



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 Sixteenth Report to the Court

January 29, 2010

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 February 5, 2010. Hayes is seeking a further extension to March 31, 2010.

This is the Monitor's sixteenth report. The Monitor's previous reports have provided information on the Petitioners' activities, operating results and asset sales; the fifteenth report was a special purpose report on the sale of a Bill 13 Contract.

Terms of Reference

In preparing this Report, the Monitor has relied upon Petitioners' records, Petitioners' prepared financial information and projections, discussions with management 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 our previous report dated November 24, 2009, Hayes has sold various assets and realized a total of \$3.277M as follows:

- Finalised the sale to Island Fibre Ltd. of its Bill 13 contract with Western Forest Products (“WFP”) for \$2.7M; and
- Arranged the sale of various items of equipment and inventory to third parties for an aggregate total of \$577K.

Hayes has continued to advertise its fixed assets 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 estimates that the remaining owned fixed assets may realise between \$3.1M and \$3.8M. Over half these estimated realizations relate to a camp barge and the helicopter engine facility.

The Company has maximised the recovery from sales of its equipment to date; although the pace of sales has been slower than originally expected, it has recently improved as seen above and the spring forestry season is starting which should result in continuing increased activity.

Sale of Bill 13 Contract

Hayes has completed the Court approved sale of the WFP contract for a total sale price of \$2.7M and the full sale price has been received in cash.

Receivables and Inventory

These assets have a book value of \$2.7M at December 31, 2009 and comprise various accounts receivable, inventory, parts and deposits. The largest items included in this category are a receivable from Finning of \$668K and a Promissory Note Receivable from North View Timber Ltd of \$1,306,000 with respect to future payments due for the sale of a Bill 13 contract. Inventory includes various helicopter parts with a book value of \$118K.

Leased Assets

Hayes has now repudiated all of its leases on major items of equipment except for a Sikorsky helicopter leased from GE and two Bell helicopters leased from Concentra. Hayes estimates there is equity in these leases of between \$1.2M and \$1.4M.

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

Estimated Value of Remaining Assets

Hayes current estimate of asset value is summarized below:

	\$'000's	
	Low	High
Owned fixed assets	3,101	3,817
Equity in leased assets	1,210	1,447
	4,311	5,264
Receivables and inventory	1,174	1,981
Estimated gross value before costs of realization	5,485	7,245
Less estimated costs of realization/post-filing liabilities	(884)	(884)
Estimated net value	4,601	6,361
Secured creditors claims:		
CIBC	2,776	2,776
Hayes Family	6,208	6,208
	8,984	8,984
Shortfall to secured creditors	(4,383)	(2,623)

III. CASH FLOW TO MARCH 31, 2010

A cash flow forecast prepared by Hayes to March 31, 2010 can be summarised as follows:

	\$'000's		
	<u>February</u>	<u>March</u>	<u>Total</u>
Receipts: Sale of Inventory	40	40	80
Disbursements:			
WCB	20	7	27
Rent	22	22	44
Accounts Payable	64	64	128
Leases	61	61	122
Professional fees	30	30	60
Other Expenses including interest	17	17	34
	<hr/> 214	<hr/> 201	<hr/> 415
Net Cash Flow	(174)	(161)	(335)
Balance B/F	(2,424)	(2,598)	(2,424)
Balance C/F	<hr/> (2,598)	<hr/> (2,759)	<hr/> (2,759)

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

IV. PLAN OF ARRANGEMENT

Hayes advises the Monitor that it will file a Plan of Arrangement under the CCAA proceedings by February 5, 2010. We have reviewed a draft of the Plan. This plan involves Hayes (1) selling the remaining equipment, remitting sales proceeds to the secured creditors and (2) making a lump sum payment of \$400K to unsecured creditors in priority to claims of the secured creditors.

The Monitor will file a report commenting on the final Plan. This report will be included with the information sent to creditors in accordance with the Meeting Order that will be sought by Hayes at a hearing scheduled for February 4, 2010.

The total claims of affected creditors are being determined through the claims process carried out in accordance with the Claims Process Order dated September 28, 2009. It is estimated that these claims may total \$8M excluding secured claims.

Secured claims total \$8.98M and comprise CIBC for the DIP loan balance of \$2.35M plus accrued interest of \$426K, and the Hayes family for \$6.2M. This total is substantially in excess of the estimated net value of assets which is a maximum of \$6.36M. Consequently, in the event of a liquidation of the assets through a receivership or bankruptcy, there would be no funds available to unsecured creditors.

V. OTHER MATTERS

Disbursements

There are no remaining salaried employees. 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 November 24, 2009 can be summarised as follows:

- review cash flow;
- monitor actual cash flow against forecast;

- review cheques written and discuss payment with Hayes;
- discussions with Donald Hayes and company counsel to review Bill 13 sales, helicopter assets sale, asset disposal strategy and sales, claims and claims process, issues arising etc.;
- review proposed asset sales and approve sales as required;
- respond to creditor queries and assist with the claims process;
- review drafts of the Plan of Arrangement; and
- 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 file a Plan of Arrangement in the next week.

All of which is respectfully submitted this 29th day of January, 2010.

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