

THE QUEEN'S BENCH
In Bankruptcy and Insolvency
Winnipeg Centre

IN THE MATTER OF: **THE *BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, c. B-3, AS AMENDED**

AND IN THE MATTER OF: **THE PROPOSAL OF SCHROEDER FREIGHT INC.**

AFFIDAVIT OF ROBERT SCHROEDER
AFFIRMED THE 11th DAY OF JANUARY, 2017
Hearing Date: Friday, January 13, 2017, at 9:00 AM

TAPPER CUDDY LLP
Barristers and Solicitors
1000-330 St. Mary Avenue
Winnipeg, Manitoba
R3C 3Z5
Richard W. Schwartz
Telephone: (204) 944-3232
Fax: (204) 947-2593
File No. 162501

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AFFIDAVIT OF ROBERT SCHROEDER

I, Robert Schroeder, of the City of Winnipeg, in the Province of
Manitoba, Businessman, AFFIRM THAT:

1. I am the president, the sole director, and (through two
corporations) a shareholder of Schroeder Freight Inc. ("SFI"), and as such have
personal knowledge of the facts to which I depose, except where I have

indicated that I have obtained facts from other sources, in which case I verily believe those facts to be true. Unless otherwise described herein, copies of the documents attached and marked as exhibits are true copies of the original documents.

Overview & Background

2. SFI was incorporated under the laws of Manitoba, and operates as a freight carrier throughout Canada and the United States, primarily out of an office and yard located on Highway 75 just south of Winnipeg which are rented from a related company, 4938527 Manitoba Ltd.

3. SFI also operates from leased premises in Mississauga, Ontario.

4. SFI presently employs approximately 134 people, consisting of 118 employees and company drivers and 16 contract owner-operator drivers.

5. The business was started over thirty years ago by my father, Ernie Schroeder.

6. Through a number of related companies, I and a partner bought out my parents in 2013, and as result the ownership and operating structure of SFI was changed to what is set out in the flowsheet attached and marked as Exhibit "A".

7. SFI expanded rapidly since 2013, with the purchase of Flying Eagle Transport and the opening of a logistics office in Winnipeg in 2014, and in 2015 an addition to the shop, the leasing of a warehouse in Winnipeg, and the opening of a logistics division in Mississauga.

8. The fleet size was also increased over that time (doubling the number of trucks to 100).

9. During that time my partner ran the office, while I ran the physical aspect of the business.

10. While SFI historically has been profitable, the expansion into the logistics end of the freight business was not successful. Combined with pricing competition within the industry generally, the net effect was that SFI went from reporting a net operating profit (before payments to related companies and taxes) of \$565,335 as of September 30, 2015, to a net operating loss of \$918,290 (again before payments to related companies and taxes) as of September 30, 2016.

11. As a result, SFI began taking steps to cut costs (such as the amalgamation of the Flying Eagle fleet with SFI's fleet and the closing of the Flying Eagle office). Unfortunately, they were not by themselves sufficient, and SFI's principal secured creditors, TD Equipment Finance Canada and The

Toronto Dominion Bank (collectively, the “TD Bank”), made demand for payment and served a notice under Section 244 of the *Bankruptcy and Insolvency Act* on December 12, 2016.

12. So as to ensure that SFI had time to deal TD Bank’s demand and continue to operate generally, I arranged for SFI to file a Notice of Intention to Make a Proposal (the “NOI”) on December 16, 2016. A copy of same, together with the related documents filed with the Office of the Superintendent of Bankruptcy, are attached as Exhibit “B”.

13. Since the NOI was filed, SFI has in fact closed down most of its operations in Ontario, the plan generally being to return to its core business of moving freight.

14. In addition, SFI plans in the weeks ahead to finalize the reduction of the size of its management team, complete the wind down of its logistics division, vacate certain leased/rented logistics and warehouse locations, and implement a comprehensive cost reduction strategy.

15. In addition, I note that in recent months SFI has also experienced improving trends in its revenue per mile and booked trucking revenue.

16. It will, however, take some time for the cost savings to be fully realized, and as such SFI is not yet in a position to provide its unsecured creditors with a comprehensive proposal.

17. To enable SFI to continue in business and so as to move forward with its plan to restructure and provide a proposal to its unsecured creditors, SFI requires additional time and the assistance of the Proposal Trustee and its counsel, together with SFI's own insolvency counsel.

