

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF THE HARD-ROCK PAVING COMPANY LIMITED
AND THE COMPANIES LISTED ON SCHEDULE "A"
(collectively the "Applicants")

AFFIDAVIT OF DAVID R. SEMLEY
(sworn April 28, 2008)

I, **DAVID R. SEMLEY**, of the City of Port Colborne, in the Province of Ontario, **MAKE OATH AND SAY AS FOLLOWS:**

1. I am the President, director and principal shareholder of Hard-Rock Paving Company Limited and as such have knowledge hereinafter deposed to.
2. This Affidavit is submitted in support of an application by Hard-Rock Paving Company Limited ("**Hard Rock**") and the affiliated companies listed on Schedule "A", (collectively the "**Applicants**") for certain relief under the *Companies Creditors' Arrangement Act* ("**CCAA**") including i) the granting of a Stay of Proceedings by this

Honourable Court to facilitate the reorganization of the businesses and operations conducted by the Applicants which is discussed below and ii) the granting of a first priority Debtor in Possession loan to support the Applicants during the period of these proceedings.

3. The Applicants are forced to seek this relief principally because of a single recent ill-fated construction project undertaken by the Applicants in respect of which there has been a cost overrun in the amount of approximately \$7,000,000. The Applicants are entitled to recover this entire amount from the Ministry of Transportation of Ontario (“MTO”), however, provided the Applicants are not placed into receivership or bankruptcy, it will likely be two to six months, before these funds will be available to the Applicants.
4. I believe the Applicants require a stay in order to 1) attempt to collect the receivables owing from MTO and others, 2) seek additional financing or 3) sell all or certain of its assets in order to restructure the Applicants’ business.
5. There has been consistent interest in purchasing or financing the business over the past 6 months. Unfortunately the Applicants have been unable to consummate these arrangements and are now at a crisis. I believe that if given the protection sought herein, the Applicants will be able to consummate either a sale or a refinancing, to the benefit of all stakeholders.

6. The Applicants have secured a commitment, subject to the approval of this Court, of Debtor in Possession financing in the amount of \$6,000,000 which will allow the Applicants to operate during the proposed CCAA process.
7. I believe there is sufficient value in the Applicants business and assets to allow for a first priority charge in favour of the DIP Lender without prejudicing the security held by the principal secured creditors. I believe that even if there is temporary prejudice to the secured creditors, the granting of the proposed DIP Loan is in the interest of the stakeholders, including the secured creditors.
8. I make this affidavit in support of an application for an Order which I believe will provide the best opportunity in the circumstances to protect the interests of the greatest number of stakeholders of the Applicants, including almost 400 different trade creditors, the approximately 300 employees and, and the various other stakeholders in the City of Port Colborne, and surrounding area who rely on the Applicants as the City's single largest private sector employer. There are also a large number of creditors who rely on the business, at least one of which has advised me it will fail if the Applicants fail.

Urgency

9. This application is urgent because the Applicants are unable to make payroll unless the relief sought herein is granted. That payroll was

due on April 24th, 2008, but if the relief sought is granted, payroll will be paid on Tuesday, April 29, 2008. If the payroll is not met immediately, the Applicants will be forced to cease operating immediately.

10. The Application is also urgent because the Applicants require funding to buy raw materials for their committed construction projects for this summer, at least one of which will be lost to the Applicants unless the Applicants can provide evidence by Monday April 28, 2008 of their ability to meet their obligations under that contract to supply those materials and commence work.
11. The Applicants make this application on short notice at this time because they only secured a verbal commitment to Debtor in Possession financing on evening of April 24, 2008.
12. Both principal secured creditors of the Applicants have made formal demand on the Applicants', which demand letters will expire shortly. One principal creditor has required that the Applicant definitively answer by 1:00 PM on April 28, 2008, whether or not they will immediately voluntarily file for bankruptcy and cease operations.
13. The two principal secured creditors may be contemplating their own insolvency action against the Applicants, which actions would not be in the best interest of the stakeholders in general. The secured creditors have already asked the Applicants to consent to a

bankruptcy in order to allow the secured creditors to attend to the liquidation of the Applicants assets. I am not prepared to consent to an act to liquidate the Applicants without first attempting to salvage the Applicants' businesses, the jobs of its employees and to attempt to find some value for the unsecured trades, as I am of the view should and can be done.

BACKGROUND

14. Hard Rock began operations in 1956. The Applicants now collectively compose one of the largest road building, heavy construction and construction material company operating in the Niagara Peninsula. The corporate structure of the Applicants appears on the chart attached as **Exhibit "A"** to this my affidavit. The Applicants head offices are located in Port Colborne, Ontario. Each of the Applicants are Ontario companies.

15. In addition to typical construction projects, the Applicants are also engaged in recycling operations and winter maintenance projects. The Applicants routinely bid on and receive contracts for large government tendered construction and paving contracts for streets, roads and bridges throughout southern Ontario. This is a growth industry, especially given the recent Ontario government emphasis on infrastructure projects throughout Ontario.

16. The Applicants are principally a family owned and operated business. The Applicants collectively employ as many as 300 unionized employees over the course of the calendar year. The Applicant is the largest single employer in the City of Port Colborne. In addition, at any given time the projects being performed by the Applicants result in the engagement or employment of a further 100 people throughout southern Ontario by other construction sub-contractors.
17. All operating personnel of the Applicants are unionized and are represented by the Labourers International Union and The International Union of Operating Engineers. There are unpaid expenses in the amount of at least \$800,000 owing to the unions.
18. The Applicants business also involves the mining, refining and sale of construction aggregate used in road construction. To this end the Applicants own a quarry in Wainfleet, Ontario composed of 258 acres of quarry lands. The Applicants also maintain an operations office and an asphalt processing plant at the quarry location.
19. The quarry operates under a Ministry of Natural Resources quarry license granted to the Applicants.
20. The Applicants are vertically integrated in that the quarry produces aggregate and asphalt used in the other operations of the Applicants, giving it a competitive advantage. Aggregates are also sold to other contractors and government agencies.

21. The assets of the company are principally the following:
- (i) Its good name in the context of bidding for highly sought after government contracts and other construction work,
 - (ii) its skilled and experienced work force,
 - (iii) extensive owned machinery,
 - (iv) multiple additional significant pieces of equipment under lease in respect of which there is equity,
 - (v) accounts receivable,
 - (vi) the MTO claims receivables.
 - (vii) the quarry lands and business,
 - (viii) other real estate, such as the head office location, also owned by the Applicants, and
 - (ix) committed contracts extending to fiscal 2011.
22. Attached hereto as **Exhibit "B"** is a confidential summary of the value of the Applicants assets, along with an appraisal of the quarry lands and the Applicants' valuation of the other assets. The equipment assets are generally valued based upon appraisals. Where there was no appraisal, a value is assigned based on using the average value arrived at for the other assets which were appraised.

23. The summary illustrates that even at a discount, it is the Applicants position that there is in excess of \$9,000,000 of equity in the business. Based on this, it does not appear that either of the principal secured creditors are under-secured. Given the likelihood that some or all of these assets may be marketed for sale, I recommend that this Exhibit be sealed by the Court.
24. Among the Applicants, Hard Rock owns the vast majority of the physical assets, as well as the land upon which the head office is situated. Hard Rock Highway Maintenance Inc. owns a relatively insignificant amount of the equipment assets. Diamond Stonebridge Contracting Inc. owns slightly more assets, but again in an amount which is insignificant relative to the total amount of equipment owned by Hard Rock. Hard Rock Construction Inc. has no fixed assets. The two numbered company Applicants own a portion of the quarry lands.
25. Hard Rock primarily provides construction services to MTO, as well as being engaged in the sale of both aggregates and asphalt to outside contractors.
26. Diamond Stonebridge Contracting provides heavy construction services, primarily to the MTO.

27. Hard Rock Construction provides a variety of civil and heavy construction services to a variety of public and private sector customers.
28. Hard Rock Highway Maintenance provides winter control services to the Regional Municipality of Niagara and, through a sub-contract, to MTO.
29. The two numbered companies have no significant business beyond holding assets.
30. This corporate structure is in part necessitated by the fact that two of the Applicants, Diamond and Hard Rock, have to maintain a specified MTO financial rating in order to bid MTO projects. By separating the projects done by Diamond and Hard Rock from those done by the other Applicants, it is simpler to maintain the MTO rating.

APPLICATION OF CCAA

31. The Applicants are insolvent in that they are unable to meet their obligations as they generally become due.
32. As at April 24, 2008, the aggregate amount owing by Hard Rock to Caterpillar Financial Services Limited (“CFSL”), according to CFSL, was CDN\$ \$31,342,670.89. These monies are comprised of a revolving line facility, several term facilities, an equipment facility, and amounts owing under various equipment leases.

33. Each of the other Applicants are guarantors of these debts.
34. As at April 17, 2008, the aggregate amount owing by Hard Rock to The Toronto-Dominion Bank (“**TD**”) according to TD was approximately \$2,775,000. These monies are comprised of an operating line facility plus a small term facility for Hard Rock Highway Maintenance and a small facility for Hard Rock Construction.
35. As with CFSL, each of the other Applicants are guarantors of these debts.
36. As at April 23, 2008, the total amount owing by the Applicants to their unsecured creditors total approximately \$11,300,000.
37. The Applicants therefore each have debts in excess of \$5,000,000.
38. Attached hereto as **Exhibit “C”** to this my Affidavit are the unaudited financial statements for the Applicants for the year ended February 29, 2008.
39. Attached hereto as **Exhibit “D”** to this my Affidavit is a 10 month projected cash flow for the Applicants on consolidated basis (the “**Cash Flow**”).
40. As set out in the Cash Flow, subject to the assumptions set out therein which are further discussed herein, upon the filing of the CCAA and

the granting of the other relief described herein, the Applicants anticipate that they will have sufficient cash to meet their requirements.

41. However, in the event the relief sought herein is not granted, the Applicants will be forced to cease operations immediately as there will be insufficient funds to ensure the ability to pay the labour necessary to conduct those projects currently pending with the Applicants. Without certainty of funds or a labour force, the Applicants cannot bid on future projects.

