone conference or video conference details, such as a dial-in number, access code, video link, etc., if applicable*)

Zoom coordinates will be provided by the Court prior to the hearing of the motion.

If you intend to join the hearing of the motion, please email Marie Pacheco @

marie@fredtayar.com.

THE MOTION IS FOR:

1. An order abridging the time for service of this Notice of Motion and the Motion Record, if necessary;
2. An order extending the time for Shu-Pak to file a Proposal with the Official Receiver to July 17, 2024;
3. An order granting an administration charge of \$50,000 to secure the professional fees of the Trustee, including the fees of its counsel; and
4. Such further and other relief as counsel may advise and this Honourable Court permits.

THE GROUNDS FOR THE MOTION ARE:

1. Shu-Pak operates a side-loading garbage truck manufacturing facility employing approximately 27 employees in the City of Cambridge.
2. Shu-Pak filed a Notice of Intention to Make a Proposal (“NOI”) on March 3, 2024;
3. Shu-Pak has acted and continues to act in good faith and with due diligence with respect to these proceedings;
4. Shu-Pak requires further time to formulate its proposal, which will include time

necessary for the purpose of obtaining approval by Canada Revenue Agency (“CRA”) to substantial SRED claims that have been filed by Shu-Pak;

5. The cashflow forecast appended to the Proposal Trustee’s First Report to the Court will illustrate that Shu-Pak has sufficient funds to operate during the requested extension period;

6. Shu-Pak would likely be able to make a viable proposal if the extension applied for is granted;

7. No creditor would be materially prejudiced if the extension applied for were granted;

8. An Administration Charge is necessary for Shu-Pak’s counsel and the Proposal Trustee to continue to act during the proposed extension period and is critical to the success of these proposal proceedings;

9. Rules 1.04, 1.05, 2.01, 2.03, 3.02, 16.04 and 37 of the *Rules of Civil Procedure*;

10. Sub-sections 50.1, 64.2 and 60 (1.3)(a) of the *Bankruptcy and Insolvency Act*;

11. Such further and other grounds as counsel may advise and this Honourable Court permits.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

1. The First Report of the Proposal Trustee dated May 27, 2024.
2. The Affidavit of David Tanner; and
3. Such further and other material as counsel may advise and this Honourable Court permits.

May 27, 2024

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SHU-PAK EQUIPMENT INC.
OF THE CITY OF CAMBRIDGE IN THE PROVINCE OF ONTARIO

ONTARIO
SUPERIOR COURT OF JUSTICE
(BANKRUPTCY COURT)

Proceeding commenced at London, ON

NOTICE OF MOTION

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**ONTARIO
SUPERIOR COURT OF JUSTICE
(BANKRUPTCY)**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
SHU-PAK EQUIPMENT INC.
OF THE CITY OF CAMBRIDGE IN THE PROVINCE OF ONTARIO**

FIRST REPORT TO COURT OF THE PROPOSAL TRUSTEE

DATED MAY 27, 2024

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INTRODUCTION

1. On May 3, 2024 (the "**Filing Date**"), Shu-Pak Equipment Inc. f/k/a Foxbar Holdings Inc. ("**Shu-Pak**" or the "**Company**") filed with the Official Receiver a Notice of Intention to Make a Proposal ("**NOI**"), pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act (Canada)*, R.S.C. 1985, c. B-3 (the "**BIA**"), to its creditors and Dodick Landau Inc. ("**DLI**") was appointed as Proposal Trustee of Shu-Pak (the "**Proposal Trustee**"). Attached as **Appendix "A"** is the Certificate of Filing of the NOI.
2. A detailed overview of Shu-Pak's business operations and financial difficulties which led to the filing of the NOI is set out in the Affidavit of David Tanner ("**Tanner**"), sworn May 27, 2024 (the "**Tanner Affidavit**") in support of Shu-Pak's motion for the relief set out herein.
3. All capitalized terms used in this report (the "**First Report**") but not otherwise defined shall have the meaning ascribed to such terms in the Tanner Affidavit.
4. The purpose of this First Report of the Proposal Trustee is to provide the Court with information pertaining to the following:
 - i) Background information with respect to Shu-Pak and events leading to the NOI proceeding;
 - ii) Shu-Pak's projected cash flow for the period from April 29, 2024 to July 21, 2024;
 - iii) the relief sought by Shu-Pak as part of the proposed initial order, including with respect to:
 - a) approval of the extension of time for Shu-Pak to file a proposal, and the corresponding stay of proceedings, until and including July 17, 2024;
 - b) approval of the proposed first-ranking priority charge against the assets, property and undertakings of the Company ("**Administrative Charge**") to

secure the fees and disbursements of the Proposal Trustee, its counsel and Shu-Pak's counsel;

