



Estate No. 31-455822

**IN THE MATTER OF THE RECEIVERSHIP OF
HARWELL HESCO ELECTRIC SUPPLY CO. LIMITED
INTERIM STATEMENT OF RECEIVER (SUBSECTION 246(2))**

INTRODUCTION

On the 2nd day of March, 2009, the undersigned Deloitte & Touche Inc. was appointed as interim receiver and receiver (the “Receiver”) of all of the current and future assets, undertakings and properties of Harwell Hesco Electric Supply Co. Limited (“Harwell” or “the Company”), an insolvent person. The undersigned became an Interim Receiver and Receiver pursuant to an Order of the Ontario Superior Court of Justice (Commercial List) (the “Court”), upon application by HSBC Bank Canada.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

Attached to this report is an Interim Statement of Receipts and Disbursements, which outlines the administration of the Receivership from the date of our appointment to August 31, 2009.

STATEMENT OF UNREALIZED PROPERTY

Deloitte & Touche Inc. in its capacity as Receiver of Harwell is still in the process of realizing on the assets of the Company. A summary of these assets is summarized below.

- (i) *Net minimum guarantee – balance payable of \$480,000*

On March 30, 2009 the Receiver accepted a liquidation proposal submitted by Danbury Industrial (“Danbury”) wherein Danbury agreed to liquidate the inventory and fixed assets of the Company and to pay to the Receiver a net minimum guarantee of \$840,000. The Danbury transaction was approved by the Court on March 31, 2009.

As of June 30, 2009, Danbury had completed its liquidation process and had remitted \$360,000 to the Receiver. Danbury has since refused to pay the balance of \$480,000 owed on its net minimum guarantee. Moreover on August 26, 2009 Danbury issued a Statement of Claim (the “Danbury Litigation”) claiming damages and alleging that the cost of the inventory had been significantly overstated and misrepresented to Danbury.

The Receiver will be vigorously defending the Danbury Litigation and will be taking all steps necessary to collect the balance of the Danbury net minimum guarantee.

(ii) Life insurance proceeds - \$210,434.53

A balance of \$210,434.53 is owed by Mr. Laurie P. Vassallo to the Company in connection with the proceeds from the life insurance policy held by the Company on Mr. Laurie M. Vassallo. This outstanding balance is to be paid on or before January 15, 2010. \$800,000 of the original debt of \$1,010,434.53 (the "Life Insurance Proceeds") has been repaid to date.

Ms. Angela Vassallo, the widow of Laurie M. Vassallo, has filed a Statement of Claim in the Ontario Superior Court of Justice asserting a claim to the Life Insurance Proceeds. To date, Ms. Vassallo has not advanced this claim.

(iii) Accounts receivable – book value of approximately \$851,000

There remains approximately \$585,000 in outstanding accounts receivable that were sent to a collection agency for collection. In addition, there is one customer that owes Harwell \$266,000 who is claiming a set-off of \$175,000 for lien claims plus a yet to be disclosed amount for legal costs.

At this time, it is uncertain how much of these amounts will ultimately be collected.

(iv) Life insurance policies of J.G. Vassallo and G.T. Vassallo - \$572,000

The Company was the owner of two life insurance policies with a total cash surrender value of \$572,000 cashable in May 2014. Without the knowledge or consent of the Receiver, these policies were transferred to J.G. Vassallo in February 2009. The Receiver is in the process of transferring the ownership to these insurance policies back to the Company.

DISTRIBUTION OF PROCEEDS REALIZED FROM PROPERTY

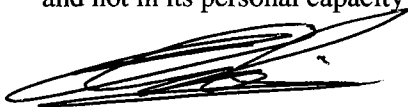
No distributions have been made to any secured creditors to date.

Fourteen creditors had registered a security interest against the assets of the Company. Of these, HSBC Bank Canada has first priority over the assets. As of the date of this report, only five other creditors have filed a proof of claim in the estate.

Dated at Toronto this 8th day of September, 2009.

Deloitte & Touche Inc.

In its capacity as Court-appointed Interim Receiver and Receiver of
Harwell Hesco Electric Supply Co. Limited
and not in its personal capacity



Robert J. Bougie, CA • CIRP
Senior Vice-President

DELOITTE & TOUCHE INC., COURT-APPOINT INTERIM RECEIVER AND RECEIVER OF
HARWELL HESCO ELECTRIC SUPPLY CO. LIMITED
INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD MARCH 2, 2009 TO AUGUST 31, 2009

Receipts	
Cash	\$ 49,424.07
A/R collections	1,154,755.69
Life insurance proceeds	800,000.00
Sale of inventory and fixed assets	360,000.00
Sale of Maple Leaf Seat License	27,000.00
GST collected	1,801.94
Other	8,632.38
Total receipts	<u>\$ 2,401,614.08</u>
Less: S81.4 super priority (WEPPA) claim (1)	39,832.46
Net receipts after priority claims	<u>\$ 2,361,781.62</u>
Disbursements	
Administrative, taking possession and other	4,071.95
Bankruptcy administration costs	3,510.00
Commission on collection of A/R	34,077.62
Contractors/consulting fees	4,091.38
Lease payments	6,623.88
Payroll	7,718.81
Receiver's fees	225,986.98
Rent	33,329.70
Other operating expenses	3,663.49
Security	701.88
Telephone and utilities	20,788.11
GST and PST paid	20,828.13
Total disbursements	<u>\$ 365,391.93</u>
Excess of Cash Receipts over Disbursements	<u>\$ 1,996,389.69</u>

Notes:

- (1) Wage arrears were paid by the Receiver. The portion of the super-priority claim to be paid in respect of vacation pay is estimated to be \$16,500.
- (2) CRA has completed its payroll audit and advises it will be filing a proof of property claim for approximately \$8,200.