SECURED CREDITORS

42. The principal secured creditors of the Applicants are CFSL, TD, and various GE finance entities (collectively, “**GE**”).
43. Attached as **Exhibit “E”** to this my affidavit are *Personal Property Security Act* (“**PPSA**”) search summaries in respect of each of the Applicants (other than the two numbered companies), outlining the various financing statements registered by these entities, among others, against some or all of the Applicants.
44. CFSL is the principal lender of the Applicants.
45. Attached as **Exhibit “F”** is the governing loan agreement between Hard Rock and CFSL dated March 12, 2004, as well as certain amendments.

46. I understand that CFSL holds guarantees from each of the Applicants and the other security described in Article 9 of the loan agreement.
47. CFSL has also provided lease facilities to the Applicants.
48. TD is another principal secured creditor of the Applicants.
49. Attached as **Exhibit "G"** is the governing loan agreement between Hard Rock and TD dated November 15, 2005, plus certain amendments (the "**TD Loan Agreement**").
50. I understand that TD holds guarantees from each of the Applicants and the other security described in the paragraph entitled "Security" in the TD Loan Agreement.
51. I am advised that there is an Inter-Creditor Agreement between TD and CFSL pursuant to which they have agreed, among other things, that TD shall have a first priority interest in the first \$4,000,000 of receivables collected from the Applicants. TD is in second place behind CFSL with respect to all other personal property assets or other receivables.
52. I believe that CFSL has security against the quarry property.
53. The Applicant's other single largest creditor is GE, who, through various GE entities, has provided the Applicants with a leasing facility with a current value of approximately \$8,150,000.

54. Aside from CFSL, TD and GE, the other secured creditors include myself, and The Guarantee Company of North America and various leasing entities. My security includes first mortgages on property in Fort Erie and Port Colborne as well as a general security agreement as collateral for my outstanding loans to the Applicants, which are in the approximate amount of \$211,000.
55. The Guarantee Company of North America is the Applicant's bonding company. I note that they have registered PPSA financing statements against the Applicants, which I assume is in respect of their potential obligations under their bonding arrangements with the Applicants.
56. To the best of my knowledge, the Applicants were current in respect of all source deductions and other government remittances as at April 20, 2008.

CURRENT CRISIS

Misdirection of Company

57. Over the last four years the Applicants have been engaged in large heavy construction projects that incurred significant losses.
58. In addition, I now realize that the Applicants had become too large to operate as an owner managed business.

59. The Applicants retained specialized professional outside management to provide senior management of their business in 2003. Unfortunately, that management proved to be incapable of managing the business at a profit and several large projects were undertaken which resulted in negative income consequences for the Applicants.
60. Attached as **Exhibit "H"** is a chart setting out the most notable of those mismanaged projects and the consequences to the Applicants.

MTO CLAIMS

61. The Applicants bid for and were awarded certain projects with the MTO in which the ultimate cost of the performance of the projects was in excess of the amount bid due to changes in the work and improper direction from the MTO.
62. The most significant among these projects was a project for the construction of the Henley bridge. Ultimately, the Henley bridge project had a cost that was approximately \$7,000,000.00 or 30% higher than the anticipated bid cost. The details of the Henley bridge project are principally as follows.
63. The project was bid on the assumption that two cranes could be used in the course of the construction. However, when the Applicants attempted to use two cranes, MTO reviewed the process and, in my view, improperly determined that only one crane could be used. The

effect of this decision was to significantly increase the amount of time and labour required to complete the construction of the deck and the sub-structure. Additional costs relating to winter work conditions were also incurred as the result of the MTO directive. The Applicants dispute that this was an appropriate decision of MTO.

64. At least \$4,000,000 to \$5,000,000 of direct additional labour and material costs were incurred as a result of this decision by MTO. Beyond the direct labour and materials costs caused by this decision, there were indirect consequential costs.
65. The Applicants have now filed a claim with MTO for payment of the Henley bridge claim in the amount of \$7,253,167.00. The actual claim itself is in excess of 100 pages in length and can be made available to the Court upon request. It includes items such as two independent engineering reports, cost details and other information which supports the Applicants' claim.
66. It is a consequence of the standard terms of a MTO contract, that when confronted with a request to change a construction method on a project, as occurred in the case of the Henley project, the contractor is obliged to make the change when requested and to complete the work on that basis. The contractor is then permitted to file a claim with the MTO upon the completion of the project for repayment of the extra costs incurred as a result. As the Henley project was only completed

in November of 2007, and due to the detail required for the submission of a claim, the Applicants were only able to file their claim in April of 2008.

67. The usual time frame for having a claim of this nature resolved by the MTO is one to three years. However, I have been in contact with the MTO and they have agreed, as a result of the dire straits in which the Applicants find themselves, to expedite the claim. However, if the relief sought in this application is not granted, I believe the Henley claim will be returned to the regular queue and that it will likely be more than a year before this claim is processed.
68. I believe that in order to ensure that the correct value is derived from any MTO claim, parties (such as current management) who are familiar with the Applicants' business and who have a history of dealing with the MTO, are needed. In the event current management is displaced by an insolvency process other than the relief sought by the Applicants, the value of this crucial asset will be diminished, or lost completely, to the detriment of the stakeholders of the Applicants.
69. The Applicants were forced to borrow from their secured creditors the necessary funds to pay for the overage in order to complete the Henley project. As a result of the borrowing, the trades in respect of the Henley project were principally paid, meaning that the amounts to

be collected are largely free of potential trust claims. However, the additional borrowing costs have been a burden on the Applicants.

70. In addition to the Henley claim, the Applicants have several other claims pending at the MTO. Although these claims are for smaller amounts, they do amount to a further \$2,000,000 in receivables owing from the Ontario government.
71. Attached as **Exhibit "I"** is a chart setting out the current claims which the Applicants as currently filed with the MTO.
72. As set out therein, the Applicants believe it is owed in excess of \$9,200,000 in respect of these claims. Had they received these claims when billed, the Applicants would not be insolvent.
73. The Applicants have been in contact with Mr. Ray Mantha, the Assistant Deputy Minister of Transportation, in order to expedite the resolution of the MTO claims. As recently as April 23, 2008, Mr. Mantha indicated that the Applicants' claims, including with respect to the Henley bridge, were being processed on a priority basis ahead of claims from other contractors.
74. Despite the determined efforts thus far by the Applicants, the Applicants are advised that the Applicants are likely to wait an average of between two to six months for these claims to be processed. If the relief sought herein is granted, the Applicants will

be, among other things, able to focus their efforts on accelerating the processing of these claims.

75. Historically, the Applicants have settled their MTO claims upon receipt of amounts equal to 50 and 75% of the amount claimed. However, the Applicants have never had a claim as large as the Henley Bridge claim. The Applicants are optimistic that a larger percentage of that claim can and will ultimately be paid to the Applicants.
76. The Applicants believe that as much as 85% of the amount claimed by the Applicants in respect of these MTO claims will not be encumbered by construction trust claims, as these projects were completed with borrowed funds which were used to pay the trades despite the fact that payment to the Applicants was deferred to the claims process.
77. Even to the extent there are trust claims in respect of these projects, I am advised by my counsel that the Applicants are allowed to repay the amounts which were borrowed to pay those trades who were already paid on these projects, in advance of having to pay any remaining trust claims on these projects.
78. The Applicants were offered a settlement from MTO in respect of the Napanee claim the week of April 14, 2008, in the amount of \$305,000. Although the applicants believe that this claim is likely

worth at least \$400,000, they are prepared to accept this claim immediately in order to receive these funds and apply them to operations.

Stalled Sale Efforts

79. Commencing in the fall of 2007, having considered the problems outlined in this Affidavit, I, along with the rest of the management of the Applicants', determined it was advisable to seek to sell the business or to seek the new injection of investment capital.
80. There has been sustained interest from several parties in the assets or shares of the Applicants.
81. A significant entity in the same industry as the Applicants, the name of whom cannot be disclosed, did recently negotiate a form of share purchase agreement which included a substantial cash injection. This transaction was to close on April 7, 2008. However, due to various ultimately unsettled terms, including the inability of the purchaser to negotiate satisfactory terms with TD, that party walked away from the transaction on Monday April 7, 2008. Had that transaction been completed, the Applicants would not have been required to seek the relief sought herein.
82. We are currently involved in negotiations with another substantial entity that operates in our industry. Although they have advised me

of a strong interest, they have also advised that they cannot complete their due diligence in sufficient time to allow the Applicants to avoid the necessity of filing for protection from their creditors. In any event, this entity has advised that they would likely have required a CCAA filing as a condition of their transaction with the Applicants. They have also advised that they will have continued interest under a CCAA filing.

83. We have also had several entities express an interest in purchasing the quarry or the quarry business or both as well as other specific assets of the company
84. There is also significant interest from a management based group, excluding myself, to purchase some or all of the assets of the business.
85. Each of TD and CFSL are familiar with the details of these transactions and have, until recently, expressed their view to me that they are generally supportive, but for the immediate crisis, of providing the Applicants the opportunity to pursue these transactions.
86. CFSL in particular had offered to postpone their security interest in the receivables of the Applicants in the amount of a further \$6,000,000 to facilitate the injection of \$6,000,000 of capital which was a requirement of the transaction which was aborted on April 7, 2008.

87. I believe, in light of this history, that it is clear that there is significant interest in purchasing the business. I believe that this interest will be increased if the Applicants can deal with their current crisis through a CCAA process so as to enable prospective purchasers to focus on purchasing an entity free and clear of its current troubles.
88. I also believe that the business will have a higher value if it can be sold on a going concern basis, which higher value could result in funds being available to pay the unsecured creditors of the Applicants. It is my belief that a liquidation of the business will only result in payment to the secured creditors.

Employees and Trades

89. Several employees have left the Applicants and several others are threatening to do so. Employee morale is very low, although I believe it would be improved if there were a public insolvency process which could be presented and explained to those employees.
90. Trades and suppliers are threatening to cut off supply in the absence of payment or otherwise changing the payment terms to COD and the Applicants do not have the raw materials necessary to undertake some new work without supply from these entities.

