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 Ninth Report to the Court

March 31, 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 subsequently extended and is currently in effect until April 30, 2009.

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

Terms of Reference

Effective October 31, 2008 the Court ordered that the Monitor continue to provide monthly reports to all of the creditors. The Order noted that "the Monitor will continue to monitor the situation and provide the professional opinion to the Court and to the creditors regarding the progress that is being made as well as difficulties that are foreseen and, in a general way to advise regarding non-confidential dealings that Hayes is having with potential purchasers in order to sell some assets for the maximum price."

The Court also established a Creditors' Committee (the "Committee") which comprises a designated representative from Teal Jones ("Teal") and Western Forest Products ("Western") to meet with the Monitor on an ongoing basis in order to review Hayes efforts and progress with respect to the sale of the Bill 13 contracts with those parties. This Report does not cover the activities of the Committee.

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.

Certain of the information referred to in this Report consists of forecasts and projections. An examination or review of financial forecasts and projections, as outlined in the Canadian Institute of Chartered Accountants Handbook, has not been performed. Future oriented financial information referred to in this 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, actual results will vary from the projections, even if the assumptions materialise, and the variations could be significant.

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. ACTUAL CASH FLOWS FOR THE 5 WEEKS ENDED MARCH 23, 2009 COMPARED TO FORECAST

Actual cash flows for the 5 weeks ended March 23, 2009 compared to the latest revised cash flow forecast can be summarised as follows:

	$000's		
	Actual	Forecast	Variance
Receipts:			
Bill 13 Contracts	10	178	(168)
Maintenance - Finning	0	200	(200)
Log sales	0	200	(200)
Other	337	175	162
Asset Sales	3,814	4,160	(346)
CIBC Repayments	(3,477)	(3,715)	238
Total Receipts:	684	1,198	(514)
Disbursements:			
Wages and Benefits	346	448	(102)
Rent/Insurance	51	56	(5)
Leases	115	355	(240)
Utilities	41	19	22
Payables	75	70	5
Other	215	230	(15)
Total Disbursements	843	1,178	(335)
Net Cash Flow	(159)	20	(179)

The receipts in the period were lower than expected primarily due to:

- the failure to collect the Finning receivable;
- the failure to sell logs during the period;
- slightly lower than anticipated asset sales; and

Table 1

Summary of Estimated Proceeds from Asset Realizations

	$'000	
	Low	High
Owned equipment assets	5,465	6,338
Equity in leased assets	1,342	2,554
	6,807	8,892
Contracts, goodwill, intangibles	4,487	4,487
Total fixed assets	11,294	13,379
Receivables	687	1,331
Inventory	6,272	7,387
Total assets	**18,253**	**22,097**

These estimates are prior to costs of administration and realization.

- inability to reach an agreement with Western and Teal to fund Hayes to make vacation pay payments from the funds being withheld by Western and Teal from Hayes for that purpose.

Actual other receipts included higher sales of parts inventory compared to forecast.

Hayes continues to attempt to collect the outstanding receivables and sell the remaining log inventory.

Wages and benefits disbursements were lower than anticipated as Hayes was unable to pay the vacation pay as planned because of the failure to reach an agreement with Teal and Western to fund the payments as noted above.

Lease payments in the period were lower than expected because certain planned lease buyouts were not made.

In summary, the cash flow variances in the period were a result of various matters with a net impact of $(179,000).

The bank overdraft as at March 23, 2009 was $2,123,000.

III. ASSETS AND ASSET DISPOSAL

Asset Values, Disposal Strategy and Rationale

Hayes' estimates of the realizable values of the assets are set out in Table 1.

Their current estimate is lower than the original forecast by between $2 million and $4.5 million.

Management believes that the current estimates reflect achievable values if given time to liquidate as opposed to the prices that would result from a forced sale.

Since July 31, 2008 Hayes has sold owned and leased assets for net proceeds of $13.4 million. These sales have included 2 Sikorsky S-61 helicopters, a Tree Farm licence, 2 grapple yarders, 22 pickup trucks and numerous other small items, mostly at sale prices close to their original valuation estimates.

The remaining owned fixed assets include a small number of high value items (7 items valued at a low of $2.045 million and a high of $2.402 million) and a large number of items with an individual value of less than $10K.

The estimated equity in leased assets is almost all in the remaining helicopters (1 Sikorsky and 4 Bell Rangers) where the aggregate equity is estimated at a low of $1.25 million and a high of $2.34 million.

The likely realization for the Bill 13 contracts is difficult to assess. Hayes has valued these assets at $4.5 million. These assets will have a zero realizable value in the event of a bankruptcy as Hayes' ability to sell these assets will be lost. Given current market conditions, we believe that vendor financing will be required to achieve maximum recoveries.

As at July 31, 2008, Hayes estimated that it had fixed assets (equipment, licenses and contracts) could realise gross proceeds of $38.5 million and net proceeds after lease buyouts of $22 million.