18. In short, there is reason to be optimistic about SFI's prospects for the future in the event that it is able to reduce its debt load and operating costs, in particular as regards its unsecured debt.

19. In that regard, I further note that I bought out my partner and that my father has stepped back into SFI as my mentor and advisor.

Assets, Debts, Secured Creditors & Banking Arrangements

20. Save for that of its rolling stock that is on the road at any given moment, SFI's assets are generally located in Manitoba, and include equipment, receivables and a leasehold interest in real property. They are all fully secured to the various creditors set out in the attached search of Personal Property Registry of Manitoba which is attached and marked as Exhibit "C".

21. As appears from Exhibit C, SFI's secured creditors and the nature of their respective interests are as follows:

<u>Name of Secured Creditor</u>	<u>Nature of Security</u>
The Toronto Dominion Bank	General Security Agreement
TD Equipment Finance Canada	Specific fleet units
Daimler Truck Financial (Mercedes-Benz Financial)	Specific fleet units
Paccar Financial Ltd.	Specific fleet units
Dell Financial Services Canada Limited	Computer equipment
Ernie & Linda Schroeder (related party)	General Security Agreement
5021308 Manitoba Ltd. (related party)	General Security Agreement
Kal Tire	Specific fleet units
Beaver Truck Centre	Specific fleet units
Freightliner	Specific fleet units

22. By virtue of postponements granted by my parents and 5021308 Manitoba Ltd. (a company controlled by me and my spouse), and subject to any priority claims in favour of Canada Revenue Agency, I understand that The Toronto Dominion Bank has first charge on all of SFI's assets save those specifically financed by the other secured creditors above noted.

23. Set out in the NOI (Exhibit A) are particulars of SFI's debts as of December 16, 2016.

24. SFI has prepared cash flow projections (the "Projections") with the assistance of the Proposal Trustee. While same will be attached to a Report that is concurrently being prepared by the Proposal Trustee, I note here that the Projections demonstrate that SFI should be able to maintain operations within the existing limit of its line credit with TD Bank and within the margin requirements that were in place as at the date that the NOI was filed.

Administration Charge

25. There will of course be professional fees that will have to be paid to the Proposal Trustee, its legal counsel and SFI's own legal counsel. While the Projections allow for those fees to be paid out of operating revenue, SFI is of the view that an administration charge in the amount of \$150,000 would be sufficient and appropriate to protect against the possibility that SFI will not in fact be able to do so.

26. The amount of the Administration Charge is based on estimates provided by the various professionals involved. Given the present circumstances, I consider those estimates to be reasonable given the procedural requirements of the process as explained to me by SFI's counsel, the complexity of SFI's business, and the required oversight and participation of the Proposal Trustee and its own counsel. The professionals secured by

the proposed charge will play critical roles in the proposal process going forward, and SFI considers it important to secure their participation for the benefit of the process generally and ultimately for the benefit of SFI's stakeholders in particular.

Matters Respecting the Relief Sought

27. During the course of the proposal process, I will continue to manage the operations of SFI, with assistance from my father, appropriate oversight from the Proposal Trustee, and the advice of legal counsel.

28. I believe that this current management arrangement has the support of the TD Bank.

29. I am not aware of any creditor that will be materially prejudiced as a result of the granting of an extension of time and/or an administration charge. Instead, virtually all creditors are likely to be materially prejudiced if SFI does not continue to operate, as I believe that SFI will be able to make a viable proposal to its unsecured creditors that will result in a better return to them than would a liquidation following a bankruptcy. Indeed, I believe that absent a successful proposal, the unsecured creditors will receive nothing at all.

30. In addition, and just as importantly, maintaining the business as a going concern would of course maintain job security for SFI's employees.

31. SFI's key suppliers, its customers, and all of its employees have continued to support the business since the NOI was filed, and I believe that they will continue to do so throughout the requested extension period.

32. SFI has acted, and continues to act, in good faith and with due diligence in these proposal proceedings.

33. I make this affidavit *bona fide*.

AFFIRMED before me at the City
of Winnipeg, in the Province of
Manitoba, this 11th day of January,
2017.

