



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 Third Report to the Court

October 6, 2008

IN THE MATTER OF
**HAYES FOREST SERVICES LIMITED
HAYES HOLDINGS SERVICES LIMITED
and HAYES HELICOPTER SERVICES LIMITED**

Monitor's Third Report to the Court

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IN THE MATTER OF
**HAYES FOREST SERVICES LIMITED
HAYES HOLDINGS SERVICES LIMITED
and HAYES HELICOPTER SERVICES LIMITED**

Appendices

- A. Variances between Forecast and Actual Receipts and Disbursements for the period July 31 to September 30, 2008.
- B. Revised Weekly Cash Flow forecast for the period October 1 to October 31, 2008.

SUMMARY

- Hayes' operating results and cash flow have been adversely affected by reduced logging activity primarily on Tree Farm License 10 ("TFL") and for Western Forest Products ("WFP").
- Cash flow to September 30, 2008 has not been significantly affected by reduced logging compared to forecast due to the fact receipts are collected in the month following logging.
- However, the reduced logging will result in a reduction in actual cash receipts from forecast of \$2.9 million for the period October 1 to December 31, 2008.
- In the month of August, Hayes incurred operating losses of \$1.4 million and a loss before tax of \$3.5 million for the month after write offs of \$2 million related to curtailed operations; the cash portion of these losses, estimated at \$3 million, has been funded by a combination of DIP financing (\$500,000), credit from suppliers (\$500,000) and collection of trade receivables (\$2 million).
- Operations cannot continue indefinitely on the current basis as the losses being incurred are eroding the assets that are available for creditors.
- The DIP loan has been utilised to a total of \$ 2.1 million as at October 2, 2008 compared to the original forecast of \$1.9 million at that date.
- Hayes has arranged the sale of approximately \$4 million worth of assets which will result in a reduction of \$3.8 million of secured debt by October 31, 2008.
- Hayes has completed the appraisal of the majority of its logging equipment.
- Hayes has commenced marketing its helicopters, TFL 10 and its two Bill 13 contracts.
- Hayes is in the final stages of preparing a plan to deal with its creditors; this plan will recognize the following:
 1. Continued operations are not sustainable and the majority of operations may be terminated over the next 30 days.
 2. The Company will be entering into a contract for the sale of its licenses including TFL 10 and Bill 13 contracts in the next 30 days.

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* (CCAA) applies.

The Initial Order granted, inter alia, a stay of proceedings against the Petitioners until August 29, 2008; this stay was subsequently extended to October 31, 2008.

The Monitor has previously submitted two reports:

- Its first report dated August 14, 2008 that dealt with matters concerning two major customers and critical suppliers.
- Its second report dated August 29, 2008 that reviewed the Petitioners' activities since the filing date including its actual and projected cash flows.

Terms of Reference

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 Initial Order, the September 4, 2008 Order, Petition, affidavit of Donald Hayes and the Monitor's Reports are available on the Monitor's website www.bowragroup.com.

Come back hearing and Order pronounced September 4, 2008

A summary of the Order is as follows:

- The stay of proceedings is extended to October 31, 2008.
- The Monitor is to issue a report on September 30, 2008. This date was extended to October 7, 2008 by an Order of the Court pronounced September 26, 2008.
- The application to set aside the initial Order was adjourned but the parties may re-apply after October 1, 2008 to terminate the stay.

II. OPERATIONS

Logging Activities

The Company ceased logging under the Bill 13 Contract with Teal on August 6, 2008 and with WFP on August 1, 2008.

Logging resumed on September 15, 2008 with Teal. WFP operations were scheduled to recommence on September 29, 2008 but subsequently commencement was delayed by WFP to November 3, 2008 due to "poor market conditions". WFP's current production plan indicates logging of 19,000 M3 in November and no logging in December.

No logging has taken place TFL 10 and operations will not commence in 2008.

Contract logging at LeMare Lake has continued in this period and since the filing date has generated cash receipts of \$1,418,373. This work concluded in early September.

A Managed Timber Contract Stand originally scheduled for Ditidaht - Ts'aa7uk has been delayed to November 2008. Volumes are now forecast at 15,000 M3 for the balance of 2008 with a potential additional 10,000 M3 in 2009.

Overall, logging activities to December 31, 2008 will be at levels drastically reduced from Hayes' planned activities as included in the forecasts at the filing date.