- iv) the Proposal Trustee's activities and recommendations in connection with the foregoing; and
- v) Copies of materials filed in these proceedings are available on the Proposal Trustee's case website at: dodick.ca/public_documents/shu-pak-equipment-inc/

TERMS OF REFERENCE

5. In preparing this Report, the Proposal Trustee has relied upon certain unaudited, draft and/or internal financial information, Shu-Pak's books and records, discussions with the management of Shu-Pak ("**Management**") and information from other third-party sources (collectively, the "**Information**").
6. Except as described in this First Report, the Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Canadian Institute of Chartered Accountants Handbook (the "**CPA Handbook**") and, accordingly, the Proposal Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.
7. Some of the information referred to in this First Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the CPA Handbook, has not been performed. Future oriented financial information referred to in this First Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and

the variations may be material.

8. The Proposal Trustee has prepared this First Report in its capacity as a Court appointed officer. Parties using this First Report, other than for the purpose of the motion, are cautioned that it may not be appropriate for their purposes.
9. This First Report should be read in conjunction with the Tanner Affidavit.
10. All references to dollars are in Canadian currency unless otherwise noted.

BACKGROUND

11. While a more detailed background of Shu-Pak is set out in the Tanner Affidavit, certain key points are summarized in this First Report.
12. Shu-Pak is in the business of manufacturing side-loading garbage trucks from its leased facility in Cambridge, Ontario (the "**Business**"). The Business employs 27 non-union employees.
13. According to Management, beginning in 2020, Shu-Pak experienced financial and operational difficulties due to the COVID-19 pandemic. The pandemic affected production in several ways, including:
 - i) difficulty in sourcing production materials due to supply chain disruptions, and truck chassis shortages;
 - ii) increased material costs; and
 - iii) employee attendance affected by exposure to COVID.
14. On June 30, 2023, Shu-Pak was required to move out of its production facility following the sale of its building by the landlord. The new owner required the facility for its own operations and declined to renew Shu-Pak's lease.

15. Consequently, Shu-Pak's production line was shut down for 10 months from June 2023 to March 2024. Temporary facilities were found for the interim shut-down period that allowed Shu-Pak to sell parts and effect truck repairs for customers. However, no manufacturing production occurred during this shut-down period. Shu-Pak temporarily laid off some employees to conserve cash, however, the skilled and experienced production staff were retained to attempt to preserve the long-term viability of the Company.
16. On January 17, 2024, a two-year lease was signed with the landlord of its current facility. In February 2024, Shu-Pak moved into the new facility and in late March 2024 the production line restarted. Moving from a 60,000 sq. ft. facility into temporary facilities and again into the current facility was very costly and disruptive to the Company's operations and, consequently, it caused a significant cash drain on the business.
17. According to the financial information provided by Management, it has experienced significant cumulative losses totaling approximately \$8.6 million. These losses were financed primarily by way of unsecured shareholder loans, described below.

CREDITORS

Canada Revenue Agency

18. As of the Filing Date, there was approximately \$2.6 million, inclusive of interest and penalties, owing to the Canada Revenue Agency ("**CRA**") on account of unpaid source deductions for the period December 2019 to the Filing Date.
19. On November 3, 2023, the Company filed a claim for Scientific Research and Experimental Development ("**SRED**") tax credits of approximately \$712,000 as part of its fiscal year- ending June 30, 2023 corporate tax return. The Company estimates it will have a further SRED claim of approximately \$650,000 for its fiscal year-ending June 30, 2024. To date, its 2023 SRED claim has not been assessed and is in the

process of being audited by CRA.

20. According to Management, the Company has filed SRED claims for the past fourteen years, all of which were accepted by CRA, including, the claim for the fiscal year ending in 2020 when its claim was also audited by CRA. Given the Company's history of having its SRED claims accepted by the CRA, Management is confident that its 2023 SRED claim will also be accepted.
21. If CRA accepts the Company's 2023 SRED claim, the associated tax credits will not be paid out to the Company, but rather will be offset by CRA against the Company's unremitted source deduction arrears of approximately \$2.6 million. The Company expects to file its 2024 SRED credit claim in August 2024. The reduction of the Company's obligation to CRA for unremitted source deductions by application of its 2023 SRED credits combined with the 2024 SRED credits are expected to reduce CRA's source deductions liability by more than 50%. The Company expects to be in a position to attempt to make a viable Proposal to its creditors at that time.

Employee Priority Claims

22. As of the Filing Date, there were 27 employees of Shu-Pak with unpaid wages totaling approximately \$15,000, representing one week of payroll (accrued vacation pay is included in each employee pay). The unpaid wages represent super-priority claims pursuant to section 60(1.3) (a) of the BIA.

Related Party Loans

23. Certain related parties namely, Chriscent Corporation which is a company controlled by Dr. Victor Mele ("**Mele**"), Mele in his personal capacity and Tanner, have all advanced loans to Shu-Pak to fund the Company's day-to-day operations over the past 16 years totaling approximately \$5.7 million, \$2.8 million and \$218,000, respectively. The related party loans are all unsecured obligations of the Company.

Other Unsecured Creditors

24. In addition, Shu-Pak has other unsecured trade creditors as of the Filing Date totaling approximately \$510,000.

CASH FLOW FORECAST

25. Shu-Pak, with the assistance of the Proposal Trustee, has prepared a weekly cash flow forecast ("**Cash Flow Forecast**") for the period from April 29, 2024 to July 21, 2024 (the "**Period**"). A copy of the Cash Flow Forecast is attached hereto as **Appendix "B"** to this Report. The Cash Flow Forecast has been prepared by Management of Shu-Pak for the purpose of this motion, using probable and hypothetical assumptions set out in notes 1 to 10 attached to the Cash Flow Forecast. The Cash Flow Forecast reflects receipts and disbursements to be received or paid over a twelve-week forecast period.
26. The Cash Flow Forecast projects that Shu-Pak will have sufficient liquidity following receipt of further shareholder advances totaling \$150,000, to fund Shu-Pak's expenses and the Proposal proceeding throughout the Period.
27. The Cash Flow Forecast projects that Shu-Pak will require the use of the shareholder advances immediately to fund its near-term expenses including its upcoming payroll.
28. The Proposal Trustee's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied to the Proposal Trustee by certain of Management and employees of Shu-Pak. Since hypothetical assumptions need not be supported, the Proposal Trustee's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The Proposal Trustee also reviewed the support provided by Management of Shu-Pak for the assumptions and for the preparation and presentation of the Cash Flow Forecast.

29. Based on the Proposal Trustee's review, nothing has come to its attention to cause it to believe that, in all material respects:
- i) the hypothetical assumptions are not consistent with the purpose of the Cash Flow Forecast; or
 - ii) as at the date of this First Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of Shu-Pak or do not provide a reasonable basis for the Cash Flow Forecast, given the hypothetical assumptions; or
 - iii) the Cash Flow Forecast does not reflect the probable and hypothetical Assumptions.
30. As described in the Disclaimer above, since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented, even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Proposal Trustee expresses no assurance as to whether the Cash Flow Forecast will be achieved. In addition, the Proposal Trustee expresses no opinion or other form of assurance with respect to the accuracy of financial information presented in the Cash Flow Forecast or relied upon by the Proposal Trustee in preparing this Report.
31. The Cash Flow Forecast has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

ADMINISTRATIVE CHARGE

32. Shu-Pak is seeking a charge (the "**Administration Charge**"), in a maximum amount of \$50,000, against the assets of Shu-Pak, to secure the fees and disbursements incurred in connection with services rendered to Shu-Pak both before and after the commencement of the proposal proceedings by the following

entities: the Proposal Trustee, its counsel and counsel to Shu-Pak, and in the event of a bankruptcy, the trustee in bankruptcy and its counsel, which shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, statutory or otherwise in favour of any person.

33. The quantum of the Administration Charge sought by Shu-Pak was determined in consultation with the Proposal Trustee and the Proposal Trustee is of the view that the quantum of the Administration Charge is reasonable and appropriate in the circumstances, having regard to the nature of the proceedings and the anticipated professional costs. The creation of the Administration Charge is typical in similar proceedings, as is the proposed priority of the Administration Charge, as set out in the form of draft initial order filed with the Court.

REQUEST FOR THE EXTENSION

34. Shu-Pak is seeking an extension of the time for the filing of a proposal, and the corresponding stay of proceedings, to and including July 17, 2024, for a total of 45 days following the expiration of the initial 30-day stay of proceedings.
35. The Proposal Trustee supports the extension request for the following reasons:
- a. Shu-Pak is projected to have sufficient liquidity to fund operations following receipt of shareholder advances, as reflected in the Cash Flow Forecast.
 - b. The stay extension is required to provide Shu-Pak with the necessary time to restructure its business. Without the requested extension of the Stay Period being granted, Shu-Pak will not have the opportunity to formulate and implement a restructuring plan and will then become bankrupt to the detriment of its stakeholders.
 - c. In contrast, the Proposal Trustee does not believe that any creditor will be materially prejudiced if the extension applied for is granted. If the extension

applied for is granted, Shu-Pak would have the time and opportunity to attempt a restructuring.

- d. The Proposal Trustee is of the view that Shu-Pak is acting in good faith and with due diligence in formulating and implementing a restructuring plan that would preserve its business.

ACTIVITIES OF THE PROPOSAL TRUSTEE

- 36. Since the Filing Date, the Proposal Trustee has engaged in the following activities:
 - a. Preparing and mailing a creditors package to all known creditors with respect to these NOI proceedings;
 - b. Assisting Shu-Pak in the preparation of the Cash Flow Forecast;
 - c. Preparing this First Report;
 - d. Corresponding with creditors, Shu-Pak, Shu-Pak's counsel and its own counsel regarding all matters related to these NOI proceedings; and
 - e. Monitoring the business.

CONCLUSION AND RECOMMENDATION

- 37. Based on all the foregoing, the Proposal Trustee respectfully requests that the Court make an order granting the relief requested by Shu-Pak on the motion, as summarized in paragraph 4 of this First Report.

All of which is respectfully submitted this 27th day of May 2024.

DODICK LANDAU INC.

In its capacity as the Proposal Trustee of
Shu-Pak Equipment Inc. and not
in its personal or corporate capacity.

Per:

A handwritten signature in black ink, appearing to be 'RD', written over a horizontal line.

Rahn Dodick, CPA, CA, CIRP, LIT
President

APPENDIX "A"



Industry Canada

Office of the Superintendent
of Bankruptcy Canada

Industrie Canada

Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 08 - Waterloo
Court No. 35-3076617
Estate No. 35-3076617

In the Matter of the Notice of Intention to make a proposal of:

Shu-Pak Equipment Inc.

Insolvent Person

DODICK LANDAU INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

May 03, 2024

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: May 06, 2024, 10:42

E-File/Dépôt Electronique

Official Receiver

Federal Building - London, 451 Talbot Street, Suite 303, London, Ontario, Canada, N6A5C9, (877)376-9902

Canada

APPENDIX "B"

Slur-Pak Equipment Inc.
 Weekly Cash Flow Forecast
 For the Period From April 29, 2024 to July 24, 2024
 \$Cdn