Construction Lien and Trust Issues

91. I believe that unpaid construction sub-trades either have begun to or are about to file liens against some of the projects.
92. As the MTO claims involve work done on government lands, it is not possible for construction liens to be registered on those projects. However, a similar process exists in which parties with claims may file a claim with MTO. In the face of these claims, MTO often withholds funds otherwise payable. I understand that certain claims of this nature have now begun to be filed, and the presence of these claims threatens the release of these funds payable from MTO to the Applicants.
93. The presence of liens will negatively impact on the flow of receivables to the Applicants unless a process can be instituted to demonstrate that the funds paid to the Applicants will be paid to the appropriate trust or lien claimants.
94. It is necessary that some oversight be applied to these accounts so that they can be reviewed and reconciled to determine whether there are any trust amounts still owing on any of these project, or whether such receivables as may yet be due are free from trust claims and therefore available to be used for other restructuring purposes.
95. In the face of this flow of liens or claims, it will be difficult for the Applicants to get quality trades to agree to work on new projects of the Applicants, without some assurance that the existing projects are

being dealt with in a fair and open process. I believe the CCAA will provide such a process. I also believe that the MTO will be more likely to settle and pay the amounts owing to the Applicants if MTO is aware that the distribution of these funds will be subject to the oversight of a CCAA Monitor.

96. I am advised by counsel that a stay under the CCAA will stay the enforcement of these liens, while allowing them to be registered so as to preserve priority.
97. I believe the appointment of a Monitor and a public CCAA process will provide the construction lien and trust claimants with confidence and may facilitate the flow of receivables into the Applicants, which receivables would likely be otherwise unavailable if the Applicants were to become bankrupt.

Current Work

98. The Applicants have significant current ongoing work, including a large project for the MTO, and various pending projects.
99. One the largest of the Applicants' pending projects is one which will involve extensive asphalt paving of the QEW near St. Catherine's, Ontario, where the Applicants will work as a subcontractor to Dufferin Construction Company. (the "**Dufferin Project**"). This is a significant project which will employ a substantial portion of the

Applicants' work force. It is expected to be a profitable project for the Applicants.

100. The Applicants have been advised by Dufferin that they are concerned with the Applicants ability to perform the sub-contracted work due to an inability to finance ongoing operations
101. The Applicants were obliged to commence work on the Dufferin Project on April 21, 2008, but were unable to do so as they did not have the necessary funds (approximately \$100,000) in order to purchase the raw materials necessary to commence the work. I understand that if the Applicants are unable to assure Dufferin of their ability to supply those materials and commence work on April 28, 2008, that Dufferin will consider the contract terminated and seek someone else to undertake that project.

Current Issues with Secured Creditors

102. TD and CFSL have jointly, with the consent of the Applicants, appointed KPMG Inc. as a Monitor/Consultant whose consultant engagement began on April 9, 2008.
103. Shortly after its appointment, KPMG became concerned with the fact that certain of the Applicants' receivables were being deposited in an account maintained by the Applicants and CIBC. This account pre-

dates the banking relationship with TD. When TD became aware of this fact, they required that these funds be deposited with TD.

104. I was unaware that our security and lending arrangements with TD precluded our utilizing other accounts at other institutions. It had been our intention to use those funds to pay outstanding union remittances, payroll and other operating expenses.
105. In any event, following the receipt of a letter from TD's counsel on April 15, 2008, a copy of which is attached hereto as **Exhibit "J"**, the funds in question (in the amount of approximately \$375,000) were deposited in the Applicants' main TD account. All the funds were subsequently disbursed to pay those union remittances, payroll and employee income tax source deductions. None of the funds in the CIBC account were used for any purpose other than purposes directly related to the business of the Applicants.
106. KPMG issued a report to TD and CFSL on April 17, 2008. A copy of that report is attached hereto as **Exhibit "K"**. I believe the contents of the Report must be kept confidential at this time and would ask that it be sealed by this Court.
107. I was advised by email mid-day on April 18, 2008 that TD was going to issue formal demands and a Notice of Intention to Enforce Security under the *Bankruptcy and Insolvency Act* (the "**BIA**"). The demands were delivered on April 21, 2008. A copy of the demands and the

accompanying Notice of Intention are attached hereto as **Exhibit “L”**.

108. TD froze the Applicant’s operating line facility on April 18, 2008, prior to the demand being sent. I believe TD is of the view that the Applicants are out of margin. I am not certain that it was appropriate or within TD’s rights to terminate that facility with no notice to the Applicants prior to making demand.
109. In addition, TD has forced CIBC to freeze several accounts held by the Applicants at CIBC. This was done without notice to the Applicants. I do not believe that TD has any right to prevent the Applicants from having access to the funds (which are in the amount of approximately \$70,000) held in these accounts. These funds are necessary to fund the operations of the Applicants going forward, and are intended to be used to pay payroll.
110. The Applicants believe TD is relying on the KPMG Report in making its decision to demand repayment of its loans to the Applicants. The Applicants believe that the KPMG Report is incomplete in that, among other issues, the KPMG Report fails to assign any value to the Henley claim.
111. As a result, I do not believe that TD properly understands the nature of those MTO receivables nor do I believe that TD properly understands the true condition of the Applicants or their assets.

112. I note that KPMG had a short period of time in which to prepare the KPMG Report. I noticed that the KPMG professionals appeared to be hurried in the preparation of same as they were under pressure from the TD to produce the report, which pressure arose due to TD's apparent concern with the funds in the CIBC account.
113. Among the recent actions the Applicants have taken is to attempt to sell certain surplus equipment to one of its suppliers for a purchase price of approximately \$1,200,000. The transaction would have seen a portion of the proceeds paid to CFSL, and a portion paid by way of contra payment against a payable currently owing from that purchaser to the Applicants. The contra payment was in the amount of approximately \$300,000.
114. Although CFSL consented to this sale, TD refused to consent to same on the basis that they did not wish to allow the contra account. This action by TD denied the Applicants the benefit of this transaction.
115. TD also disallowed a payment made on April 16, 2008 by the Applicants to CFSL in the amount of \$121,000, which payment was in respect of interest due on certain facilities between CFSL and the Applicants. This decision may have prejudiced CFSL against the Applicants.
116. I note that TD's assertion that the Applicants are out of margin appears to result from TD rejecting the method of accounting for

receivables that the Applicants have been using for over two years with TD.

117. It is clear to me that TD has lost faith in the management of the Applicants or the Applicants' ability to meet their obligations to TD. I believe this is unfair and unreasonable and I am deeply disappointed by their aggressive actions.

CFSL

118. Following the collapse of the proposed transaction on April 7, 2008, I met with representatives of CFSL later that week who presented me with an unsigned form of non-tolerance letter. A copy of the letter is attached hereto as **Exhibit "M"** to this affidavit (the "**Non-Tolerance Letter**").
119. Although I have yet to receive a signed copy from CFSL, I did sign and return the Non-Tolerance Letter to CFSL on April 14, 2008 on behalf of the Applicants. The Non-Tolerance Letter asserts that the Applicants are off-side certain financial covenants under their security and lending arrangements with CFSL. The letter required that these defaults be remedied within 15 days. Assuming the time period were to run from April 14, 2008, this time period expires on April 29, 2008.

120. The Non-Tolerance Letter required payment in the amount of \$121,000 to CFSL. The Applicants attempted to make this payment, however, this payment was stopped by TD, as described above.
121. I have held several meetings with CFSL over the recent past, first seeking their consent to the then pending transaction, and subsequently to seek their support of CFSL as we attempted to consider our restructuring options. CFSL initially suggested that they would be supportive of such a CCAA filing (indeed they suggested it to me), including, perhaps, either advancing additional funds or agreeing to postpone some of their security in favour of a third party purchaser. However, CFSL has, as of April 18, 2008 withdrawn the possibility of financial support other than perhaps in connection with paying some payroll to assist in the collection of the assets subject to their security.
122. I believe CFSL is being negatively influenced by KPMG and by the aggressive actions of TD, resulting in a lack of confidence in the Applicants.
123. I do not believe that CFSL's security position is at risk, or, to the extent that it is, that such risk will increase materially in the immediate future, given the nature of the assets subject to their security.

124. Notwithstanding the foregoing, on April 24, 2008, CFSL issued formal demands against the Applicants, along with Notices of Intention to Enforce Security under the BIA which are attached hereto as **Exhibit "N"**. I note that these notices were sent notwithstanding the cure period under the Non-Tolerance Letter had not expired.
125. I also note that the CFSL demands cite the non payment of the \$121,000, which payment was stopped by TD, as a reason for making demand
126. Two meetings were held with CFSL and its counsel the week of April 21, 2008 to discuss CFSL assisting with a voluntary wind down of the business. CFSL has advised that they require the Applicants to decide by 1 pm on April 28, 2008 whether or not to attend to this voluntary wind down.
127. I expect if the Applicants do not agree to that wind down scenario by 1 pm on April 28, 2008, CFSL will seek to commence proceedings to impose a receiver and or bankruptcy on the Applicants.

GE

128. GE has not taken any steps towards enforcement at this time.
129. The collateral subject to the security held by GE, being leased assets described in their leases, will not deteriorate in any material fashion in the immediate future

130. In fact, as set out in Exhibit B, I believe the equipment subject to GE's leases with the Applicants have value which is greater than the amounts actually owing on those leases as a whole.