Flight Activities

A total of 11,976 M3 were helilogged during August. This work was performed by a Sikorsky S61N helicopter concluding work on Phase 3 of the LeMare project. All three Sikorsky aircraft have been parked during September.

Two Bell 206 helicopters were used to provide mining support in Stewart, BC, to Mountainboy Minerals. They worked a total of 38 days in August and 35 days in September.

Three Bell 206 helicopters are now parked in the hanger, and the fourth is expected to return to the hanger shortly.

Other Activities

Mechanical work for Finning in Northwest Territories has commenced in this period. Total cash receipts through the end of October are projected at \$ 224,000, with an additional \$376,000 expected future receipts from the project.

Arbitration Matters

Hayes is involved in the following arbitrations:

Western Forest Products

Bill 13 Rate & Contract Dispute to determine:

- The rate to be paid for logging in 2008.
- Dryland Sort Work to be included in the Contract and enforceability of heli yarding agreement.
- Whether the setoff taken by WFP against Bill 13 amounts owing to Hayes in respect of Timber Supply Execution Agreements ("TSE") disputed claims was correct.

The arbitration concluded on September 22, 2008. The Arbitrator must provide his ruling on rates within 15 days (October 7, 2008) and the remainder of the arbitration within 30 days (October 22, 2008).

TSE various outstanding disputes as follows:

- Reconciliation to determine the final amount to be paid to Hayes in respect of 2007. No date is fixed for this arbitration.
- Determine issues arising from the termination including the failure of WFP to buy certain equipment. The parties have agreed on the appointment of Murray Clemens, Q.C. as arbitrator. Hayes is expecting this arbitration to be heard this fall.

Teal

Bill 13 Contract Terms & Rate arbitration to determine:

- Once the contract terms are settled with TimberWest, Teal will be required to offer a replacement to the TimberWest contract
- Rate for logging for several years

No date has been fixed for these matters

Bill 13/Bill 28 Reduction Dispute:

This is an arbitration to determine the impact on Hayes of the Bill 28 reduction.

No party has yet sought the appointment of an arbitrator.

TimberWest

Bill 13 Contract Volume & Terms:

This is an arbitration to determine the terms of the replacement contract that should have been offered by TimberWest prior to selling the TFL to Teal. No date is fixed for hearing this.

DIP Borrowing

As at close of business on October 2, 2008, the Company had borrowed \$2,149,000 on its DIP loan facility of \$3 million.

The borrowing level has been steadily increasing:

<u>Date</u>	<u>\$'000</u>
September 17	\$581
September 22	\$981
September 25	\$1,031
September 30	\$1,664

At the current "burn rate" and if Hayes were to pay existing post filing creditors plus pay c.o.d for all future goods and services we estimate that Hayes would be at the DIP limit of \$3 million by October 31, 2008. It is unlikely that disposal of equipment assets will result in a significant improvement in its cash position, since the funds from asset sales would be used either to retire the related lease debt (if leased) or the CIBC term debt (if owned). By agreement with CIBC, Hayes can retain 10% of net funds that would otherwise flow to CIBC. Similarly, there is unlikely to be a completed sale with funds received by October 31, 2008 for either the Bill 13 contracts or TFL 10, which assets are in any event are secured by CIBC.

We do not believe the Company can advance its collection of receivables before the projected receiving dates.

Hayes' current levels of revenue do not support the current overhead. Its cash payroll costs alone for September were \$1,006,000. Unless drastic action is taken to immediately reduce expenses and/or it continues to utilise trade credit and reduce receivables and/or the level of the DIP facility is increased significantly, we do not believe the Company can continue its operations beyond October 31, 2008.

III. ACTUAL CASH FLOWS FOR THE 5 WEEKS ENDED SEPTEMBER 30 COMPARED TO FORECAST

This can be summarised as follows:

\$000's

	Actual	Forecast*	Variance
Total Receipts	2,350	3,276	(926)
Disbursements:			
Wages and Benefits	1,545	1,640	(95)
Rent/Insurance	150	130	20
GST/Taxes	181	180	1
Leases	559	525	34
Contractors	127	195	(68)
Payables	677	1,088	(411)
Other	366	378	(12)
Total Disbursements	3,605	4,138	(531)
Net Cash Flow	(1,255)	(860)	(395)

*Revised forecast as at August 22, 2008 as included in the Monitor's 2nd Report to Court.