Week Ending	1	2	3	4	5	6	7	8	9	10	11	12	TOTAL
Notes	05-May-24	12-May-24	19-May-24	26-May-24	02-Jun-24	09-Jun-24	16-Jun-24	23-Jun-24	30-Jun-24	07-Jul-24	14-Jul-24	21-Jul-24	
Receipts	13,659	13,241	25,844	33,717	5,827	395,469	2,798	13,660	405,200	5,000	5,000	405,200	1,393,716
Disbursements													
Materials	(5,778)	(1,252)	(14,729)	(5,000)	(5,000)	(69,986)	(5,000)	(25,000)	(176,770)	(25,000)	(25,000)	(195,770)	(648,279)
Expirel	(6,533)	(1,763)	(28,356)	(22,000)	(40,000)	(66,000)	(40,000)	(28,356)	(60,500)	(22,000)	(40,000)	(22,000)	(377,229)
Professional fees	-	-	-	(25,000)	-	-	(5,000)	-	(35,000)	-	-	(15,000)	(60,000)
Occupancy Costs	-	(7,961)	(36,748)	(1,000)	-	(7,961)	(50,171)	(3,500)	(6,613)	-	(80,171)	-	(124,126)
G&A Expenses	(8,615)	(50)	(8,944)	(4,200)	100	-	-	-	(9,200)	-	(1,500)	-	(32,410)
Total Disbursements	(20,747)	(11,025)	(88,778)	(57,200)	(44,900)	(243,941)	(80,171)	(54,856)	(284,083)	(47,000)	(96,671)	(232,770)	(1,242,142)
Net Cash Flow	(8,087)	2,215	(62,933)	(44,483)	(39,073)	152,528	(77,373)	(41,196)	141,117	(42,000)	(91,671)	172,430	61,573
Bank Balance													
Opening Bank Balance	4,461	(3,826)	(1,411)	15,755	41,273	2,200	154,727	77,354	36,158	172,275	135,275	43,604	4,461
Add: Net Cash Flow	(8,087)	2,215	(62,933)	(44,483)	(39,073)	152,528	(77,373)	(41,196)	141,117	(42,000)	(91,671)	172,430	61,573
Act: Shareholder Advances	-	-	80,000	70,000	-	-	-	-	-	-	-	-	150,000
Closing Bank Balance	(3,626)	(1,411)	15,755	41,273	2,200	154,727	77,354	36,158	172,275	135,275	43,604	216,034	216,034

SHU-PAK EQUIPMENT INC. ("SHU-PAK")
MAJOR ASSUMPTIONS
CASH FLOW STATEMENT
FOR THE PERIOD APRIL 29, 2024 TO JULY 21, 2024 (THE "PERIOD")

1. Shu-Pak's financial projections have been prepared for the purpose of meeting the requirements of the Bankruptcy and Insolvency Act. The projection is based on the hypotheses that:
 - a) Shu-Pak has re-started its truck manufacturing operations after 10-months of being unable to manufacture due to limitations in its temporary premises. It will increase its operations during the forecast period to manufacture two trucks per month. A further increase in manufacturing would require hiring additional qualified staff; and
 - b) Shu-Pak will operate in the normal course and complete a successful restructuring.

Receipts:

2. Customer collections include forecast parts and truck sales throughout the Period.

Shu-Pak has net-30 terms with its customers. Parts cash receipts for weeks 1 and 2 are based on outstanding accounts receivable and parts receipts throughout the Period is based on Management estimates of parts sales.

Cash inflows from truck sales are based on receipt of full and final payment on the truck delivery date. Management has forecast delivery of two trucks in June/24 and one in July/24 during the Period.

Disbursements:

3. Material costs include primarily payments for raw materials and chassis purchases. Historically, chassis were paid for at the time the finished truck was delivered, and payment was received from the customer. As a result, Shu-Pak did not require financing for the purchase of the chassis. Management has estimated this will continue.
4. Shu-Pak employs 27 full-time salaried employees and operates on a weekly pay period with a forecast net pay of \$22,000 per week. To assist the company manage its cash flow constraints, employees agreed to a deferral of two weeks' pay, until such time as the shareholder loan is received. The deferred payroll of \$44,000 is forecast to be paid on June 9, 2024. Source deduction remittances are paid on a bi-weekly basis.
5. During the Period, restructuring professional fees for Shu-Pak's Proposal Trustee, Shu-Pak's legal counsel and Proposal Trustee legal counsel are forecast to total \$35,000, \$15,000 and \$10,000, respectively.

6. Occupancy costs include base rent, additional rent for extra space needed as a storage facility, utilities, insurance and telecommunication costs.
7. General and administrative expenses include software and office costs.
8. The opening cash balance as of April 29, 2024, is \$4,461. Shu-Pak has access to \$5,000 of overdraft that is used to fund the shortfall in the first week of the forecast.
9. Shu-Pak is forecast to receive a shareholder loan totaling \$150,000 during weeks 3 and 4 which it will require to fund its operations.

