

IN THE SUPREME COURT OF NEWFOUNDLAND AND LABRADOR

IN THE MATTER OF the *Companies' Creditors Arrangement Act*, Chapter C-36 of the Revised Statutes of Canada, 1985, as amended

AND IN THE MATTER OF the plan of compromise or arrangement of Hickman Equipment (1985) Limited

AND IN THE MATTER OF Rule 25 of the *Rules of the Supreme Court*, 1986 under the *Judicature Act*, R.S.N. 1990, c. J-4, as amended

AND IN THE MATTER OF the *Bankruptcy and Insolvency Act*, Chapter B-3 of the Revised Statutes of Canada, 1985, as amended

FINAL REPORT OF THE MONITOR

Background

The purpose of this report is to advise the Court of the activities of the Monitor and of the financial operations of Hickman Equipment (1985) Limited (hereinafter "the Company") in respect to the *Companies' Creditors Arrangement Act* (hereinafter the "CCAA") proceedings subsequent to the appointment of the Monitor on February 7, 2002 until March 13, 2002. The Second Report of the Monitor provided to the Court on March 8, 2002 covered the activities of the Monitor and the financial operations of the Company up to March 1, 2002. This Final Report of the Monitor covers the period to March 13, 2002, the date the appointment of the Monitor was terminated.

Matters specifically addressed in this Final Report of the Monitor include:

- The Company's Statement of Receipts and Disbursements for the period February 7, 2002 to March 13, 2002.
- A report on the other activities of the Monitor for the period subsequent to the Second Report of the Monitor.

Company's Statement of Receipts and Disbursements

The Company's Statement of Receipts and Disbursements for the period February 7, 2002 to March 13, 2002 is included as Schedule 1 to this Report. The Statement indicates total receipts by the Company in the amount of \$1,404,371. Significant receipts since March 1, 2002 include the following:

- Collection during the period from March 2, 2002 to March 13, 2002 of parts, service and other receivables of \$48,602 (for a total of \$314,555 during the period from February 7, 2002 to March 13, 2002); and
- Additional DIP financing in the amount of \$300,000.

Disbursements for operating expenses totaled \$1,228,676. The major item is payroll costs which included outstanding source deductions that totaled \$682,071. Previously unknown and outstanding unremitted payroll deductions for 2001 of \$187,661 are included in this total.

Disbursements for Monitor and legal fees, which form an administrative charge on the assets pursuant to paragraph 28 of the Initial Order of the Court, total \$388,636.

Cash on hand as at March 13, 2002 totaled \$175,695 with the following allocation:

Cash in the General Account	\$ 10,495
Cash in the Trust Account	<u>165,200</u>
	\$175,695

The Statement of Receipts and Disbursements also provides a comparison of actual cash flows with the projected cash flows for the same period. The original cash flow projection was included in the First Report of the Monitor dated February 15, 2002. The comparison indicates a lower cash position than originally projected. Cash on hand as at March 13, 2002 of \$175,695 is \$3,986,505 less than the forecast of \$4,162,200 for the following reasons:

- Equipment sales were approximately \$3.66 million below the projected level, including sales of compressors and attachments. Only one unit was sold for total proceeds of \$27,503 compared to projected sales of \$3.69 million.
- The original cash flow projection provided for parts sales of \$50,000. Terrex parts were in fact sold in bulk for \$379,000 which represented a 5% premium over the Company's cost price. Those proceeds were expected to be received during the week of March 18, 2002. The original cash flow projection also provided for the sale of Celebration and ShowTech inventory for \$600,000. This inventory has been independently appraised, but no sale process had been initiated as of March 13, 2002.
- The original cash flow projection also provided for the return of John Deere parts with a value of \$2.4 million. No such return had taken place as of March 13, 2002, pending a resolution of security interest claims.
- Payroll expenses and source deductions were \$626,071 higher than originally projected, primarily due to the payment of source deductions of approximately \$289,000 in accordance with paragraph 12(a) of the Initial Order of the Court, and due to the payment of \$187,661 relating to outstanding unremitted payroll deductions for 2001.

- Travel and vehicle operating expenses were \$18,000 higher than originally projected. OnTrac agreed to assume a number of the vehicle leases, and will be reimbursing the Company \$9,442 in respect to the assumed leases.
- Rent, maintenance and security were \$20,000 higher than originally projected due to the failure to move out of the Celebration and ShowTech facilities, and due to security charges related to the period prior to February 7, 2002.
- Legal and Monitor fees paid to March 13, 2002 total approximately \$389,000, which is lower than originally projected. However, there are additional such fees incurred to March 28, 2002 which have not yet been invoiced and paid.