Comments on the variances between the forecast and actual cash flows are provided in Appendix A.

In summary, cash receipts were below forecast primarily due to the deferral of receipts to a future period. Cash expenditures have decreased due to reduced operations in the period. In addition slower than expected payment of trade payables has resulted in lower than expected expenditures and a corresponding increase in accounts payable.

Table 1 sets out actual cash flow compared to the original forecast that was filed by Hayes on July 31, 2008 for the period from July 31 to September 30, 2008.

IV. REVISED CASH FLOW FORECAST FOR THE PERIOD OCTOBER 1 TO OCTOBER 31, 2008

This is attached as Appendix B.

This revised version incorporates the following adjustments to the cash flow as revised and reported on in the Second Monitor's report:

Production curtailments under Bill 13 contracts by Teal and more particularly WFP are resulting in significantly decreased cash flows. Cash receipts from the Teal contract in October that had previously been included in the forecast at \$567,000 have now been reduced to \$432,000. Total expected cash receipts from the WFP contract in October have been reduced from \$1,492,000 to \$0.

The Ministry of Forests did not issue a Cutting Permit for TFL 10 and as a result the initially forecasted "other logging" cash receipts of \$2,008,000 in October from the Permit will not be received. We understand that the Klahoose First Nations has challenged the Company's Forest Stewardship Plan and this has delayed the issuing of the Cutting Permit. The removal of expected disbursements related to this project contributed to decreased trade and contractor expenditures.

The cash impact of reduced logging activities described above are partially offset by an expected increase of cash flows from logging at LeMare. Based on revised production information it is now expected that a further \$240,000 of cash will be received for work performed.

Receipts from logging on the Timber Sales License originally expected to have been received in September have been deferred to later periods. This results in an aggregate increase on expected cash for October of \$936,000.

Slower invoicing than was anticipated for repair work performed for Finning has resulted in the deferral of \$100,000 in expected cash receipts from September until October.

The Company exercised the option to purchase a leased log truck from Caterpillar Financial for \$52,000 in order to realise on estimated equity of \$70,000. The decision to purchase it was made subsequent to preparing the previous forecast.

Expected contractor payments and trade payables payments have decreased as a result of significantly curtailed logging activity.

There is also a reduction in disbursements due to deferral of expenditures on the Managed Timber contract arising from a delayed start up.

As a result of the changes to the original cash flow, the revised DIP facility requirement at October 31, 2008 is forecast at \$2,160,000 compared to the previous forecast of \$1,048,000 and an original forecast of \$800,000.

V. WEEKLY CASH FLOW FOR THE PERIOD NOVEMBER 1 TO DECEMBER 31, 2008

The Company is currently finalising these forecasts. We will review the cash flows and provide commentary in our next report to be filed prior to October 31, 2008.

VI. FINANCIAL POSITION AT AUGUST 31, 2008

This is set out in Table 2 opposite.

The net book value of fixed assets does not include the capitalised value of numerous leased items which the Company estimates have net realisable values totalling \$21.8 million.

Similarly, the debt amounts due on those assets are not included in liabilities and these are estimated at \$16.1 million. Consequently, the Company estimates there is equity of \$5.7 million in these leased assets.

The fixed assets that are included at their net book value of \$9.2 million are estimated by the Company to have a net realisable value of \$8.8 million.

The assets included in the category Contracts and Goodwill and Deferred Development Costs are estimated by the Company to have a potential realisable value in excess of \$7 million.

Operating results for the month of August 2008.

Based on financial statements prepared by management, these can be summarized as follows:

	\$'000
Revenue	(405)
Direct variable expenses	(663)
Direct fixed expenses	<u>1,038</u>
Total direct expenses	<u>375</u>
Gross Profit (Loss)	(780)
Depreciation	153
General and Administrative costs	<u>446</u>
Income from operations	(1,379)
Interest	56
CCAA costs	129
Gain (Loss) on Asset Disposal	1
Curtailed Operations costs expensed	<u>2,003</u>
Net Income (Loss)	<u><u>(3,566)</u></u>

The debit balance in revenue and the credit balance in direct variable expenses are due to an entry posted in August to correct for unsold logs mistakenly recorded as sold in the prior month. A total of 12,617 M3 of logs had been recorded as revenue in the prior month but had not yet been sold. A \$1,557,000 debit adjustment was posted in August to correct the misstatement,

with a corresponding adjustment to receivables. As the inventory is recorded at lower of cost and market, and cost exceeded market for these logs, the adjustment to direct variable expenses and inventory was \$1,557,000 as well. Had the adjustment not been posted in August, revenue and direct variable expenses would have been \$1,152,000 and \$894,000 respectively.

Curtailed operations costs include the write off of start up costs incurred on Bill 13 contracts (\$716,000) that may not now be recovered through logging operations plus the similar write off of pooled costs for the Bell and Sikorsky helicopters due to cancelled production (\$1,072,000).

The forecasted loss from operations as set out in the budget filed on July 31, 2008 was \$822,000 on revenue of \$1.5 million.

VII. ESTIMATED OPERATING RESULTS FOR SEPTEMBER

The original forecasted income statement for the month of September projected a loss from operations of \$167,000. This loss was based on projected revenue of \$4.3 million, the bulk of which was to come from logging on TFL 10 and Bill 13 contracts. Given the substantially curtailed logging activities in September actual losses will be significantly higher than the original forecast and will likely be in excess of \$1 million. However, the cash position will not deteriorate to the same extent as the losses due to the projected receipt of \$935,000 in October that was not collected in September as forecast.

VIII. ASSETS AND ASSET DISPOSAL PLAN

Total Appraisals ("Total") provided an appraisal of certain of Hayes' assets in November 2007. In September 2008 Total was requested to provide an appraisal of all other tangible fixed assets (excluding helicopters) with an estimated value of \$50,000 or more.

The appraisals, which include owned assets as well as leased assets that have no net book value, can be summarised as follows:

	\$'000	
	<u>Net Book Value</u>	<u>Appraised Value</u>
Assets appraised	2,573	13,687

To October 1, 2008 the Company has arranged the sale of various assets that can be summarised as follows:

	\$'000		
	<u>Net Book Value</u>	<u>Lease Buy Out</u>	<u>Net Selling Price</u>
Sundry assets	6	3,420	4,254

Net selling price is after deducting commission and other sale costs.

The net book value is minimal as the majority of the assets for sale are leased and were treated as operating leases in the Company's books.

All of these sales are expected to complete by October 31, 2008.

The Company has listed its helicopters for sale with two agents, one agent for the Sikorskys and one for the Bell helicopters. The Company is also investigating other possible uses for the helicopters including long term leases to third parties.

On September 26, 2008, Hayes couriered a request for Expression of Interest for the purchase of TFL 10 to 29 parties. On the same date the Monitor sent a similar request to the Klahoose First Nation. This correspondence requested those parties to complete an Expression of Interest form to be submitted to the Company and the Monitor by 5:00 pm on Monday October 13, 2008. Hayes and the Monitor will review the submitted Expressions of Interest and select the successful party or parties to advance to the next stage, which will include a two week due

diligence period, during which Hayes will provide all information reasonably required by the parties to assess the opportunity.

On September 26, 2008, Hayes couriered a request for Expression of Interest for the Purchase of its two Bill 13 replaceable logging contracts to 64 prospective purchasers. The package included summary information and a copy of the contracts. The deadline for submitting an Expression of Interest form to Hayes and the Monitor is 5:00 pm on Monday October 13, 2008. After review of the Expressions of Interest, Hayes and the Monitor will select the successful party or parties to advance to the next stage. There will be a two week due diligence period during which the parties will be provided with all reasonable information required to assess the opportunity.

Any agreement for purchase and sale of TFL 10 or the Bill 13 contracts would be subject to Court approval. By the term of the contracts, sale of the Bill 13 contracts requires assignment approval of WFP and Teal.

Proceeds from any sale of fixed assets will be applied as follows:

- Firstly to pay off any outstanding lease amounts;
- Secondly 90% of the balance to pay down the CIBC term debt;
- Thirdly 10% of the balance to the Company to be used for operating expenses

IX. RESTRUCTURING PLAN

Hayes has advised the Monitor that if it believes it can file a viable and acceptable restructuring plan then it will file such a Restructuring Plan by October 31, 2008. Some of the key components of the likely Plan have already been commenced, including downsizing of the work force, sale of redundant assets, listing helicopters for sale, seeking expressions of interest for the sale of TFL 10 and the Bill 13 contracts.

