

**Robb Evans & Associates LLC
Temporary Receiver of
Denise Mowbray Tree Company, Inc.
Arrowhead Tree Service, Inc.
M. J. Equipment, LLC, et al.**

**Review, Analysis, and Initial Conclusion of the Financial Condition
of the Receivership Entities**

Summary and Conclusions

The Temporary Receiver has completed an initial review and analysis of the combined financial condition of Denise Mowbray Tree Company, Inc. (Mowbray Tree), Arrowhead Tree Service, Inc. (Arrowhead), and M. J. Equipment, LLC (MJ Equipment). Although additional financial records, including filed or threatened legal actions and equipment-financing agreements have not been studied in detail, the Temporary Receiver has located and studied sufficient data to reach certain conclusions about the immediate financial condition of the receivership entities. The Temporary Receiver is certain that additional data and records will support these initial conclusions and will probably indicate a more serious condition.

The receivership entities are committed to monthly expenses that substantially exceed all sources of available income. The records document that the entities are hopelessly insolvent. Further details discussed later show the entities collect between \$515,000 and \$560,000 each month, primarily from two contracts. The total cash expenses required to operate the businesses are \$735,000 to \$761,000. The monthly cash deficit is \$201,000 to \$220,000. These monthly expenses do not include any non-cash charges, legal expenses, and may not include all required payments to service debt.

From interviewing employees and locating bills, invoices, delinquent notices, letters, and reviewing payroll records, the Temporary Receiver has determined that the receivership entities currently have accounts payable of approximately \$1,341,500. This amount includes \$140,500 of employee payroll tax withholding and employer taxes that have not been paid to the federal and state government, and \$421,000 of delinquent premiums for workers compensation insurance.

The company has been sued by seven entities alleging claims in excess of \$1.6 million. In addition, Mowbray Tree recently received an inquiry from the National Labor Relations Board and was in the process of engaging a law firm to deal with the matter.

Details of Cash Income and Expense

The receivership entities provide tree trimming and brush removal service to two companies under fixed unit price contracts. Arrowhead provides service to Pacific Gas and Electric Company (PG&E) as a prime contractor. Arrowhead is a signatory to a labor agreement with the Electrical Workers Union Local in Northern California. The PG&E contract will expire December 31, 2005 unless new fixed unit prices are negotiated within the next two weeks. Fifty-six workers are required to provide the contracted services.

The PG&E contract generates \$275,000 to \$300,000 each month, depending on volume. The cost of wages and worker's compensation insurance are about \$250,000 each month.

Mowbray Tree provides service to Asplundh Tree Experts Inc. (Asplundh) as a non-union subcontractor for a prime contract with Southern California Edison Company. Except for the fixed unit prices, additional contract details are not yet available. Fifty-eight workers are required to provide the contracted services.

The contract generates \$200,000 each month. The net amount is after fixed, recurring deductions for certain leased equipment, details of which are not yet available. The cost of wages (including mechanics and clerical staff) and worker's compensation insurance are about \$283,000 each month.

Other Southern California business provides \$40,000 to \$60,000 a month. The total monthly gross profit (income less wages and worker's compensation insurance) generated from all sources ranges from negative (\$18,000) to positive \$27,000. The generated gross profit cannot and has not covered the remaining confirmed cash overhead expenses of \$202,000 to \$227,000.

As a result, the receivership entities create a continuing monthly cash deficit of between \$201,000 and \$220,000. This deficit has recently been financed by creditors, insurers, and employer/employee payroll taxes.

Recommendations for Immediate Action

The Temporary Receiver believes it should stop the increasing injury to creditors, try to preserve the existing jobs for about 114 workers, and try to minimize disruption to the two public utilities receiving tree trimming and brush removal services. The receivership estate will use all available cash, and create its own increasing deficit by October 14, 2005 if current business operations continue. There is no possibility of immediately increasing income or reducing any meaningful expenses. Accordingly, the Temporary Receiver recommends and proposes to seek authority for the following actions:

- Immediately contact competitors, especially those already providing identical service to PG&E and Asplundh, to discuss taking over the two service contracts and retaining as many employees as possible. Attempt to negotiate a payment for the transferred business.
- Work closely with PG&E and Asplundh to quickly complete a transfer with minimum interruption to production and to preserve the value of remaining receivables.
- If arrangements with competitors and a payment for the transferred business cannot be completed, inform PG&E and Asplundh immediately that business operations will cease. Work as closely as possible with the companies to transition employees to new providers and to provide production information to the extent it is possible. Attempt to preserve the value of remaining receivables.
- Cease all field production by October 14, 2005.
- Retain sufficient employees to take custody of all equipment and supplies. Develop and seek approval for procedures to liquidate remaining assets including equipment.

Respectfully submitted,

Robb Evans & Associates LLC
October 6, 2005