RESTRUCTURING

131. It is my belief that a public process which advises parties, such as employees, trade creditors, customers, etc. of the genuine intent of the Applicants to stabilize its operations and restructure is necessary in order to restore confidence and put an end to the current uncertainty.
132. It is my belief that the Applicants can be viably restructured and emerge from restructuring, having shed some of its less profitable or lower margin products and having regained the support of its creditors with a viable plan. The Applicants have already begun to institute this change, as illustrated by the examples listed in **Exhibit "O"**.
133. However, time is required in order to formulate and implement this plan and consolidate the assets of the Applicants or to otherwise liquidate those assets which are surplus and are no longer relevant to the Applicants' business.
134. Our professional advisors also require a period of time in which to assist us in this matter. We have only seriously engaged their

assistance in the past three weeks following the collapse of the proposed transaction

Management During Restructuring

135. We recommend that BDO Dunwoody Limited be appointed as the Monitor of the Applicants under the CCAA process. We are advised that BDO has experience with acting as a CCAA Monitor, and has experience in dealing with commercial insolvency files in the construction industry.
136. However, it is clear that management has lost the confidence of TD and CFSL. Consequently, I have contacted Prowis Inc. and in particular Mr. Rob Holmes, to explore the possibility of Prowis Inc. acting as the Chief Restructuring Officer of the Applicants in order to manage the Applicants' affairs as they relate to the insolvency of the Applicants, the Court process and the sale process and other restructuring processes hereinafter described during the process of the CCAA.
137. Prowis Inc. has consented to the proposed appointment, subject to the approval by the Court of its appointment and the approval of the DIP Loan described below. The terms of the Prowis engagement will be finalized immediately following the granting of the relief sought herein, and will be subject to the approval of the Court.

138. In addition to the appointment of the Chief Restructuring Officer, I have agreed to resign my position as President of the Applicants. Mr. Lon Mullin has agreed to serve in that position and assume responsibility for the overall performance of the Applicants, subject to the restrictions in the Order. Mr Mullin is a Professional Engineer, a graduate of the Richard Ivey Executive Management Program, and is an experienced, successful Construction Executive. He has served in a variety of management and executive positions. He is the former President of Aecon Civil and Utilities. Mr Mullin recently joined the Applicants, and has improved performance in the operations for which he was responsible.

139. In addition Mr Jim Bethune will serve as Chief Operating Officer. Mr. Bethune is a Chartered Accountant, an entrepreneur, business consultant and community leader. He is a former owner of Beverly Tire and has successfully directed the turn- arounds of a number of businesses in a variety of industries. In addition to Financial Management, Mr. Bethune's expertise lies in the design and implementation of control systems, policies and procedures. Mr. Bethune's immediate responsibility will be to review management and staff responsibilities to improve efficiencies, rationalize staff levels and reduce overhead costs. He will also be responsible for restructuring the equipment division and disposing of surplus assets.

140. I believe that this change in executive management will have an immediate positive effect on corporate performance. It is a clear point of separation from the problems associated with the previous management and the opportunities available to the new team.
141. Operations management has recently been reorganized into two reporting groups. All construction operations, both heavy and civil, now report to a single manager. This consolidation will improve both human and physical resource utilization. The second reporting group is responsible for all materials and paving operations. This brings single manager responsibility for both productivity and quality. Both of these managers report directly to Mr. Mullin. I believe that this change in operations management will improve performance.
142. I believe that these changes in executive and operations management will enhance the retention of other key employees, better ensure that existing work can be efficiently carried out, reduce professional costs, enhance the collection of receivables, and enhance the value of the business by helping to manage relationships with key customers and suppliers.

Dual Path

143. I recommend that the Applicants follow a dual path process in this restructuring.

144. In one process, the Applicants shall seek either alternate financing or some other similar opportunity to stabilize the existing business.
145. Simultaneously, a sale process will be commenced under the supervision of the Monitor pursuant to which, assets of the business will be advertised for sale either in whole or in part.
146. It may be that a sale of the quarry business and certain surplus assets connected to lower margin work which is to be abandoned by the Applicants, might provide sufficient cash and reduction in lending facilities to allow for the Applicants to make a viable plan to its stakeholders, while allowing for the Applicants to emerge from restructuring with a smaller business.
147. The Applicants have already composed a proposal to market the assets for sale on this basis and have presented the outline of this plan to CFSL.
148. I expect that, with the assistance and expertise of the CRO and the Monitor, the assets could be marketed for sale and offers received within 60 days. It is possible significantly less time would be required if the one party who recently expressed interest in the Applicants were to return to the bargaining table as we anticipate they will once the CCAA is in place.

149. I would expect to use all of the proceeds realized from the sale of the assets or from a new financing to repay the secured creditors. The Cash Flow does not account for any proceeds from the sale of the business to be used in operations.
150. The Applicants have \$21,000,000.00 in committed work for the current fiscal year.
151. I note that the Applicants are at the beginning of the most profitable portion of their business cycle, being the spring/summer construction months. If the restructuring can proceed on an expedited basis, there is the opportunity that further work can be sought and completed this year.

Debtor in Possession Financing

152. Subject to the issuance of an Order from this Court approving same, the Applicants have received a commitment from GE (the “**DIP Lender**”) to provide a debtor in possession financing loan arrangement with to provide the Applicants with interim financing necessary to support its operations during the proposed CCAA process (the “**DIP Loan**”).
153. We are expecting to receive the DIP Lender term sheet in the morning of April 28, 2008.

154. We understand that the DIP Loan provides for an advance of up to \$6,000,000 in cash.
155. The DIP Loan requires that the DIP Lender be provided with a first priority charge over all of the assets of the Applicant, in respect of not only the new funds advanced, but also in respect of the current obligation owing by the Applicants to the various GE entities. As noted above, the Applicants are of the view that the assets currently leased from GE have a value in excess of the obligations to GE, and therefore consider the requirement that all of the GE debt be given this priority to be essentially neutral to the other creditors.
156. It has been discussed that the DIP Loan would be used to purchase an assignment of the TD loan and security. Were the DIP Lender to do so, the DIP Lender would have the benefit of the priority agreement between TD and CFSL entitling the DIP Lender to priority over CFSL in respect of the first \$4,000,000 of receivables collected.
157. TD has advised the Applicants that they are willing to accept payment in the amount of \$2,000,000 in consideration for the assignment of their loan and security.
158. I note that CFSL had previously offered to postpone their interest in receivables in the amount of \$6,000,000 in favour of a party who had agreed to advance \$6,000,000 to the Applicants.

159. As set out in the Cash Flow, not including the proposed \$2,000,000 payment to TD, the Applicants do not expect to use more than \$1,000,000 of the funds advanced by the DIP Lender before the end of May, 2008. The DIP Loan will not reach its highest anticipated level of \$5,160,000, until late July, 2008. The stakeholders will have ample opportunity to review the progress of the Applicants on their restructuring plan during this period. As noted above, I anticipate that there will be substantial progress towards the sale of the business during this time.
160. It is anticipated that the entire DIP Loan, including the amount to be paid to TD, could be repaid in full by November 2008 out of operation proceeds.
161. In addition, the Cash Flow does not rely upon the collection of the MTO claims. However, the Cash Flow does contain a below the line item which indicates the likely collection of the MTO claims starting in July and completing in October. The MTO claims are conservatively valued at 60% and are shown net of anticipated trust claims. The inclusion of these amounts materially improves the Applicants' available cash and would allow for the total reduction of the DIP Loan, net of the amount advanced to TD, in its entirety by the end of September, 2008.

162. CFSL and TD have indicated that they would object to the Applicants entering into the DIP Loan.
163. Notwithstanding the possible rejection of the proposed DIP Loan by the principal secured creditors, I am of the view that the DIP should be approved by the Court. I believe the following factors support this conclusion:
- (i) It is my expectation that the restructuring of the Company will be substantially completed quickly, perhaps even before the majority of the DIP Loan is drawn on.
 - (ii) As set out above, I recommend that Prowis Inc. be appointed as CRO in order to manage the Company. Prowis Inc. has ample experience in matters such as this and is known to CSFL and TD. I believe the appointment of Prowis, when combined with the monitoring of the Applicants by the Monitor should provide ample comfort to CSFL and TD on this issue.
 - (iii) I believe the Cash Flow sets out a realistic basis upon which there will be a temporary reduction in the value of the receivables but which shows that that reduction will be corrected over the course of the period of the Cash Flow.
 - (iv) It is necessary to the Applicants' restructuring plan that it have the time available to put in place its restructuring plans.

Without the time necessary to put in these restructuring plans into place, the Applicants will not be able to make a viable proposal to its creditors. If a restructuring is allowed to proceed, as supported by the DIP Loan, it is my belief that the Applicants will be able to make a proposal not only to the secured creditors but also to the unsecured creditors and further that there will be a benefit to those parties who are able to retain their employment throughout this process.

- (v) As outlined above, the Applicants' property is made up of fundamentally receivables and physical assets. Time is necessary to determine which of the current assets may be subject to trust claims and whether or not the Applicants have free cash from other profitable jobs to repay these trust claims. As to the MTO claims, these claims will not be diminished in the short term, as they are not collectible in the immediate term in any event.
- (vi) With respect to the physical assets of the Applicants, those assets will not depreciate during any proposed restructuring. On the contrary, I am of the view that a higher value can be sought and received for these physical assets if there is a more measured process for the sale of same, should it be determined that that is the path to be followed by the Applicants, and

(vii) It is my belief that, given the interest shown in the business, that a going concern sale, along with the orderly collection of the MTO receivables will provide sufficient proceeds to repay the secured creditors and the DIP Lender.

164. The Cash Flow assumes that the DIP will be granted as described above. Without the DIP financing, there is insufficient cash with which to sustain the business after May 1, 2008.

165. While the secured creditors will be prejudiced on a short term basis by having their enforcement rights suspended, it is our view that once the restructuring plan has an opportunity to operate the secured creditors will attain a better result than they would otherwise be able to do. In addition, the costs of the CCAA process which are to be covered by the DIP may not be materially greater than the cost the creditors would have to incur themselves in order to liquidate the same assets

166. CSFL has also expressed concern that their assets may be vandalized or otherwise damaged if the Applicants business were to come to an abrupt or unplanned stop. I agree this is possible. Obviously this will not happen if the Applicants are able to continue their business as a going concern or embarks on a CCAA process which promises possible value to stakeholders beyond the secured creditors.