To date, Hayes has sold fixed assets with gross proceeds of $13.4 million and net proceeds after lease buyouts of $7.05 million from which:

- $6 million was used to permanently reduce debt to the Canadian Imperial Bank of Commerce ("CIBC");
- $300K was paid to GE Capital as security against potential future shortfalls.

Gross proceeds realized to date have varied from the original estimates as follows:

- Equipment gross proceeds $1.35 million or 0.3% lower than estimate;
- Aircraft gross proceeds $8.3 million or 3.2% lower than estimate;
- TFL gross proceeds $3.7 million or 86.6% higher than estimate.

Table 2

Estimated Fixed Assets Realizable Values

	Original Estimated values				At March 30, 2009	
	At July 31, 2008	Sold	Repudiated	Balance	Low	High
Owned equipment	8,563	(458)	-	8,105	5,466	6,338
Leased equipment	22,247	(9,209)	(4,408)	8,630	6,230	7,824
Contracts & licenses	7,746	(3,739)	-	4,007	4,486	4,486
	38,556	(13,406)	(4,408)	20,742	16,182	18,648
Lease Buyouts					(4,888)	(5,271)
Net Estimated Value					**11,294**	**13,377**

Table 2 summarises fixed asset realizable values.

Hayes has recently reviewed the remaining unsold fixed assets and adjusted estimated values for changes in market conditions. Hayes estimates that the remaining fixed assets (including leased assets) should bring gross proceeds of between $16.2 million and $18.6 million and net proceeds after lease buyouts of between $11.3 million and $13.4 million.

Inventory is estimated to have a value of between $6.3 million and $7.4 million. Hayes is currently negotiating a sale for certain of the helicopter inventory for $4.5 million and based on the inventory remaining thereafter, the low estimated realizable value should be achievable. The Bill 13 contracts are estimated by management to realize $4.5 million.

The projected values are based on the assets being sold privately over the next several months. We agree that this will likely realize more for the creditors than a forced liquidation but we are not able to provide comfort on what the eventual total realizable value will be, nor how likely it is that the Company can achieve its estimated values.

We believe that the costs of the realization process are likely to be considerably reduced from current overhead levels and should not exceed $100K per month.

Asset Disposal Status

Hayes continues to advertise its major equipment assets for sale, has continued to list these items for sale in detail on its web site and has been in constant contact with possible purchasers of these assets. Two graders and a log loader have been consigned for sale with Finning.

Hayes is in discussions with a number of parties for the sale of its sole remaining Sikorsky helicopter and is confident that a sale could be concluded in the next 6 weeks.

Several parties have expressed interest in the helicopter inventory and engine shops. Hayes is negotiating a sale agreement for the majority of these assets with one party that it expects to conclude before April 30, 2009.

The Bell helicopters previously listed for sale with a broker continue to be listed with that broker but on a non-exclusive basis. Hayes has also engaged a second broker on a non-exclusive basis. No sales are anticipated in the short term based on current interest.

The boats previously listed for sale with Harlow Marine continue to be listed with them but on a non-exclusive basis. There has been a lot of interest in the boats in the last several weeks and management hopes that it can sell at least some of the boats in the next few weeks. An agreement in principle has been reached on 2 crew boats which sales should close in early April. The possible sale of the barge camp referred to in our previous report has not yet materialized. The prospective purchaser intends to use the barge camp for a long term work contract, but the award of that contract has not yet been confirmed.

The Company continues to sell inventory and small equipment and supplies from its yard. A 3 day yard sale is being planned for May or June.

Hayes also received an auction proposal with guarantee from Ritchie Brothers relating to a portion of the remaining leased and owned equipment assets. Ritchie Brothers has declined to segregate the guarantee between leased and owned assets.

The Company is currently reviewing its disposal options for the remainder of the equipment.

The Company continues in its efforts to maximise the recovery from sales of its equipment and we agree that this course of action should continue in the short term.

Table 3

Summary of Creditors

		At July 31, 2008	**Repaid**	**$'000 Repudiated/ Adjusted**	**New Debt/ Interest**	**At March 31, 2009**
CIBC	- Term	14,284	(6,330)			7,954
	- DIP				2,190	2,190
	- Interest				475	475
		14,284	(6,330)	-	2,665	10,619
Hayes Family		5,421			119	5,540
Lessors		16,554	(6,656)	(3,786)		6,112
Total Secured		36,259	(12,986)	(3,786)	2,784	22,271
Unsecured		8,792		(1,540)		7,252
		45,051	**(12,986)**	**(5,524)**	**2,784**	**29,523**

Leases and Lease Repudiations

Hayes advised Caterpillar Financial Services ("Cat") that it was repudiating leases on 12 units. Cat is re-taking possession of these items. Hayes has retained the final 3 items leased from Cat as Hayes believes it can realise amounts greater than the required lease buyouts on these items. These leases expire in 2011. We are not aware of the likely shortfall on repudiated leases but these amounts will constitute unsecured claims under the Plan.