In the event that Hayes determines that it may not be able to file a viable and acceptable plan, Hayes will review its alternatives and advise the Monitor of its intended course of action with sufficient notice to allow the Monitor to report on this prior to the October 31, 2008 hearing.

X. ACTIVITIES OF THE MONITOR

The Monitor's activities since August 30, 2008 can be summarised as follows;

- Review original and revised daily cash flow forecasts.
- Monitor actual cash flow against forecast.
- Review all cheques written and discuss payment with Hayes' accounting personnel.
- Discussion with senior management to review customer communication, Bill 13 contracts, critical suppliers, asset disposal strategy, operations, personnel, issues arising etc
- Liaise with KPMG as consultant to CIBC and provide information as required.
- Respond to enquiries from counsels for Bill 13 contract holders.
- Review proposed asset sales.
- Review process for offering assets per sale.
- Post information on Monitor's website.

XI. INFORMATION REQUESTS

The Company received two requests from counsel for WFP in August. It responded to the first of these requests, providing a significant amount of information. The second request was passed on to the Monitor to respond. A third request was received by the Monitor on September 21, 2008.

There are two issues arising with respect to these requests:

- The party requesting this information is not a creditor and were it to be a creditor, the nature and extent of the information it seeks is confidential and goes beyond what would reasonably be required from such a party to enable it be sufficiently informed to understand the process.
- The attendant costs involved in responding to such requests.

We will be seeking directions from the Court as to whether the WFP should be provided with the information it is seeking.

XII. 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.

XIII. CONCLUSION

The financial situation of the Company will continue to deteriorate significantly during October, giving rise to the prospect that there may be insufficient available funds to pay post filing suppliers who have delivered goods and services on credit. Consequently, we have recommended to Hayes that it deal with suppliers on a strict COD basis until further notice.

The stay period expires on October 31, 2008. We believe that prior to that date either:

- Hayes will file a restructuring plan; or
- Hayes will have accepted that it cannot continue to sustain operating losses and asset dissipation and that action in some form will be taken to address those matters.

All of which is respectfully submitted this 6th day of October, 2008.

**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
Senior Vice President

JMH/DPBowra/al

Table 1

Actual cash flow from July 31 to September 30, 2008 compared to original forecast

\$'000

	Actual	Original Forecast	Variance
Total Receipts	3,979	4,316	(337)
Disbursements:			
Wages and Benefits	2,653	2,802	(149)
Rent/Insurance	268	238	30
GST/Taxes	346	335	11
Leases	584	137	447
Contractors	374	500	(126)
Payables	1,122	1,565	(443)
Other	456	340	116
Total Disbursements	5,803	5,917	(114)
Net Cash Flow	(1,824)	(1,601)	(223)

Table 2

Summarised consolidated balance sheet as at August 31, 2008

	Net Book Value
Assets	\$'000
Accounts Receivable	6,189
Inventory and work in progress	8,582
Contracts, Goodwill, Deferred development costs	4,215
Fixed assets net	9,234
Advances to related parties	1,328
Other Assets	<u>3,062</u>
	<u>32,610</u>
Liabilities	
CIBC Term and Operating Line	13,932
CIBC DIP Loan	499
Hayes family shareholders loan	5,466
Lessors of equipment	252
Due to employees	322
CRA re Source deductions	129
Work Safe B.C.	719
Stumpage	1,186
Trade creditors - post filing	542
Trade creditors - pre filing	4,430
Deposit from log broker	1,373
Accruals	1,426
Deferred Gain on Sale-Leaseback	1,365
Other Liabilities	<u>76</u>
Total liabilities	31,717
Shareholders' Equity	<u>893</u>
Liabilities and Shareholders' Equity	<u>32,610</u>

APPENDIX A

Appendix A

Variations between the Forecast and Actual Receipts and Disbursements for the Five Weeks ended September 30, 2008.

\$000's

	Actual	Forecast*	Variance
Total Receipts	2,350	3,276	(926)
Disbursements:			
Wages and Benefits	1,545	1,640	(95)
Rent/Insurance	150	130	20
GST/Taxes	181	180	1
Leases	559	525	34
Contractors	127	195	(68)
Payables	677	1,088	(411)
Other	366	378	(12)
Total Disbursements	3,605	4,136	(531)
Net Cash Flow	(1,255)	(860)	(395)

*Revised forecast as at August 22, 2008, as included in the Monitor's 2nd Report to Court.

