



No.S-085453
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c.C-36

-AND-

IN THE MATTER OF THE *BUSINESS CORPORATION ACT*,
S.B.C. 2002, c.57

-AND-

IN THE MATTER OF

**HAYES FOREST SERVICES LIMITED
HAYES HOLDINGS SERVICES LIMITED
And HAYES HELICOPTER SERVICES LIMITED**

Monitor's Thirteenth Report to the Court

September 24, 2009

I. INTRODUCTION

On July 31, 2008 upon the application of Hayes Forest Services Limited, Hayes Holding Services Limited and Hayes Helicopter Services Limited (the "Petitioners"), The Supreme Court of British Columbia issued an order (the "Initial Order") declaring that Hayes Forest Services Limited, Hayes Holding Services Limited and Hayes Helicopter Services Limited ("Hayes" or the "Company") are companies to which the *Companies' Creditors Arrangement Act* (the "CCAA") applies.

The Initial Order granted, inter alia, a stay of proceedings against the Petitioners until August 29, 2008; this stay was then extended until April 30, 2009 and has been subsequently extended until September 30, 2009.

This is the Monitor's thirteenth report. The Monitor's previous reports have provided information on the Petitioners activities, operating results and asset sales.

Terms of Reference

Effective April 27, 2009, the Court ordered the Monitor to file reports on a bi-monthly basis concerning "the state of and progress of the sale of the Petitioner's assets." This is the second report filed pursuant to that Order, the first report was filed on July 30, 2009.

In preparing this Report, the Monitor has relied upon unaudited financial information, Petitioners' records, Petitioners' prepared financial information and projections, discussions with management and employees of the Petitioners and information from various other sources. The Monitor has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of such information except where stated. Accordingly, the Monitor expresses no opinion or other form of assurance in respect of such information. The Monitor may revise or alter its observations as further information is obtained or is brought to its attention after the date of this Report.

Copies of relevant information with respect to these proceedings including the various Orders and the Monitor's Reports are available on the Monitor's website www.bowragroup.com.

II. ASSETS AND ASSET DISPOSAL

Asset Disposals

Since the twelfth Monitor's report dated July 30, 2009, we are advised by Hayes that they have achieved the following sales or proposed sales agreements:

- Negotiated the sale of its Teal Bill 13 contract and obtained Court approval of the sale; closing of the transaction has been postponed to September 30, 2009;
- Reached an agreement in principle for the sale of its Western Forest Products Bill 13 contract with an estimated closing date of November 15, 2009;
- Arranged the sale of various items of equipment to third parties for an aggregate total of \$893K; this included the sale of a leased Bell helicopter for \$441K and a leased grapple yarder for \$290K.

Hayes has continued to advertise the larger items of owned and leased equipment for sale, has continued to list these items for sale on its web site and has been in regular contact with possible purchasers of these assets.

Hayes has been in discussions with various parties for the sale of the remaining leased Sikorsky helicopter and the two leased Bell helicopters but has been unable to complete a sale to date due to poor market conditions.

There are five leased grapple yarders that are available for sale. It is possible that the purchasers of the Bill 13 contracts may be interested in some of the grapple yarders; however, any sale is unlikely to realize equity over the amounts owed.

The Company has maximised the recovery from sales of its equipment to date; the pace of recent sales in August has slowed considerably due to the normally slow summer slowdown. We understand from Hayes that sales activity has improved in September.

Sale of Bill 13 Contracts

Hayes is in the final stages of completing the sale of the Teal contract for a total sale price of \$1.6M and has received Court approval of the sale. It is expected that this transaction will close by the end of September 2009.

Hayes expects to have a signed agreement on the Bill 13 contract with Western by October 2, 2009. We understand that the agreement will be similar to the Teal contract as far as price and terms are concerned. This sale which is subject to Court approval is expected to close by the end of November, 2009.

Leased Assets

Hayes still has a number of leases on major items of equipment which it has not repudiated. These include a Sikorsky helicopter, two Bell Ranger helicopters, five grapple yarders, two fuel tanks and a mobile crane. Hayes had continued to market these items in order to realize the equity in these leases but it now accepts that there is no equity in most of these leases that can be realised except possibly for the three leased helicopters. Consequently, certain leases will be repudiated and equipment returned to the lessor.