Cash Flow under CCAA

167. The Cash Flow contains certain assumptions.
168. Under the Cash Flow it is assumed that the Court will allow the Applicants to utilize their receivables to fund operations notwithstanding the claims of the TD to same.
169. It is assumed that the Court will authorize the payment of the unpaid payroll which was not made on April 24, 2008, and that the Court will authorize the payment of the payroll arrears accrued for the week of April 21, 2008, which are due on May 1, 2008.
170. It is the Applicants' position that all of the equipment leases, including those of GE and CFSL are financing leases. Accordingly, I am advised by our counsel that it is not required that payment be made in respect of these leases during the term of the CCAA. Consequently, the cash flow does not account for any such payments to be made.
171. In addition, the Cash Flow assumes that the Applicants will suspend making scheduled payments when due under their security and lending facilities with TD or CFSL.

Conclusion

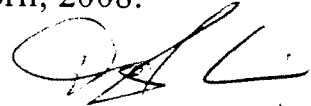
172. It is my belief that a restructuring plan could be implemented which would place the Applicants in a positive cash position in a period of less than half a year. I also believe that a substantial amount will be


available from the restructuring of the business to pay the secured creditors during that same time period. I believe that the aggressive collection of the MTO claims may also allow for the reduction or elimination of the DIP facility more quickly than currently anticipated.

173. I believe it is necessary that the Applicants continue operations, albeit on a scaled back basis, in order to: 1) have the ability to complete the collection of these claims, 2) attend to the dual path process, and 3) have credibility with the necessary work force in order to complete or enter into or bid new projects. I believe the Applicants must therefore have the opportunity to continue their current work and to commence the Dufferin project.

174. I make this affidavit in support of an application under the CCAA for the granting of a stay and the other relief set out in the Notice of Application and for no other or improper purpose.

SWORN before me at Toronto, in the)
Province of Ontario, this 28th day of)
April, 2008.)


A Commissioner, etc.)


DAVID R. SEMLEY)

TAB A

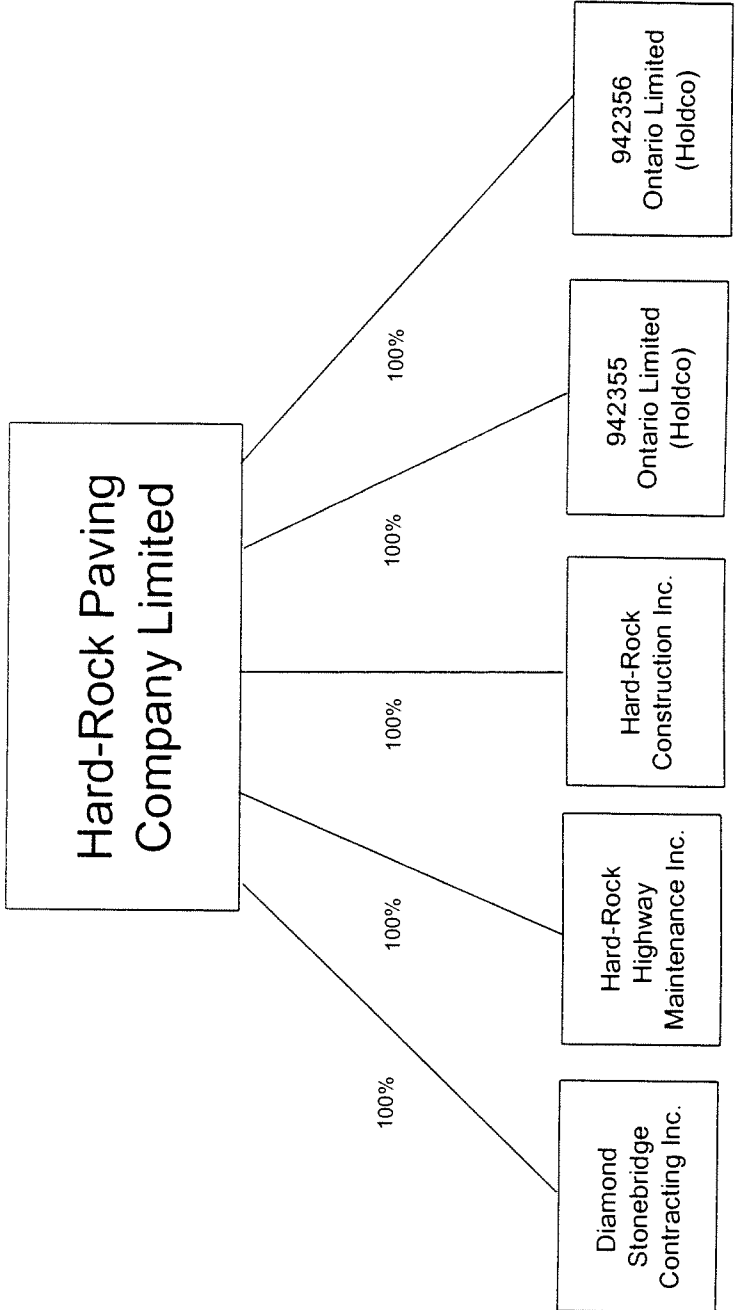
This is Exhibit "A" referred to
in the Affidavit of David R. Semley

Sworn this 28th

day of April, 2008.



A Commissioner for Taking Affidavits



TAB B

CONFIDENTIAL - PROVIDED ONLY TO THE COURT

TAB C

This is Exhibit "C" referred to
in the Affidavit of David R. Semley

Sworn this 28th

day of April, 2008.



.....
A Commissioner for Taking Affidavits

HARD-ROCK PAVING COMPANY LIMITED

Consolidated Financial Statements
for the Year Ended February 29, 2008
and Auditors' Report to the Shareholders



HARD-ROCK PAVING COMPANY LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 29, 2008

CONTENTS

Consolidated Statement of Loss and Deficit.....	1
Consolidated Balance Sheet.....	2
Consolidated Statement of Cash Flows.....	3
Notes to the Consolidated Financial Statements.....	4 - 11

HARD-ROCK PAVING COMPANY LIMITED

CONSOLIDATED STATEMENT OF LOSS AND DEFICIT
YEAR ENDED FEBRUARY 29, 2008

	2008	2007
REVENUE	\$ 53,359,932	\$ 71,231,006
DIRECT COSTS	<u>62,754,444</u>	<u>67,511,533</u>
GROSS PROFIT	(9,394,512)	3,719,473
GENERAL AND ADMINISTRATIVE EXPENSES	<u>3,815,488</u>	<u>3,257,998</u>
INCOME (LOSS) FROM OPERATIONS	(13,210,000)	461,475
OTHER INCOME	<u>455,600</u>	<u>1,142,041</u>
INCOME (LOSS) BEFORE INCOME TAXES	(12,754,400)	1,603,516
INCOME TAXES (RECOVERED)		<u>(30,021)</u>
NET INCOME (LOSS)	(12,754,400)	1,633,537
RETAINED EARNINGS, BEGINNING OF YEAR	11,386,372	9,812,828
PREMIUM ON REDEMPTION OF SHARES	<u>(107,000)</u>	<u>(59,993)</u>
RETAINED EARNINGS (DEFICIT), END OF YEAR	<u>\$ (1,475,028)</u>	<u>\$ 11,386,372</u>

HARD-ROCK PAVING COMPANY LIMITED

CONSOLIDATED BALANCE SHEET

FEBRUARY 29, 2008

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Tender deposits	\$ 62,000	\$ -
Accounts receivable (Note 2)	15,026,158	23,131,697
Income taxes recoverable	56,923	42,364
Inventory (Note 3)	5,197,538	5,096,087
Prepaid expenses	198,377	397,948
Current portion of long-term investments	73,488	73,488
	<hr/>	<hr/>
	20,614,484	28,741,584
Long-term investments (Note 4)	330,207	312,077
Property and equipment (Note 5)	24,870,664	23,890,627
Goodwill	116,699	116,699
	<hr/>	<hr/>
	\$ 45,932,054	\$ 53,060,987
LIABILITIES		
Current liabilities		
Bank indebtedness (Note 6)	\$ 2,271,940	\$ 2,082,773
Accounts payable and accrued charges (Note 7)	14,793,941	13,581,567
Current portion of long-term debt	1,331,897	1,601,379
	<hr/>	<hr/>
	18,837,778	17,265,719
Long-term debt (Note 8)	28,051,612	23,891,204
Contingencies (Note 12)		
	<hr/>	<hr/>
	46,889,390	41,156,923
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	517,692	517,692
Retained earnings (deficit)	(1,475,028)	11,386,372
	<hr/>	<hr/>
	(957,336)	11,904,064
	<hr/>	<hr/>
	\$ 45,932,054	\$ 53,060,987

Approved by the Board:

..... Director

..... Director

HARD-ROCK PAVING COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED FEBRUARY 29, 2008

	2008	2007
OPERATING ACTIVITIES		
Net income (loss)	\$ (12,754,400)	\$ 1,633,536
Items not affecting cash		
Amortization	1,866,403	1,583,631
Gain on disposal of assets	(385,040)	(951,624)
	<u>(11,273,037)</u>	2,265,543
Changes in non-cash operating assets and liabilities		
Accounts receivable	8,105,539	(4,196,003)
Inventory	(101,451)	(2,036,431)
Tender deposits	(62,000)	20,000
Prepaid expenses	199,571	209,312
Accounts payable and accrued charges	1,212,374	1,041,747
Income taxes	(14,559)	(40,476)
	<u>(1,933,563)</u>	(2,736,308)
INVESTING ACTIVITIES		
Proceeds on sale of property and equipment	900,905	1,162,709
Decrease (increase) in long-term investments	(18,130)	(28,832)
	<u>882,775</u>	1,133,877
FINANCING ACTIVITIES		
Proceeds from long-term debt	1,223,200	1,284,942
Repayment of long-term debt	(694,579)	(3,109,865)
Redemption of shares	(107,000)	(60,000)
Issuance of common shares	-	90
	<u>421,621</u>	(1,884,833)
DECREASE IN CASH	(629,167)	(3,487,264)
CASH (INDEBTEDNESS), BEGINNING OF YEAR	(2,082,773)	1,404,491
INDEBTEDNESS, END OF YEAR	\$ (2,711,940)	\$ (2,082,773)

Supplemental information is provided in Note 13.