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ONTARIO
SUPERIOR COURT OF JUSTICE
BANKRUPTCY COURT

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
SHU-PAK EQUIPMENT INC.
OF THE CITY OF CAMBRIDGE IN THE PROVINCE OF ONTARIO

AFFIDAVIT OF DAVID TANNER

I, DAVID TANNER, of the City of Cambridge, Province of Ontario, businessman,
MAKE OATH AND SAY:

1. I am the President, a shareholder and one of two Directors of Shu-Pak Equipment Inc. ("**Shu-Pak**") and as such have knowledge of the matters hereinafter deposed.

INTRODUCTION

2. On May 3, 2024, Shu-Pak filed a Notice of Intention to Make a Proposal under the *Bankruptcy and Insolvency Act* (Canada) ("**BIA**"), naming Dodick Landau Inc. as proposal trustee (the "**Proposal Trustee**").

3. These proceedings are aimed to stabilize the business and provide Shu-Pak with an opportunity to raise funds during the NOI period to restructure its affairs, potentially

saving the jobs of 27 employees, and maximizing the return to all stakeholders.

4. Shu-Pak is the original developer of the side-loading refuse truck and has been manufacturing in Ontario for over twenty-five years. The company is one of only four companies in North America that does its own cab conversions for side-loaders. Shu-Pak currently operates out of a leased facility in Cambridge, Ontario where it makes its own bodies, compactors, chassis modifications, automated arms, and cart tippers. Shu-Pak also performs service work on existing customer refuse and recycling trucks and sells parts.

5. Shu-Pak sells directly to municipalities which collect their own waste or contractors whom municipalities hire to carry out the same function. The company has trucks operating in every Canadian province and several U.S. states. Shu-Pak has fleets operated by the largest three contractors in Canada and numerous municipalities.

6. Shu-Pak experienced financial losses by a forced move from its old manufacturing location in June 2023. A new owner took possession of the building and declined to renew Shu-Pak's lease as the facility was required for the owner's personal business operation. This led to a nine-month gap before it was able to secure and move into its current location and recommence manufacturing. It also kept staff on payroll at considerable expense.

7. Compounding the foregoing was the fact that the company had not fully recovered from the supply chain delays which resulted from the onset of COVID-19 in 2020. That disruption to the supply chain has improved but has not yet been fully remedied. At times, commercial chassis could take up to two years for delivery.

8. The facility Shu-Pak now leases is considerably smaller than its previous plant. Again, the production disruption, storage and moving expenses all exacerbated Shu-Pak's financial difficulties.

9. With the exception of Canada Revenue Agency ("**CRA**"), Shu-Pak's creditors are all unsecured. There were two equipment lessors at one time who registered financing statements under the *Personal Property Security Act* ("**PPSA**"), but those leases matured.

10. CRA has a source deduction deemed trust liability owed to it of approximately \$2.6 million.

11. The largest creditor is Shu-Pak's other shareholder, Victor Mele, who loaned approximately \$8 million.

12. Historically, Shu-Pak files an annual claim for Scientific Research and Experimental Development ("**SRED**") tax credits. In recent years, our SRED entitlement has been set-off against CRA's liability.

13. Shu-Pak's SRED claim of approximately \$712,000 for the fiscal year ending June 30, 2023, has not yet been assessed. CRA is in the process of auditing that claim. In addition, there is a SRED claim of approximately \$650,000 that Shu-Pak will pursue for the fiscal year ending June 30, 2024.

14. For the past 14 years, all of Shu-Pak's SRED claims were accepted as filed and paid by CRA. I remain confident that our 2023 and 2024 claims will also be accepted. If those claims are fully accepted, we expect that Shu-Pak's liability to CRA for source deductions will be reduced by more than 50 percent.