Amounts currently estimated to be owed to the various lessors are as follows:

	\$'000's
GE Canada Leasing	3,100
Concentra Financial	400
Caterpillar Financial Services	1,300
	<u>\$4,800</u>

Estimated Value of Remaining Assets

Hayes current estimate of asset value can be summarized as follows:

	\$'000's	
	Low	High
Owned fixed assets	3,330	4,092
Equity in leased assets	929	1,733
	<u>4,259</u>	<u>5,825</u>
Bill 13 contracts	3,970	3,970
Receivables and inventory	650	934
	<u>8,879</u>	<u>10,729</u>
Estimated gross value before costs of realization		
	<u>12,075</u>	<u>12,075</u>
Secured creditors and priority creditor claims		
	<u>(3,196)</u>	<u>(1,346)</u>
Shortfall to secured and priority claims		

Hayes has by and large been unable to sell assets at the October 1, 2008 fair market value appraisal of Total Appraisals Inc. The current forced liquidation value would be substantially less than appraised value and less than the Company's estimates. As an indication, in March 2009 Ritchie Bros. proposed a gross guarantee on selected major items which include both owned and leased assets for a net \$2.465M compared to the appraised value for these items of \$10.7M, i.e. 23% of the appraised fair market value.

Receivables, Inventory and other Current Assets

These assets have a book value of \$1.7M at August 31, 2009 and comprise various accounts receivable, inventory, parts, deposits, other receivables and prepaid expenses. The largest item included in this category is a receivable from Finning of \$668K.

III. CASH FLOW TO NOVEMBER 30, 2009

These are estimated as follows:

	\$'000's		
	October	November	Total
Receipts:			
Collection of receivables		200	200
Other receipts	40	40	80
	40	240	280
Disbursements:			
Payroll costs	46	95 *	141
Rent of office space	27	52	79
Payrolls	21	43	64
Leases	12	110	122
Professional fees	45	45	90
	151	345	496
Net Cash Flow	(111)	(105)	(216)
Balance B/F	(2,662)	(2,773)	(2,662)
Balance C/F	(2,773)	(2,878)	(2,878)

This cash flow does not include any proceeds that may arise from sale of assets in this period.

*Includes 2 payrolls in this period

IV. PLAN OF ARRANGEMENT

Hayes intends to file a Plan of Arrangement by October 21, 2009. This plan will entail Hayes selling the remaining equipment and making a lump sum available to unsecured creditors in priority to claims of existing creditors.

The total claims of unsecured creditors will be determined through the claims process and will include trade accounts, employee severance claims, WCB claims and lessor shortfalls. It is estimated that these claims could total \$9M.

Secured claims are as follows:

i) CIBC

Since July 31, 2008 Hayes has made payments to CIBC totalling \$11.4M. The debt to CIBC is currently \$6.022M including accrued interest estimated at \$568K.

ii) Hayes Family

The current amount owing on this debt is \$6.014M. This debt ranks behind CIBC, but ahead of all unsecured creditors.

iii) Priority Claims

These comprise:

	<u>\$'000's</u>
KERP payments due	27
CRA source deductions	12
	<u>39</u>

These claims total \$12,075K, an amount substantially in excess of the high estimated value of assets before costs of realization.

V. OTHER MATTERS

Disbursements

There are no remaining salaried employees. Two ex-employees have been recalled on a contract basis to assist with the sale of remaining assets and for accounting/administration. There is one other person retained one day per week to deal with the helicopter assets plus a part time yard boy as required. In addition, Donald Hayes is contracted on a full time basis to negotiate the disposal of the remaining assets.

The Company has continued to pay rent, utilities, helicopter lease payments, insurance, wages and benefits, professional fees, and other operating costs that have been incurred post filing.

VI. ACTIVITIES OF THE MONITOR

The Monitor's activities since July 30, 2009 can be summarised as follows:

- review cash flow;
- monitor actual cash flow against forecast;
- review cheques written and discuss payment with Hayes' accounting personnel;
- discussion with Donald Hayes and company counsel to review Bill 13 sales, helicopter assets sale, asset disposal strategy and sales, issues arising etc.;
- review proposed asset sales and approve sales as required;
- respond to creditor queries;
- post information on Monitor's website.

VII. CONDUCT OF THE PETITIONERS

To date, Hayes has provided the Monitor with full co-operation and unrestricted access to its premises, books and records. The Monitor and Hayes have implemented procedures for the daily monitoring of receipts and disbursements.

Hayes has acted diligently and in good faith in the post filing period, and is proceeding to develop a plan of arrangement.

We support the application by Hayes to have the stay extended to November 30, 2009.

Hayes will use the extension period to:

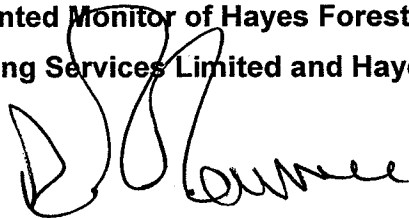
- develop a Plan of Arrangement that will pay creditors more than they would receive in a liquidation through a receivership or bankruptcy;
- obtain and implement a Claims Process Order to determine amounts due to creditors under the Plan of Arrangement.

All of which is respectfully submitted this 24th day of September, 2009.

The Bowra Group Inc.

**Court appointed Monitor of Hayes Forest Services Limited,
Hayes Holding Services Limited and Hayes Helicopter Services Limited**

Per:



Martin Hyatt CA CIRP / David Bowra CA CIRP