Action No: 0901-03296

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF CALGARY

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF **BUDGET WASTE INC.**

FOURTH REPORT OF THE MONITOR
HARDIE & KELLY INC.
JULY 22, 2009

FOURTH REPORT OF THE MONITOR
HARDIE & KELLY INC.
JULY 22, 2009

INDEX

INTRODUCTION 1
TERMS OF REFERENCE 2
RESTRUCTURING OFFICER 2
CUSTOMER PRE-BILLING 3
FINANCIAL PERFORMANCE REVIEW JUNE 2009 3
ASSET REVIEW AND RATIONALIZATION PLAN 4
DIP FINANCING 4
UNPAID SUPPLIERS 5
TRANSFER OF ABLE, BAKER, CEM CAN ASSETS 6
RESTRUCTURING EFFORTS 6
CONCLUSIONS 7

INTRODUCTION

1. On March 4, 2009, Budget Waste Inc. ("BWI" or the "Company") made application for and obtained protection from its creditors under the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36 as amended, (the "CCAA") pursuant to an order (the "Initial Order") of the Court of Queen's Bench of Alberta (the "Court").

2. Pursuant to the Initial Order, Hardie & Kelly Inc. was appointed as Monitor (the "Monitor") of BWI.

3. On June 12, 2009, the Monitor prepared a report to this Honourable Court (the "Third Report") in advance of the Company's application for a further extension of the stay of proceedings provided in the Initial Order.

4. On June 15, 2009, this Honourable Court granted a further extension of the Stay of Proceedings through to August 14, 2009.

5. The purpose of this fourth report (the "Fourth Report") is to provide an update to this Honourable Court of the Company's activities since the last extension and/or highlight for the Court, concerns of the Monitor. The following will be discussed:
    a. Restructuring officer;
    b. Customer pre-billing;
    c. Financial performance review for the month of June 2009;
    d. Detailed asset review and rationalization plan;
    e. DIP financing;
    f. Unpaid suppliers;
    g. The transfer of Able Baker and Cem Can assets; and
    h. The Company's restructuring efforts and progress thereon.

TERMS OF REFERENCE

6. In preparing this Fourth Report, the Monitor has relied upon unaudited financial information, records of the Company and discussions with the Company's management ("Management"). The Monitor has not performed an audit, review or other verification of such information. An examination of the financial forecast as outlined in the Canadian Institute of Chartered Accountants Handbook has not been performed. Future oriented financial information relied upon in this report is based on Management's assumptions regarding future events and actual results achieved may vary from this information and the variations may be significant.

RESTRUCTURING OFFICER

7. At the time of the last application for an extension the Monitor was able to confirm that the Company had reengaged Mr. White and he was assisting them with both operations and restructuring efforts including their attempt to obtain DIP financing.

8. In late June we were advised by the Company that, other than assisting them with the DIP financing, the Company would no longer be utilizing the services of Mr. White and that they had engaged another individual to assist with operations and restructuring. This gentleman is a Chartered Accountant by the name of Earl McGhee.

9. By mid July the Company advised that they had terminated the services of Mr. McGhee, and that that the Company now had no one assisting them with both operational and accounting issues as well as the restructuring.

10. In previous reports, the Monitor has expressed concerns with the Company's accounting and reporting systems and their ability to produce timely and accurate information to allow them to effect a successful restructuring. Our recommendations for extensions to allow the possibility of a restructuring was predicated on the fact that an individual with the requisite skills would be engaged to assist the Company.

11. We remain concerned that the Company will not be able to effect their restructuring plans unless they have the requisite expertise in place to assist, and they take the advice given.

CUSTOMER PRE-BILLING

12. As required in the June 15 Extension Order, the Company has established a process with the Monitor to hold customer prepaid funds separate and apart from Company funds until the service is performed and their fee earned.

13. Customer cheques prepaying for services are turned over to the Monitor for deposit in a separate trust account.

14. Customer credit card payments are processed by the Company and when the funds clear, the funds are paid to the Monitor for deposit in the trust account.

15. As the services are performed the Company advises the Monitor and a pro-rata payment is made to the Company from the Monitor's trust account.

FINANCIAL PERFORMANCE REVIEW JUNE 2009

16. The June 15 Order provided that the Company was to provide by July 15, 2009 such documentation as may be required to satisfy the Monitor that it has met its projections for the month of June and/or that its position is not deteriorating. The Monitor further undertook to post the results of its review of the information on the web so as to inform the creditors.

17. The Company has only just provided the Monitor with financial information on July 20, 2009.

18. The Monitor has not had the opportunity to adequately review the information provided and accordingly is unable to comment on the Company's financial position at this time. A review will be conducted and a report posted on the web in due course.

ASSET REVIEW AND RATIONALIZATION PLAN

19. The June 15 Order provided that the Company was to undertake a detailed asset review and provide by July 15, 2009 a plan to utilize necessary assets and dispose of surplus assets ("Asset Rationalization Plan")

20. Company management advises that, while there have been some internal discussions, no such detailed review has taken place and no plan has been developed, other than some discussion to test the market for 12 yard garbage bins by placing some in a number of upcoming auctions.

21. Despite the July 15 deadline as set out in the June 15, 2009 Order, the Company has not provided the Monitor with any indication as to when an Asset Rationalization Plan will be forthcoming.