Significant variances from forecast are explained as follows:

RECEIPTS

LeMare

It was expected that payments would be received during the period for a total of 9,800 M3 logged during August at a rate of \$62.5/M3. The actual volume logged at during August was LeMare was 11,242 M3 resulting in \$95,000 in unexpected additional receipts.

Allison Boydell

It was expected that there would be 42,404 at \$25/M3 received on the Allison Boydell Timber Sale License. Only 6,730 M3 was paid during the period, \$936,000 less than expected. Receipt of \$ 936,000 for the remaining 35,674 M3 is expected in October.

Stewart

Cash was received for 75 days of mining support at Stewart as opposed to 78 days as initially expected. This resulted in cash receipts of \$3,000 less than expected.

Teal - Renfrew

It was previously expected that \$640,000 would be received from Teal in the period for work performed in July and early August on Bill 13 contracts. Teal remitted amounts due to WCB directly rather than paying the money to Hayes who would then remit to WCB. Thus actual receipts decreased by \$83,000, with a corresponding decrease in cash outflows.

WFP - Walbran

Western Forest Products has held back a small amount of the money owed for work performed on Bill 13 contracts during July and early August. Therefore cash receipts were \$21,000 less than expected.

Other Cash Receipts

Slower invoicing than was anticipated for repair work performed for Finning has resulted in the deferral of \$100,000 in expected cash receipts from September until October.

WAGES AND BENEFITS

Wages and benefits cash outflows are lower than expected due to decreased operations during the period. The reduced production resulted in less use of hourly employees and thus reduced Wages and Benefits payments.

CONTRACTORS

Cash outflows to contractors are less than anticipated due to decreased operations in the period.

PAYABLES

The decrease in expenditures for payables corresponds to an increase in the outstanding accounts payable balance.

APPENDIX B

Appendix B

Hayes - Revised Cash Flow Forecast to October 31, 2008

(with actual results to September 30, 2008)

FORECAST	Aug-Sept		October				Total	
	Weeks		Week		Week		Actual to Sept 30 with Forecast to Oct 31	
	1-8	Actual	1	2	3	4	Total	\$ 000's
Receipts								
Logging Contract	931		-	-	432	-	432	1,363
Other Logging	577		-	530	68	532	1,130	1,707
Helicopter	1,611		-	48	-	-	48	1,659
Other	860		180	163	50	159	552	1,412
Total	3,979		180	741	549	691	2,162	6,140
Disbursement								
Wages & Benefits	(2,653)		(186)	(79)	(295)	(512)	(1,072)	(3,725)
Rent / Insurance	(268)		(122)	(8)	-	-	(130)	(398)
GST / Taxes	(346)		-	-	-	(40)	(40)	(386)
Leases	(584)		-	(8)	(56)	(150)	(215)	(799)
Contractors	(374)		-	-	(125)	(25)	(150)	(524)
Trade Payables	(1,122)		(135)	(195)	(205)	(170)	(705)	(1,827)
Other	(456)		(47)	(30)	(40)	(70)	(187)	(642)
Total	(5,803)		(489)	(320)	(721)	(967)	(2,498)	(8,301)
Net Cash Flow	(1,824)		(309)	421	(172)	(276)	(336)	(2,160)
Opening Balance	-		(1,824)	(2,134)	(1,712)	(1,884)	(1,824)	-
Closing Balance	(1,824)		(2,134)	(1,712)	(1,884)	(2,160)	(2,160)	(2,160)

Forecast Comparison

Total	Revised Forecast*	Total
\$ 000's	\$ 000's	\$ 000's
3,118	3,118	2,934
3,054	3,054	3,512
1,516	1,516	1,682
1,169	1,169	500
8,857	8,857	8,628
(4,093)	(4,093)	(4,196)
(378)	(378)	(368)
(445)	(445)	(435)
(826)	(826)	(205)
(1,142)	(1,142)	(1,200)
(2,377)	(2,377)	(2,509)
(643)	(643)	(513)
(9,905)	(9,905)	(9,427)
(1,048)	(1,048)	(800)
(1,048)	(1,048)	(800)

* Previous revised forecast as at August 22, 2008, the date of the Monitor's 2nd Report to Court including actuals through August 22.