HARD-ROCK PAVING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FEBRUARY 29, 2008

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Nature of business

The companies included in this consolidation are incorporated under the laws of Ontario and are engaged in the business of road paving, maintenance and construction.

Principles of consolidation

These financial statements include Hard-Rock Paving Company Limited and its wholly-owned subsidiaries 942355 Ontario Limited, 942356 Ontario Limited, Hard-Rock Highway Maintenance Inc., Diamond Stonebridge Contracting Inc. and Hard-Rock Construction Inc., which have been accounted for using the purchase method.

Hard-Rock Construction Inc. (USA) is a wholly-owned subsidiary that is inactive. It has been recorded at cost in these financial statements.

All significant inter-company transactions have been eliminated.

Revenue recognition

Construction contract revenue is recognized on the percentage of completion basis using the ratio of costs incurred to total estimated costs as the measure of performance on specific contracts. Losses on the contract are recognized in the period where such losses become known. Billing in excess of revenue earned are recorded as deferred revenue. Amounts earned but not billed are recorded as unbilled accounts receivable.

Aggregate sales are recorded at the time of delivery to the customer.

The company recognizes revenue from road maintenance contracts as the amounts are earned pursuant to the contractual agreements.

Inventory

Inventories have been valued at the lower of cost and net realizable value. Cost is generally determined on a first-in, first-out basis.

Financial instruments

Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from its financial instruments.

HARD-ROCK PAVING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FEBRUARY 29, 2008

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (CONT'D)

Differential Reporting

The company, with the unanimous consent of its owners, has elected to prepare its financial statements in accordance with Canadian generally accepted accounting principles, using the differential reporting options available to non-publicly accountable enterprises described below:

Share Capital

The company has elected to disclose information on authorized share capital only for classes of issued shares.

The company has elected to present as equity the preferred shares issued in tax planning arrangements under certain sections of the Income Tax Act.

Income taxes

The company has elected to account for income taxes using the taxes payable method:

Financial instruments

The company has elected not to disclose fair value information about financial assets and liabilities for which fair value was not readily obtainable. The fair value of the other assets and liabilities has been established as follows:

The fair value of cash, accounts receivable, notes payable, bank loans, accounts payable and accrued liabilities is equal to their carrying value given their maturity date.

Goodwill

The company has elected to test goodwill for impairment only when an event or circumstance occurs that indicates that the fair value of a reporting unit may be less than its carrying amount. An impairment test has not been performed.

Intangibles not subject to amortization

The company will test intangibles not subject to amortization for impairment only when an event or circumstance occurs, indicating that the carrying amount of the asset may not be recoverable.

Property & equipment

Property & equipment are recorded at cost. Depletion is provided at a rate per ton extracted and amortization is provided on the diminishing balance basis at the following rates:

Stone deposits	\$.03 per ton extracted
Buildings	5% and 10%
Asphalt plants	5%
Office furniture and equipment	20%
Machinery and equipment	5% and 10%
Computer hardware	20% and 25%
Computer software	25%
Automotive equipment	20% and 25%

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

HARD-ROCK PAVING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FEBRUARY 29, 2008

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (CONT'D)

Long Lived Assets

The company monitors events and changes in circumstances which may require an assessment of the recoverability of its long lived assets. If required, the Company would assess recoverability using estimated undiscounted future operating cash flows. If the carrying amount of an asset is not recoverable, an impairment loss is recognized in operations, measured by comparing the carrying amount of the asset to its fair value.

2. ACCOUNTS RECEIVABLE

	<u>2008</u>	<u>2007</u>
Trade	\$ 7,263,683	\$ 8,049,302
Unbilled accounts receivable and claims	4,205,400	10,522,196
Holdbacks receivable	3,305,999	3,900,444
Other accounts receivable	251,078	338,995
Due from directors		320,760
	<u>\$ 15,026,158</u>	<u>\$ 23,131,697</u>

3. INVENTORY

	<u>2008</u>	<u>2007</u>
Stone and sand	\$ 4,469,118	\$ 4,215,356
Parts and supplies	728,420	880,731
	<u>\$ 5,197,538</u>	<u>\$ 5,096,087</u>

4. LONG-TERM INVESTMENTS

	<u>2008</u>	<u>2007</u>
Inactive wholly-owned subsidiary, at cost		
Hard-Rock Construction Inc. (USA)		
100 common shares	\$ 125	\$ 125
Advances, no interest, no repayment terms	4,291	3,810
Affiliated companies, related by common beneficial ownership		
Erie Contracting Inc:	324,124	306,475
Diamond Stonebridge Company Limited, advances, no interest, no repayment terms	1,667	1,667
713518 Ontario Limited, advances, no interest, no terms of repayment	73,488	73,488
	<u>403,695</u>	<u>385,565</u>
Less current portion	73,488	73,488
	<u>\$ 330,207</u>	<u>\$ 312,077</u>

HARD-ROCK PAVING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 29, 2008

5. PROPERTY AND EQUIPMENT

	<u>2008</u>			<u>2007</u>
	Assets at Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land and stone deposits	\$ 4,840,392	\$ 614,743	\$ 4,225,649	\$ 4,028,341
Buildings	2,140,471	841,496	1,298,975	1,217,176
Asphalt plants	4,441,975	1,932,353	2,509,622	2,447,392
Office furniture and equipment	1,179,181	750,988	428,193	560,444
Machinery and equipment	25,483,901	12,305,235	13,178,666	12,546,992
Computer hardware	525,547	459,646	65,901	90,010
Computer software	165,223	152,502	12,721	16,962
Automotive equipment	8,451,087	5,310,265	3,140,822	2,973,195
Leasehold improvements	10,115	-	10,115	10,115
	\$ 47,237,892	\$ 22,367,228	\$ 24,870,664	\$ 23,890,627

6. BANK INDEBTEDNESS

	<u>2008</u>	<u>2007</u>
Bank overdraft	\$ 461,940	\$ 332,773
Operating loan	2,250,000	1,750,000
	\$ 2,711,940	\$ 2,082,773

The company has arranged a joint banking facility with its subsidiaries, Diamond Stonebridge Contracting Inc., Hard Rock Highway Maintenance Inc. and Hard Rock Construction Inc. to a maximum credit limit for the group of \$3,500,000 bearing interest at prime plus 1/2%. The facility is secured by a General Security Agreement with priority over the group's accounts receivable and guarantees by each of the four companies.

7. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	<u>2008</u>	<u>2007</u>
Trade	\$ 12,257,410	\$ 11,614,491
Holdbacks payable	1,619,157	1,439,274
Advance from 713518 Ontario Limited, the Class C shareholder	14,549	14,549
Other	779,045	513,253
Due to directors	123,780	-
	\$ 14,793,941	\$ 13,581,567

HARD-ROCK PAVING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FEBRUARY 29, 2008

8. LONG-TERM DEBT

	<u>2008</u>	<u>2007</u>
Loan payable - Caterpillar Financial Services Limited, repayable in blended monthly payments of \$50,000 to March 2007 then \$80,000 per month from April 2007 to August 2009 then \$95,000 per month from September 2009 to March 2011, interest at 6.95%, secured by a general security agreement over all of the assets of the company, matures April 2011.	\$ 7,531,398	\$ 7,598,124
Loan payable - Caterpillar Financial Services Limited	8,600,881	-
Loan payable - Caterpillar Financial Services Limited, repayable in blended monthly payments of \$73,265, interest at 6.95%, secured by a general security agreement over all of the assets of the company, matures May 2011	3,132,438	3,336,514
Loan payable - Caterpillar Financial Services Limited, repayable in blended monthly payments of \$13,239, interest at 6.95%, secured by equipment, matures April 2011.	639,104	673,911
Revolving loan payable - Caterpillar Financial Services Limited, repayable in August 2007, interest at prime plus 1.25%, secured by a general security agreement over all of the assets of the company	8,396,303	12,996,303
Loan payable - Caterpillar Financial Services Limited, repayable in blended monthly payments of \$5,627, interest at 6.32%, secured by equipment, matures September 2008	111,760	164,272
Loan payable - Caterpillar Financial Services Limited, repayable in blended monthly payments of \$8,226, interest at 6.25%, secured by equipment, matures September 2008	195,071	268,219
Loan payable - GE Capital, repayable in blended monthly payments of \$5,335, interest at 4.92%, secured by equipment, matures March 2009	125,090	181,444
Loan payable - GE Capital, repayable in blended monthly payments of \$17,706, interest at 6.25%, secured by equipment, matures October 2007	45,638	138,384
Subtotal	<u>\$ 28,777,683</u>	<u>\$ 25,357,171</u>

HARD-ROCK PAVING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FEBRUARY 29, 2008

8. LONG-TERM DEBT(continued)

	<u>2008</u>	<u>2007</u>
Subtotal carried forward	\$ 28,777,683	\$ 25,357,171
Loan payable - repayable in monthly principal payments of \$5,240, interest at prime plus 1.5%, secured by a general security agreement, matures February 2009	62,886	125,772
Lien notes payable - repayable in blended monthly payments of \$511, interest at 6.65%, secured by equipment and a general security agreement, matures October 2008	3,984	9,640
Lien note payable - EFCO	<u>538,956</u>	-
	<u>29,383,509</u>	25,492,583
Principal due within one year	<u>1,331,897</u>	1,601,379
	<u>\$ 28,051,612</u>	<u>\$ 23,891,204</u>

HARD-ROCK PAVING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FEBRUARY 29, 2008

9. SHARE CAPITAL

		<u>2008</u>	<u>2007</u>
<i>Authorized</i>			
Unlimited	Class A special shares, non-voting, non-cumulative dividend of 8% of the redemption amount, redeemable and retractable at \$23.50 per share		
60	Class B special shares, voting, non-cumulative dividend of 8% of the redemption amount, redeemable and retractable at \$1 per share		
Unlimited	Class C special shares, non-voting, non-cumulative dividend at a rate based on a calculation to be determined by the board of directors, redeemable and retractable at an amount adjusted each year based on the change in book value (2007 - \$167, 2006 - \$151)		
Unlimited	Class D special shares, non-voting, non-cumulative dividend at a rate based on a calculation to be determined by the board of directors, redeemable and retractable at an amount adjusted each year based on the change in book value (2007 - \$1.67, 2006 - \$1.51)		
60,000	Class E special shares, voting, non-cumulative dividend on the redemption amount, redeemable and retractable at an amount to be determined by the board of directors		
Unlimited	Class F special shares, non-voting, non-cumulative dividend on the redemption amount, redeemable and retractable at an amount to be determined by the board of directors		
Unlimited	Class X voting common shares		
Unlimited	Class Y non-voting common shares		
Unlimited	Class Z non-voting common shares		
<i>Issued</i>			
96,138	Class A special shares	\$ 96	\$ 96
60	Class B special shares	60	60
1,517	Class C special shares	27	27
519,076	Class D special shares	517,378	517,378
50,000	Class E special shares	40	40
90	Class X common shares	90	90
1	Class Y common share	1	1
		\$ 517,692	\$ 517,692

The total redemption amount of the Class A special shares is \$2,259,243. (2006 - \$2,259,243)

The total redemption amount of the Class B special shares is \$60. (2006 - \$60)

The total redemption amount of the Class C special shares is \$253,339. (2006 - \$289,014)

The total redemption amount of the Class D special shares is \$866,857. (2006 - \$783,805)

During the year, the company redeemed 397 Class C special shares for cash in the amount of \$60,000. These shares had a stated capital of \$7 and the premium on redemption in the amount of \$59,993 has been charged to retained earnings.

HARD-ROCK PAVING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FEBRUARY 29, 2008

10. EXPENSES

The following expenses are included within the statement of income:

	2008	2007
Amortization and depletion	\$ 1,866,403	\$ 1,583,631
Interest on long-term debt	2,204,748	1,799,104

11. COMMITMENTS

(a) The company has entered into a lease agreement for office space that requires monthly payments until May 2010.

Annual lease payments required under the agreement are as follows:

Years ending February 28, 2009	\$ 45,930
2010	45,930
2011	7,655
	\$ 99,515

On February 4, 2008, the company entered into a sublease agreement for this office space which will effectively reduce the annual lease payments by \$36,744 for the years ending February 28, 2009 and 2010 and \$6,124 for the year ending February 28, 2011.

(c) An agreement has been entered into between the company and the Class C and Class D special shareholders whereby dividends are payable within six months of the year end based on the net earnings of the company.

12. CONTINGENT LIABILITIES

The company has a credit facility agreement with Caterpillar Financial Services Limited. At year end, the unused portion of the credit facility was \$228,000.

13. SUPPLEMENTAL INFORMATION TO THE STATEMENT OF CASH FLOWS

(a) The following cash flows are included in operating activities:

	2008	2007
Interest paid	\$ 2,204,748	\$ 1,799,104
Income taxes (refunded) paid	\$ (10,195)	\$ (42,846)


(b) In 2008, the company acquired equipment at a cost of \$3,362,305 which was financed entirely by long-term debt.

TAB D

This is Exhibit "D" referred to
in the Affidavit of David R. Semley

Sworn this 28th

day of April, 2008


A Commissioner for Taking Affidavits

	2 May	9 May	16 May	23 May	30 May	6 Jun	13 Jun	20 Jun	27 Jun	4 Jul	11 Jul	18 Jul	25 Jul	1 Aug	August	September	October	November	December	January	February	Total		
Opening Cash Balance	0	100,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	134,573	2,999,505	4,282,225	0	
Cash Receipts																								
Arch 31, 2008 AR	500,000	500,000	400,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	221,000	0	0	0	0	0	0	0	0	0	0	0	4,121,000
Trust Payments	0	211,000	169,000	169,000	127,000	127,000	127,000	127,000	127,000	200,000	200,000	116,000	0	0	0	0	0	0	0	0	0	0	0	1,742,000
Available Cash Receipts	500,000	711,000	569,000	469,000	627,000	627,000	627,000	627,000	627,000	500,000	500,000	337,000	0	0	0	0	0	0	0	0	0	0	0	5,863,000
Cash Disbursements																								
Trade Accounts Receivable	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Inventory	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Inventory Reduction	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Advances	0	259,575	317,575	17,575	417,575	594,185	118,379	594,185	867,185	51,379	202,843	93,859	402,843	0	0	0	0	0	0	0	0	0	0	0
Total Cash Receipts	500,000	548,575	648,575	648,575	648,575	648,575	648,575	648,575	648,575	867,185	867,185	1,202,843	1,202,843	1,248,985	5,677,896	6,043,543	6,131,786	5,614,925	4,206,099	2,232,617	836,855	43,031,460	0	
Cash Disbursements																								
Trade Accounts Payable	300,000	320,093	320,093	320,093	320,093	394,855	394,855	394,855	394,855	10,000	513,970	10,000	10,000	10,000	2,061,400	2,054,893	1,634,326	1,185,941	703,390	639,972	30,000	605,266	14,495,655	
Inventory	0	20,000	20,000	20,000	20,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	40,000	40,000	40,000	30,000	30,000	30,000	30,000	30,000	410,000	
Trade Accounts Payable	200,000	308,462	308,462	308,462	308,462	462,330	462,330	462,330	462,330	462,330	678,873	678,873	678,873	678,873	3,184,283	2,936,358	1,944,684	607,837	279,910	279,910	279,910	279,910	18,757,743	
Advances	0	0	0	0	0	0	0	0	0	0	0	0	0	46,142	512,820	764,367	1,521,102	2,319,727	0	0	0	0	0	5,164,156
Total Cash Disbursements	500,000	648,575	648,575	648,575	648,575	867,185	867,185	867,185	867,185	867,185	1,202,843	1,202,843	1,202,843	1,248,985	5,677,896	6,043,543	6,131,786	5,480,352	1,341,167	949,897	915,176	38,827,556	0	
Ending Cash Balance	100,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4,203,904
Continuity Schedule																								
Opening Balance	0	0	259,575	2,577,150	2,594,725	3,012,300	3,606,485	3,724,864	4,319,049	4,413,234	4,464,613	4,464,613	4,761,315	5,164,158	5,118,016	4,605,196	3,840,829	2,319,727	0	0	0	0	0	0
Payment to TD Bank	0	0	2,000,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Advances	0	259,575	317,575	17,575	417,575	594,185	118,379	594,185	867,185	51,379	202,843	93,859	402,843	0	0	0	0	0	0	0	0	0	0	0
Payments	0	0	0	0	0	0	0	0	0	0	0	0	0	46,142	512,820	764,367	1,521,102	2,319,727	0	0	0	0	0	0
Ending Balance	0	259,575	2,577,150	2,594,725	3,012,300	3,606,485	3,724,864	4,319,049	4,413,234	4,464,613	4,464,613	4,761,315	5,164,158	5,118,016	4,605,196	3,840,829	2,319,727	0	0	0	0	0	0	4,203,904
Claims Collections																								
Claims Collected	0	0	0	0	0	0	0	0	0	0	0	0	470,121	0	147,161	137,111	4,824,549	0	0	0	0	0	0	5,578,942
Trust Payments	0	0	0	0	0	0	0	0	0	0	0	0	113,207	871,854	0	0	0	0	0	0	0	0	0	985,061
Claims Collections	0	0	0	0	0	0	0	0	0	0	0	129,426	0	0	0	58,407	1,828,745	0	0	0	0	0	0	2,016,578
Total Claims Collections	0	0	0	0	0	0	0	0	0	0	0	340,695	0	147,161	191,911	3,867,656	0	0	0	0	0	0	0	4,547,425

Fiscal 2009 Net Cash Generated

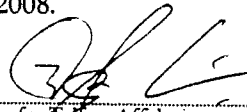
8,751,329

TAB E

This is Exhibit "E" referred to
in the Affidavit of David R. Semley

Sworn this 25

day of April, 2008.



.....
A Commissioner for Taking Affidavits

HARD-ROCK HIGHWAY MAINTENANCE INC.

Personal Property Security Act

Search Summary

Business Debtor: Hard-Rock Highway Maintenance Inc. ("Highway")

File Currency Date: April 10, 2008

Secured Party	Secured Party Address	Business Debtor	File No.	Registration No.	Registration Period	Collateral Classification	Collateral Description	Miscellaneous
The Guarantee Company of North America	Suite 1400, 4950 Yonge Street North York Ont M2n 6K1	Hard-Rock Paving Company Limited Diamond Stonebridge Contracting Inc. Highway Hard-Rock Construction Inc.	643130073	20080304 1754 8028 9686	5	I,E,A,OMVI		

*Collateral: CG - Consumer Goods, I - Inventory, E - Equipment, A - Accounts, O - Other, MVI - Motor Vehicle Included

Secured Party	Secured Party Address	Business Debtor	File No.	Registration No.	Registration Period	Collateral Classification	Collateral Description	Miscellaneous
		942355 Ontario Limited						
		942356 Ontario Limited						
David Roy Semley	2 Orchard Drive Port Colborne On L3K 2T2	Hard-Rock Paving Company Limited Hard-Rock Construction Inc. Diamond Stonebridge Contracting Inc.	642760164	20080215 1635 2731 0016	5	I,E,A,O	General Security Agreement	
		Highway						

Secured Party	Secured Party Address	Business Debtor	File No.	Registration No.	Registration Period	Collateral Classification	Collateral Description	Miscellaneous
The Toronto-Dominion Bank	31 Queen Street at King Street St. Catharines Ont L2V 2P9	Highway	083373309	20001027 1106 0045 6355	5	I,E,A,O	General Security Agreement	
		Highway	083373309	20001127 1441 1530 1143				Amend base debtor address. Amend line 10
		Highway	083373309	20040224 1947 1531 9233				To add three motor vehicles
		Highway	083373309	20050818 1945 1531 2463				Renewal - 1 year
		Highway	083373309	20060413 1947 1531 9827				Assignment
		Highway	083373309	20060913 2002 1531 1737				Renewal - 5 years

#1335745

*Collateral: I - Inventory, E - Equipment, A - Accounts, O - Other, MVI - Motor Vehicle Included

DIAMOND STONEBRIDGE CONTRACTING INC.