22. While it is impossible for the Monitor to comment with any certainty until a detailed review has been performed, there certainly appears to be surplus or under-performing assets in the Company. In fact, the Company's internally prepared statements for the year ending March 31, 2009, indicate very unprofitable divisions.

23. We are concerned that the Company's continued lack of attention to their asset base and asset utilization will inhibit their ability to effect a successful restructuring. We are further concerned that there has been no indication as to when an Asset Rationalization Plan will be forthcoming despite the July 15th deadline.

DIP FINANCING

24. On July 15, 2009 the Company concluded an agreement establishing a DIP facility in the gross amount of $300,000 with a syndicate known as the Budget Waste DIP Financing Group.

25. The funds from the DIP facility are being utilized in the Company's ongoing operations.

26. We have not been provided with a signed copy of the DIP facility document but have been advised by counsel for the DIP lender that the application to increase the Administrative Charge may place the Company offside the terms of its DIP facility.

UNPAID SUPPLIERS

27. The difficulty the Company has experienced getting a DIP facility in place has placed an understandable strain on the Company's cash flow.

28. Understanding this problem, and recognizing we were protected by the Administrative Charge provided in the Initial Order and modified in the DIP Order, each of the Monitor, its Counsel and Company Counsel have not pressed for payment of fees associated with the CCAA proceeding. Each of the Monitor, its Counsel and Company Counsel have outstanding invoices that remain unpaid for post CCAA restructuring activities undertaken on behalf of, or for, the Company. At least with respect to the Monitor and its Counsel, now that the DIP is in place, we would expect our accounts to be brought current and paid as rendered on an ongoing basis.

29. The Monitor has become aware of other creditors that are remaining unpaid for obligations incurred after the Initial Order. These other creditors consist of unpaid leases and unpaid trade suppliers. They also include creditors that management has only recently become aware of, such as a fuel supplier, because of system inadequacies.

30. The above examples are further support for the Monitor's recommendation that a restructuring professional be engaged by the Company.

31. While the availability of the DIP facility will allow the Company to deal with some of these issues, we have not had the opportunity to adequately review the recent operations to determine if a significant creditor exposure will continue or if the position of the Company is deteriorating.

TRANSFER OF ABLE, BAKER, CEM CAN ASSETS

32. At the time of the granting of the June 15^{th} extension Order the Company was ordered, and agreed to provide documentation evidencing a transfer of and or entitlement to assets owned and or leased by Able, Baker and Cem Can by June 29, 2009.

33. The Company subsequently provided assignment and novation agreements to the Monitor on July 15, 2009 in relation to 17 leases.

34. The Company has not provided any documentation with respect to the four vehicles purportedly owned by Cem Can and Able, as set out on page 5 of Appendix A to the Monitor's Third Report, although the assets are included in the Timeline Appraisal report and are being put forward by the Company as assets owned and available to be provided as security to effect their restructuring efforts.

RESTRUCTURING EFFORTS

35. The purpose of the Stay of Proceedings granted by this Honourable Court at the time of the Initial Order was to allow the Company some respite from the claims of creditors, to give it the opportunity to review and reorganize its affairs, and restructure itself into a viable ongoing business.

36. To date the only concrete step the Company appears to have taken towards a viable restructuring is to obtain the Timeline Assets Appraisal showing that there is surplus value of assets on an Orderly Liquidation Value basis so as to suggest that a restructuring is possible and to obtain DIP financing.

37. The Company appears to be unable and/or unwilling to engage or retain competent personnel to review operations, implement changes as necessary, and assist in the restructuring effort.

38. The Company has not undertaken a detailed asset review or prepared or implemented an Asset Rationalization Plan even though their own financial reports suggest that there is asset underutilization and unprofitable business lines.

39. The Company advises that they are engaged in discussions with potential equity partners or potential refinancers but refuse to provide the Monitor with any details as to whom, or any evidence as to the level of progress being made, the terms, or the requirements that need to be completed.

40. The Company did provide the Monitor with one "Term Sheet" which appeared to be more in the nature of a discussion paper or expression of interest. They later advised that the potential refinancer had withdrawn its interest.

CONCLUSIONS

41. The Company does not appear to have the necessary skills or resources in place to allow it to adequately manage its business or report thereon at a level that will enable them to produce timely and meaningful management reports.

42. The Company continues to neglect and/or refuses to take the necessary steps to enable it to reorganize its business into an entity that can be presented as viable to an interested equity partner or financier.

43. The Company continues to operate its business in the ordinary course as it did before the start of these proceedings, albeit with increased efforts towards generating new sales and collecting outstanding Accounts Receivable.

44. The Company appears to be making limited if any progress towards finding a suitable partner or refinancier, or if it is, it refuses to provide any evidence as to its progress.

45. The Company continues to rely on the surplus of assets as identified in the Timeline Appraisal to justify a continuation of the Stay even though little if any progress appears to be made.

46. We are concerned that unless the Company addresses our concerns and begins to take steps to effect some positive change and movement towards a reorganization, a successful restructuring will elude them and the asset base on which they are relying will be dissipated.

All of which is respectfully submitted this 22st day of July 2009.

Hardie & Kelly Inc., in its capacity
as Monitor of Budget Waste Inc.
and not in its personal capacity

Per: ______________________
A. Ronald Hardie, CA•CIRP
President