Other Activities of the Monitor

In addition to the activities of the Monitor noted above, the Monitor also carried out the following activities subsequent to the Second Report of the Monitor:

- Attended at the premises of the Company in Mount Pearl on a daily basis to monitor the activities of the Company, to access Company records as required, and to liaise with representatives of OnTrac.
- Continued with the day-to-day accounting, and monitored the collection of accounts receivable and the payment of expenses.
- Reviewed on a daily basis the confirmations of Company equipment stored at various locations.
- Had various meetings and discussions with individual Asset Lenders, and reviewed Company records to provide them with copies of requested documentation.

- Responded to numerous telephone inquiries and correspondence from Asset Lenders and trade creditors of the Company regarding the sale and/or whereabouts of financed equipment.
- Met with PriceWaterhouseCoopers Inc. on two separate occasions to assist in the transition from CCAA to Receivership. The Monitor provided the Receiver with Company records in the possession of the Monitor, which were:
 - John Deere Account analysis
 - Celebration Appraisal
 - LVG Appraisal
 - Parts Inventory Listings

The Monitor also provided the Receiver with copies of various files to assist the Receiver in carrying out its mandate. These included:

- ShowTech Inventory File
- Celebration Inventory File
- Other ShowTech/Celebration materials and GE Capital leases
- John Deere analysis and correspondence
- OnTrac Equipment Listing
- Equipment Listing in both electronic and paper format
- Notes Payable Listing in both electronic and paper format
- Insurance Coverage File
- Accounts Receivable Listing and related correspondence
- Trade Payable Listing and related correspondence
- Wells Fargo Security Documents
- Asset Lender Correspondence
- Correspondence – Mr. Richard Jones
- Electronic Version of Accounting

Conclusion

As the Company was placed in Receivership on March 13, 2002, the Monitor was on that date replaced by a Court Appointed Receiver, and the position of Monitor thereupon terminated.

Deloitte & Touche Inc.
As Monitor to Hickman
Equipment (1985) Limited

Per:  _____

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Hickman Equipment (1985) Limited
Summary of Cash Receipts and Disbursements

Schedule 1

For the Period of February 7, 2002 to March 13, 2002

	Actual	Per Cash Flow Projection
Cash Receipts		
DIP Financing	\$ 500,000	\$ -
Collection of Parts, Service and Other Receivables	314,555	350,000
Proceeds from Sale of Fixed Assets	300,000	300,000
Collection of Heavy Equipment Receivables	189,980	
HST Collected on Sales	49,266	-
Sales of Heavy Equipment - No Liens	27,503	3,168,600
Parts Sales	9,954	90,000
Opening Cash at February 7, 2002	9,291	
Powerplan Receipts	2,888	-
Service Sales	935	-
Sale of Celebration Rental Inventory	-	100,000
Sale of ShowTech Rental Inventory	-	500,000
Compressor and Air Track Sales	-	417,000
Attachment Sales	-	105,300
	<u>1,404,371</u>	<u>5,030,900</u>
Cash Disbursements - Operating Expenses		
Payroll and Deductions	\$ 682,071	\$ 56,000
HST Paid on Expenses	64,240	-
Rent, Maintenance and Security	33,408	14,800
Travel, Meals and Vehicle Operating	23,873	5,700
Insurance	18,426	24,200
Telephone, Utilities and Data Processing	9,666	33,000
Moving Costs	5,756	-
Powerplan Payments	1,480	-
Auction Fees	750	-
Office Supplies	370	-
Auction Related Freight and Refurbishing	-	160,000
Operating Contingency	-	20,000
	<u>840,040</u>	<u>313,700</u>
Net Cash Flow from Operations	564,331	4,717,200
Cash Disbursements - Administrative Charge Pursuant to Paragraph 28 of Initial Order		
Monitoring Fees	211,374	300,000
Legal Fees	177,262	255,000
	<u>388,636</u>	<u>555,000</u>
Cash on Hand at March 13, 2002	<u>\$ 175,695</u>	<u>\$ 4,162,200</u>
Cash on Hand Consists of the Following:		
General Account	\$ 10,495	\$ -
Trust Account	165,200	-
	<u>\$ 175,695</u>	<u>\$ -</u>

Hickman Equipment (1985) Limited

Weekly Equipment Sales Report

Prior to February 7, 2002

Stock #	Make & Model	Serial #	Sales Price	Target Price	Purchaser
X-C001033	I/R SD100D-A Roller	163713	\$ 95,000	\$ 156,600	Westside Asphalt
X-C001104	JD 310SG Backhoe	T0310SG894504	70,200	120,600	J Eales Equipment Rental
			\$ 165,200	\$ 277,200	

Week of February 25, 2002

Stock #	Make & Model	Serial #	Sales Price	Target Price	Purchaser
S-C001395	Craig 30 Ton Trailer	2J9C7V4D51K00116	\$ 27,503	\$ 27,503	Labrador Construction