Hayes arranged for a sale for 2 graders on lease from GE Capital. The sales are expected to close in early April. The net proceeds after lease payout will be approximately $28K and these funds will be retained by GE Capital and held as security against potential shortfalls that may be incurred on realisation of other leased items.

Bill 13 Contracts

We had noted in our eighth report that the Company was continuing to meet with prospective purchasers and that the recent "indefinite shutdowns" announced by Western and Teal in respect of both Bill 13 contracts was affecting these negotiations. This situation persists and will likely continue to affect sale discussions until start ups are announced. Nevertheless, Hayes is continuing discussions with parties interested in these contracts.

TFL 10

The sale of TFL 10 closed on March 13, 2009. CIBC was paid 90% of the proceeds ($3.4 million) as a permanent reduction in its loans to Hayes.

IV. CREDITOR CLAIMS AND ESTIMATED CREDITOR RECOVERY

The estimated amounts owing to various classes of creditors are summarised on Table 3. This provides a summary of the balances owing as at July 31, 2008 (the filing date), amounts paid to date, and balances owing as of March 31, 2009.

Lessor claims, based on buyout of leases, are as follows:

	$'000
GE Capital	3,685
Caterpillar	1,298
Concentra	1,129
	6,112

Unsecured claims are estimated to be as follows:

Post CCAA Claims	$'000
Accounts Payable	83
Contractors	3
Employee Wage & Benefits (primarily holiday pay)	212
Employee Severance	234
WCB	271
Waste & Other	305
Unpaid Lease Payments	1,056
Total	2,164

Pre CCAA Claims	$'000
Accounts Payable	3,878
Contractors	85
Employee Severance	0
WCB	610
Other	515
Total	5,088

Unpaid post filing CCAA lease payments are due as follows on non-helicopter equipment leases:

	$'000
Caterpillar	673
GE Capital	315
Concentra	22
Other	46
Total	1,056

On the assumption that:

- the realization process results in achieving asset values estimated by management;
- the claims of secured creditors, lessors and unsecured creditors are valid and correctly stated;
- the realization process is completed in 6 months;
- the Bill 13 contracts remain valid and buyers can be found;

then projected creditor recovery can be summarised as follows:

	$'000	
	Low	High
Gross asset realizable values (after lease buyouts)	18,253	22,097
Costs	(600)	(600)
	17,653	21,497
CIBC loans, paid in full	(10,619)	(10,619)
	7,034	10,878
Hayes Family, paid in full	(5,540)	(5,540)
	1,494	5,338
Post-filing Liabilities	(2,164)	(2,164)
Available for pre-filing creditors	NIL	3,174

In summary, based on management's assessment, in the best case scenario all post filing liabilities are paid and pre-filing creditors might expect to receive a maximum of 62 cents on $1 of claim. Based on the Companies' low value estimates, there will be no recovery for the pre-filing creditors and there will be a shortfall on its post filing liabilities.

In our opinion it is unlikely that the best case (represented by high value realizations) will be exceeded in the current market, and it is possible that actual results may not achieve even the low value estimates. Given time, management may be able to realize sales closer to the higher end of their estimated recovery range.

V. OTHER MATTERS

Company Activities

There are currently 20 employees (including part-time and casual) who are assisting with the liquidation and administration; this number is expected to be reduced to 14 by the end of April, and to 3 by the end of May.

VI. ACTIVITIES OF THE MONITOR

The Monitor's activities since February 28, 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 senior management to review Bill 13 contracts, helicopter assets sale, asset disposal strategy, issues arising etc.;
- liaise with KPMG as consultant to CIBC and provide information as required;
- meet with Committee;

- respond to enquiries from counsels for Bill 13 contract holders; confirm payments made under the Bill 13 contracts and amounts outstanding to ensure payments made to the Company;
- review proposed asset sales and approve sales as required; 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, and the weekly analysis of actual cash flow results as compared to the cash flow forecast filed with the Court at the time of the Initial Order.

Hayes has acted diligently and in good faith in the post filing period, and has developed an asset disposal plan that will ensure that the creditors recover significantly more than they would in a forced liquidation through a receivership or bankruptcy process.

VIII. CONCLUSION

A significant component of the overall funds available for creditors will come from the sale of Bill 13 contracts, which Hayes has estimated to realize $4.5 million. In the event those values are not realized then payment of post filing claims will be jeopardized and there may be no funds available for pre-filing creditors.

We are concerned that based on the Company's latest estimate there may not be sufficient funds from the realisation process to pay the $2.1 million post filing creditors.

In our opinion it is unlikely that the best case (represented by high value realizations) will be exceeded in the current market, and it is possible that actual results may not achieve even the low value estimates. Given time, management may be able to realize sales closer to the higher end of their estimated recovery range.

All of which is respectfully submitted this 31st day of March, 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