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Robert Schroeder

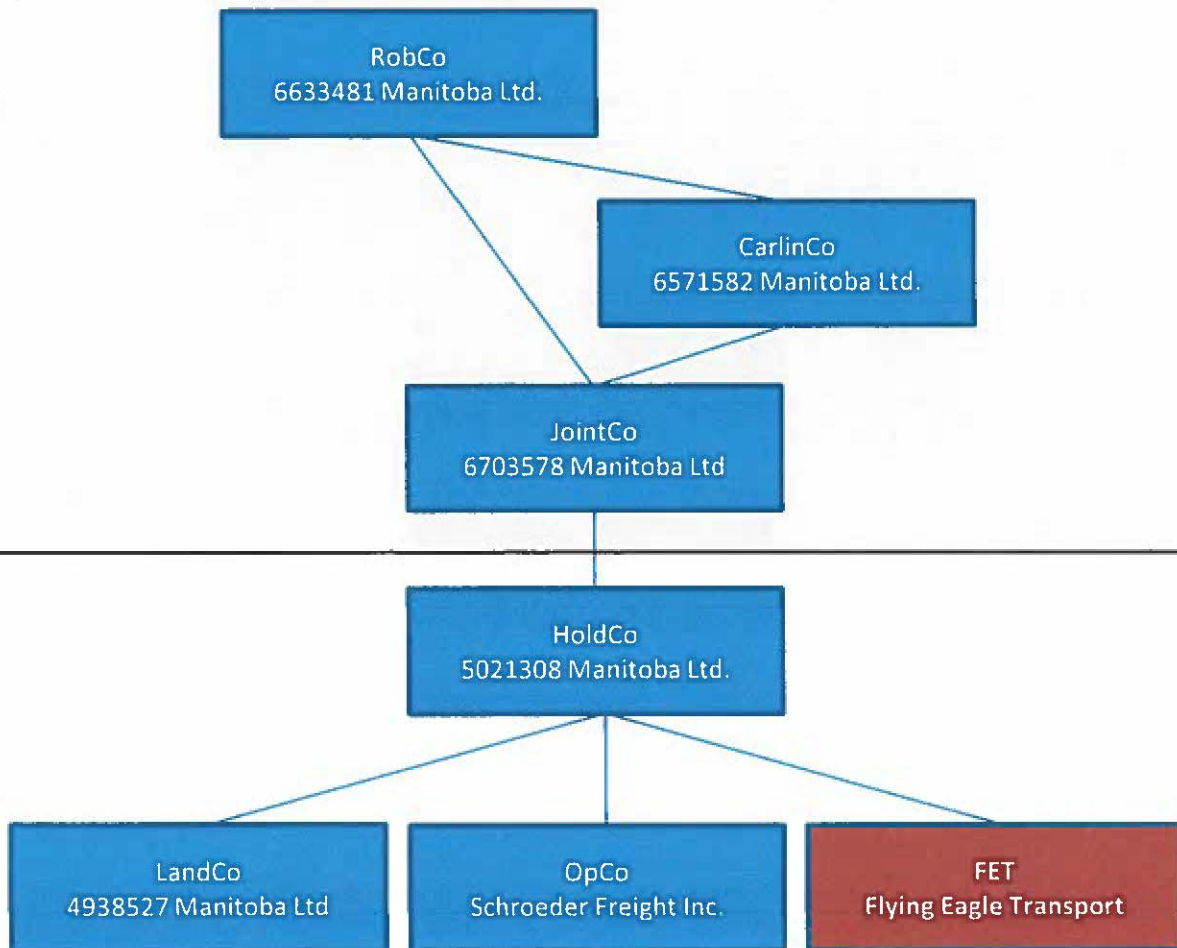

A Notary Public in and for
the Province of Manitoba

This is Exhibit A referred to
in the Affidavit of Robert Schneider
affirmed before me at the City of Winnipeg
this 11th day of January A.D. 20 17

A NOTARY PUBLIC IN AND
FOR THE PROVINCE OF MANITOBA

Company Structure

Companies created during SFI purchase Oct/2013



Short Name	Legal Name	Owned by (% in brackets)
RobCo	6633481 Manitoba Ltd.	Robert Schroeder (50) Lisa Schroeder (50)
CarlinCo	6571582 Manitoba Ltd.	RobCo (100)
JointCo	6703578 Manitoba Ltd.	CarlinCo (50) RobCo (50)
HoldCo	5021308 Manitoba Ltd.	JointCo (100)
LandCo	4938527 Manitoba Ltd.	HoldCo (100)
OpCo	Schroeder Freight Inc.	HoldCo (100)
FET	Flying Eagle Transport Ltd.	HoldCo (100)