15. Shu-Pak seeks an extension of time to file a proposal to and including July 17, 2024.

16. I intend to work with the Proposal Trustee towards making a viable proposal to Shu-Pak's creditors.

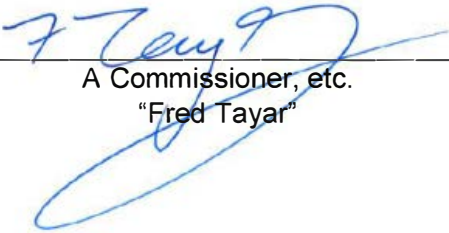
17. I believe that no creditor will be adversely affected by the extension of time sought, and that with the extension, Shu-Pak will likely be able to make a viable proposal to its creditors.

18. In order to secure the fees and expenses of each of Shu-Pak's legal counsel, the Proposal Trustee and its counsel, Shu-Pak is respectfully requesting that an administration charge rank in priority to all claims and encumbrances. The continuance

of services of the professionals are critical to the progress and success of these insolvency proceedings.

19. Shu-Pak estimated the quantum of the administration charge in consultation with the Proposal Trustee at \$50,000. I believe it is reasonable and appropriate in the circumstances.

Sworn before me at the City of Toronto)
in the Province of Ontario, this 27th day of)
May 2024 in accordance with [O. Reg. 431/20](#))
Administering Oath or Declaration Remotely)
_____))
A Commissioner, etc.)
"Fred Tayar")



DAVID TANNER

4

ONTARIO
SUPERIOR COURT OF JUSTICE
BANKRUPTCY COURT

THE HONOURABLE)
JUSTICE)
)
)
FRIDAY, THE 31ST DAY
OF MAY, 2024

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
SHU-PAK EQUIPMENT INC.
OF THE CITY OF CAMBRIDGE IN THE PROVINCE OF ONTARIO

O R D E R

THIS MOTION, made by Shu-Pak Equipment Inc. ("**Shu-Pak**"), for an order extending the time to file a Proposal and for an Administration Charge, was heard this day, via video conference at 80 Dundas St, Unit A, London, ON N6A 6A3.

UPON READING the notice of motion, the First Report of the Trustee dated May 27, 2024, and upon hearing the submissions of counsel for Shu-Pak,

1. **THIS COURT ORDERS** that the time for service and filing of the notice of motion and motion record is hereby abridged and validated such that this motion is properly returnable today and hereby dispenses with further service thereof.

2. **THIS COURT ORDERS** that pursuant to sub-section 50.4(9) of the *Bankruptcy and Insolvency Act* (Canada), the time for filing a Proposal with the Official Receiver in respect of Shu-Pak, including the stay of proceedings, is extended up to and including July 17, 2024.

3. **THIS COURT ORDERS** that the Proposal Trustee, counsel to the Proposal Trustee and Shu-Pak's counsel shall be entitled to the benefit of and are hereby granted a Charge (the "**Administration Charge**") on all of Shu-Pak's assets, undertaking and property acquired for or used in relation to the business carried on by Shu-Pak (the "**Property**"), including all proceeds thereof. The Administration Charge shall not exceed in the aggregate \$50,000, as security for the Proposal Trustee, counsel to the Proposal Trustee and Shu-Pak's counsel's professional fees and disbursements incurred at the standard rates and charges of the Proposal Trustee and counsel both before and after the making of this Order in respect of these proceedings.

4. **THIS COURT ORDERS** that the Administration Charge shall constitute a charge on the Property and shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise in favour of any person.

Court File No.: BK-24-03076617-0035
Estate File No. 35-3076617

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
SHU-PAK EQUIPMENT INC.
OF THE CITY OF CAMBRIDGE IN THE PROVINCE OF ONTARIO

ONTARIO
SUPERIOR COURT OF JUSTICE
(BANKRUPTCY COURT)

Proceeding commenced at London, ON

O R D E R

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Court File No.: BK-24-03076617-0035
Estate File No. 35-3076617

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
SHU-PAK EQUIPMENT INC.
OF THE CITY OF CAMBRIDGE IN THE PROVINCE OF ONTARIO

ONTARIO
SUPERIOR COURT OF JUSTICE
(BANKRUPTCY COURT)

Proceeding commenced at London, ON

**MOTION RECORD OF THE APPLICANT,
SHU-PAK EQUIPMENT INC.
(Returnable May 31, 2024)**

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Shu-Pak Equipment Inc.