Personal Property Security Act

Search Summary

Business Debtor: Diamond Stonebridge Contracting Inc. ("Diamond")

File Currency Date: April 10, 2008

Secured Party	Secured Party Address	Business Debtor	File No.	Registration No.	Registration Period	Collateral Classification	Collateral Description	Miscellaneous
The Guarantee Company of North America	Suite 1400, 4950 Yonge Street, North York Ont M2N 6K1	Hard-Rock Paving Company Limited Diamond Hard-Rock Highway Maintenance Inc. Hard-Rock Construction Inc.	643130073	20080304 1754 8028 9686	5	I,E,A,O,MV1		

*Collateral: CG - Consumer Goods, I - Inventory, E - Equipment, A - Accounts, O - Other, MV1 - Motor Vehicle Included

Secured Party	Secured Party Address	Business Debtor	File No.	Registration No.	Registration Period	Collateral Classification	Collateral Description	Miscellaneous
		942355 Ontario Limited						
		942356 Ontario Limited						
David Roy Semley	2 Orchard Drive Port Colborne On L3K 2T2	Hard-Rock Paving Company Limited Hard-Rock Construction Inc. Diamond Hard-Rock Highway Maintenance Inc.	642760164	20080215 1635 2731 0016	5	I,E,A,O	General Security Agreement	

Secured Party	Secured Party Address	Business Debtor	File No.	Registration No.	Registration Period	Collateral Classification	Collateral Description	Miscellaneous
Boxx Modular Inc.	213 Bunting Rd., St. Catharines On L2M3Y2	Diamond	634423617	20070417 1702 1462 4648	1	E	8X20 mobile office trailer – SN#DS897 – INS VAL \$4295	
		Diamond	634423617	20070510 1702 1462 1073				Update security party info
The Toronto-Dominion Bank, Transit #3520	40 King Street, St. Catharines Ont L2R 3H4	Diamond	622739079	20060215 1001 1462 1786	5	I,E,A,O,MVI	General Security Agreement	
		Diamond	622739079	20060221 1336 1793 1951				To delete reference to General Security Agreement on line 13 of registration number 20060215 1001 1462 1786

Secured Party	Secured Party Address	Business Debtor	File No.	Registration No.	Registration Period	Collateral Classification	Collateral Description	Miscellaneous
Caterpillar Financial Services Limited	700 Dorval Drive, Suite 705 Oakville On L6K 3V3	Diamond	604041804	20040324 1714 8077 6095	10	I,E,A,O,MVI		
GE Canada Equipment Financing G.P.	2300 Meadowvale Blvd., Suite 100 Mississauga On L5N 5P9	Hard-Rock Paving Company Limited	600923745	20031110 1713 6092 5446	4	I,E,A,O,MVI		1997 John Deere Model 310SE VIN T0310SE837884 1998 Mack Model CL713 VIN 1M2AD62C8WW 006861 2000 John Deere Model 310SE VIN T0310SE890326 2001 International Model 2674 VIN 1HTGLAHI01H

*Collateral: I - Inventory, E - Equipment, A - Accounts, O - Other, MVI - Motor Vehicle Included

Secured Party	Secured Party Address	Business Debtor	File No.	Registration No.	Registration Period	Collateral Classification	Collateral Description	Miscellaneous
								351295 2001 International Model 2674 VIN 1HTGLAHT21H 351296 2000 International Model 2674 VIN 1HTGLAHT6YH 298581 2000 International Model 2674 VIN 1HTGLAHT4YH 298580 1996 John Deere Model 892E-LC VIN FF892EX011758

*Collateral: I - Inventory, E - Equipment, A - Accounts, O - Other, MVI - Motor Vehicle included

Secured Party	Secured Party Address	Business Debtor	File No.	Registration No.	Registration Period	Collateral Classification	Collateral Description	Miscellaneous
		Hard-Rock Paving Company Limited	600923745	20031127 0851 6092 5466				To add an additional business debtor and MV
		Hard-Rock Paving Company Limited	600923745	20031201 1653 6092 5474				To clarify secured party
		Hard-Rock Paving Company Limited	600923745	20061109 1054 3065 2097				Renewal - 1 year

#1335602

*Collateral: I - Inventory, E - Equipment, A - Accounts, O - Other, MV1 - Motor Vehicle Included

HARD-ROCK CONSTRUCTION INC.

Personal Property Security Act

Search Summary

Business Debtor: Hard-Rock Construction Inc. ("Construction")

File Currency Date: April 10, 2008

Secured Party	Secured Party Address	Business Debtor	File No.	Registration No.	Registration Period	Collateral Classification	Collateral Description	Miscellaneous
The Guarantee Company of North America	Suite 1400, 4950 Yonge Street North York Ont M2N 6K1	Hard-Rock Paving Company Limited Diamond Stonebridge Contracting Inc. Hard-Rock Highway Maintenance Inc.	643130073	20080304 1754 8028 9686	5	I,E,A,O,MV1		

*Collateral: CG - Consumer Goods, I - Inventory, E - Equipment, A - Accounts, O - Other, MV1 - Motor Vehicle Included

Secured Party	Secured Party Address	Business Debtor	File No.	Registration No.	Registration Period	Collateral Classification	Collateral Description	Miscellaneous
		Construction 942355 Ontario Limited						
		942356 Ontario Limited						

*Collateral: I - Inventory, E - Equipment, A - Accounts, O - Other, MVI - Motor Vehicle Included

Secured Party	Secured Party Address	Business Debtor	File No.	Registration No.	Registration Period	Collateral Classification	Collateral Description	Miscellaneous
David Roy Semley	2 Orchard Drive Port Colborne On L3K 2T2	Hard-Rock Paving Company Limited Construction Diamond Stonebridge Contracting Inc. Hard-Rock Highway Maintenance Inc.	642760164	20080215 1635 2731 0016	5	I,E,A,O	General Security Agreement	
		Construction	626268492	20070516 1702 1462 2813				Update secured party info

*Collateral: I - Inventory, E - Equipment, A - Accounts, O - Other, MVI - Motor Vehicle Included

Secured Party	Secured Party Address	Business Debtor	File No.	Registration No.	Registration Period	Collateral Classification	Collateral Description	Miscellaneous
The Toronto-Dominion Bank, Transit #3520	40 King Street St. Catharines Ont L2R 3H4	Construction	622739061	20060215 1001 1462 1785	5	I,E,A,O,MVI	General Security Agreement	
		Construction	622739061	20060221 1334 1793 1950				To delete reference to General Security Agreement on line 13 of registration number 20060215 1001 1462 1785
Caterpillar Financial Services Limited	700 Dorval Drive, Suite 705 Oakville On L6K 3V3	Construction	604041813	20040324 1714 8077 6096	10	I,E,A,O,MVI		

#1335731

*Collateral: I - Inventory, E - Equipment, A - Accounts, O - Other, MVI - Motor Vehicle Included

HARD-ROCK PAVING COMPANY LIMITED

Personal Property Security Act

Search Summary

Business Debtor: The Hard-Rock Paving Company Limited ("Hard-Rock")

File Currency Date: April 10, 2008

Secured Party	Secured Party Address	Business Debtor	File No.	Registration No.	Registration Period	Collateral Classification	Collateral Description	Miscellaneous
The Guarantee Company of North America	Suite 1400, 4950 Yonge Street, North York Ont M2N 6K1	Hard-Rock Diamond Stonebridge Contracting Inc. Hard-Rock Highway Maintenance Inc. Hard-Rock Construction Inc.	643130073	20080304 1754 8028 9686	5	I, E, A, O, MVI		

*Collateral: CG - Consumer Goods, I - Inventory, E - Equipment, A - Accounts, O - Other, MVI - Motor Vehicle Included

Secured Party	Secured Party Address	Business Debtor	File No.	Registration No.	Registration Period	Collateral Classification	Collateral Description	Miscellaneous
		942355 Ontario Limited						
		942356 Ontario Limited						

*Collateral: I - Inventory, E - Equipment, A - Accounts, O - Other, MV1 - Motor Vehicle Included

Secured Party	Secured Party Address	Business Debtor	File No.	Registration No.	Registration Period	Collateral Classification	Collateral Description	Miscellaneous
Black Diamond LP by way of its General Partner	213 Bunting Rd., St. Catharines On L2M 3Y2	Hard Rock Paving Co. Ltd.	643043736	20080229 1718 1461 5363				1997 Caterpillar Model BG-2455C VIN 6TNN00127 1999 Caterpillar Model IPS300B VIN 4PN0021 2005 Caterpillar Model BG-650 VIN CATBG650C9E K00386 1998 Caterpillar Model IPS300B VIN 4PN00211
			642987468	20080228 1003 1462 6229		E	8 X 16 office trailer - SN# 816247 - INS VAL \$9845	

*Collateral: I - Inventory, E - Equipment, A - Accounts, O - Other, MV1 - Motor Vehicle, Included

Secured Party	Secured Party Address	Business Debtor	File No.	Registration No.	Registration Period	Collateral Classification	Collateral Description	Miscellaneous
Black Diamond Group Inc.								
Black Diamond LP by way of its General Partner Black Diamond Group Inc.	213 Bunting Rd., St. Catharines On L2M 3Y2	Hard Rock Paving Co. Ltd.	642997296	20080228 1409 1462 6326	1	E	8 X 16 office trailer - SN# 9845 - INS VAL \$12,305	
Strongco Limited Partnership	1640 Enterprise Rd, Mississauga On L4W 4L4	Hard-Rock Paving Limited	643009599	20080228 1708 1461 5321	1	MVI		Cedarrapids Model FSG6203-32 VIN 53780

*Collateral: I - Inventory, E - Equipment, A - Accounts, O - Other, MVI - Motor Vehicle Included