

Court File No. 08-CL-7503

**HARD-ROCK PAVING COMPANY LIMITED
AND THE HARD-ROCK GROUP OF COMPANIES**

**SUPPLEMENT TO THE FIRST REPORT OF THE MONITOR TO
THE COURT**

June 11, 2008

**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")

**SUPPLEMENT TO THE FIRST REPORT OF BDO DUNWOODY LIMITED
IN ITS CAPACITY AS MONITOR**

1. This follows the Monitor's Second Report to the Court dated June 6, 2008 and the Companies' motion returnable on June 10, 2008 seeking an Order extending the Stay Period under the Amended and Restated Order of the Honourable Justice Spence dated May 12, 2008 (the "Amended Order") and approving and authorizing further debtor in possession financing.
2. On June 10, 2008 the Court extended the Stay Period to July 10, 2008 and the Companies were authorized and empowered to borrow under a credit facility to be approved by the Court a sum not to exceed \$1,000,000.
3. The Monitor has been directed to provide this supplement to the Second Report to provide the Monitor's position on the potential return to the stakeholders in this matter through the Sale Process while the Companies are operating as a going concern, versus a liquidation scenario.
4. It is the Monitor's view based on its experience as restructuring

professionals and trustees in bankruptcy that it is likely that the Companies' assets will realize a better return in a Sales Process involving the Companies as a going concern to July 10, 2008 than might be realized in a Sales Process conducted by a bankruptcy trustee or a court appointed receiver or interim receiver following a shut-down of the Companies' operations.

5. As indicated to this court on June 10, 2008, the Monitor is supportive of a thirty (30) day period for completing the Sales Process. The Monitor is of the view that the Sale Process with the Companies' as a going concern should result in an increased realization of at least \$450,000 over what might be achieved in a bankruptcy or receiver's liquidation.
6. The Monitor has reviewed the following credit facility letters addressed to Hard-Rock Paving Company Limited for debtor in possession financing:
 - a. Letter dated June 10, 2008 from McLennan Financing Limited (the "McLennan Letter");
 - b. Letter dated June 11, 2008 from Caterpillar Financial Services Limited (the "CFSL Letter").
7. The CFSL Letter and the McLennan Letter will be provided to the Court on June 12, 2008 and have not be attached to this report due to the confidential nature of the information contained therein.
8. It is the Monitor's recommendation that the Court approve the Companies' entering into and borrowing debtor in possession financing pursuant to the CFSL letter. The recommendation is based on the following:
 - a. The CFSL Letter bears a lower rate of interest;
 - b. the CFSL Letter allows the Companies access to \$1,000,000 pursuant to cash flows provided, with no fee payable from the funds, thus providing a better net cash availability to the Companies to July 10, 2008;

c. the Companies' time and cost of professional assistance is reduced by avoiding additional reporting to another new party (McLennan).

9. The Monitor's review and recommendation in relation to the CFSL Letter is based on the Companies' need for debtor in possession financing to July 10, 2008 only.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 11th day of June, 2008.

BDO Dunwoody Limited

In its capacity as Monitor of The Hard-Rock Paving Company Limited
and the companies listed at schedule "A" to the Initial Order

Per:


