

No. S113550  
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

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

AND

IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*, R.S.C. 1985, c. C-44 and the  
*BUSINESS CORPORATIONS ACT*, S.B.C. 2002, c. 57

AND

IN THE MATTER OF WORLDSPAN MARINE INC., CRESCENT CUSTOM YACHTS INC., QUEENSHIP  
MARINE INDUSTRIES LTD., 27222 DEVELOPMENTS LTD. and  
COMPOSITE FRP PRODUCTS LTD.

PETITIONERS

VESSEL CONSTRUCTION OFFICER'S 2<sup>nd</sup> REPORT TO COURT

October 31, 2011

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**VANCOUVER  
SUPREME COURT SCHEDULING**

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**i. Executive Summary**

Capitalized terms used in this Executive Summary have the meanings ascribed to them in the body of this Report.

The total estimated costs to complete construction of the Vessel are expected to range from \$11.241 million to \$13.337 million, as follows:

<b>Cost Category</b>	<b>Estimated Low \$</b>	<b>Estimated High \$</b>
Vessel Construction Costs	10,103,275	12,138,599
Costs Ancillary to Vessel's Construction & Delivery	<u>1,137,740</u>	<u>1,198,240</u>
<b>Total Vessel Completion Costs</b>	<b><u>11,241,015</u></b>	<b><u>13,336,839</u></b>

This estimate is based upon a number of assumptions including:

- that the construction activity will take place at Worldspan's manufacturing facility over a twelve (12) to fourteen (14) month period, commencing January 2012;
- that the estimated Ancillary Costs to complete the construction of the Vessel include initial sea trials and any necessary rectifications identified in the course of same, as well as payments to key suppliers and sub-contractors in respect of claims for work performed before the Filing date;
- that the price quotations received from sub-trades (once a date for recommencing construction activities has been finalized) will not vary significantly from the estimates provided to, and relied upon by, the VCO in the preparation of the Completion Cost Analysis; and
- US-based Tradespeople will bill for services in US funds, but the Canadian/US currency exchange rate will remain at or near par (thereby not giving rise to foreign exchange issues).

## I. Introduction

Worldspan Marine Inc. (“**Worldspan**”) is a builder of luxury yachts.

On June 6, 2011 (the “**Filing Date**”), Worldspan and several related companies commenced proceedings (the “**CCAA Proceedings**”) in the Supreme Court of British Columbia (the “**Court**”) seeking protection from their creditors pursuant to the *Companies’ Creditor Arrangement Act* (Canada) (“**CCAA**”). Boale Wood & Company Limited was appointed as Monitor in the CCAA Proceedings.

Prior to the initiation of the CCAA Proceedings, one of Worldspan’s creditors had commenced proceedings in the Federal Court of Canada and caused the vessel bearing hull number QE014226C010 (the “**Vessel**”) to be arrested in those proceedings.

On July 22, 2011, on the application of Harry Sargeant III (“**Sargeant**”) in the CCAA Proceedings, the Court made an order (the “**VCO Order**”) appointing Wolrige Mahon Limited as Vessel Construction Officer (the “**VCO**”) of the Vessel.

The VCO’s mandate under the VCO Order is to “endeavour to prepare an analysis of the cost to complete the construction of the Vessel in accordance with the existing specifications set forth in or attached to the [Construction Agreement] dated February 29, 2008 between Sargeant and Worldspan, as subsequently amended by any change orders known to the VCO (the “**Completion Cost Analysis**”), with the ultimate objective, upon further order, of completing construction of the Vessel for delivery to Sargeant”.

## II. Purpose & Limitation of Report

### Purpose of Report

This is the VCO's second Report to the Court.

The purpose of this Report is to provide the Court with an update as to the VCO's activities since September 16, 2011 (the date of its first report to the Court) and to provide the VCO's Completion Cost Analysis.

The Completion Cost Analysis is composed of two cost categories, being:

- the estimated Vessel construction costs, which include all direct and indirect costs required to complete the Vessel's construction (the "**Construction Costs**"), and
- non-construction costs ancillary to the Vessel's construction and which are essential for delivery of a finished product to the purchaser ("**Ancillary Costs**"), which include:
  - the claims of various key sub-contractors, suppliers and tradespersons (collectively referred to as "Tradespeople") for work performed before the Filing date which must be paid before such key Tradespeople will perform any additional work on the Vessel (collectively, the "**Pre-Filing Trade Claims**");
  - costs associated with removing the Vessel from Worldspan's manufacturing facility (the "**Building**") and launching the Vessel; and
  - costs associated with the Vessel's initial sea trials.

### Limitation of Report

In preparing this Report the VCO has relied upon:

- unaudited financial and other information obtained from Worldspan;
- discussions with Worldspan's management;
- discussions with, and review of cost estimates submitted by: (i) tradespersons familiar with the Vessel; (ii) tradespersons with knowledge and experience in the maritime construction industry; and (iii) other professional advisors retained by the VCO in connection with the preparation of the Completion Cost Analysis.

The VCO has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of such information and, accordingly, the VCO expresses no opinion or other form of assurance in respect of such information. The VCO may alter its observations as further information is obtained or is brought to the VCO's attention after the date of this Report.

**Uncertainty as to Construction of the Vessel.** Readers should be cautioned that it is uncertain as to whether construction of the Vessel will re-commence while title to the Vessel remains with Worldspan and, if it does, who will oversee the construction.

**Variance in Estimates.** Readers are also cautioned that the cost estimates received and reported upon herein are not fixed price quotes, are subject to change and only encompass estimated costs to be incurred during completion of the Vessel's construction and launch (as well as certain other ancillary costs expressly identified in this Report).

**Validity of Assumptions.** Readers are further cautioned that all cost estimates received and reported upon herein are based upon assumptions about future events and conditions. Actual costs may vary from the cost estimates even if the underlying assumptions materialize. **Most importantly, the variations may be significant.**

This Report has been prepared solely for the purposes of the CCAA Proceedings and may not be suitable for any other purposes. The VCO assumes no responsibility or liability for, and disclaims any and all liability for, any loss or damage incurred or suffered by any party as a result of the use of this Report in any manner or as a result of the circulation, publication or reproduction of it. Any use which any party makes of this Report or any decisions made based on it are the responsibility of that party.

### III. Completion Cost Analysis

As detailed in the Completion Cost Analysis, the VCO estimates the total costs of delivering a finished product to the purchaser at between \$11.241 million and \$13.337 million (net of HST), broken down as follows:

- as set out in **Appendix “A”**, estimated Construction Costs are between \$10.103 million and \$12.139 million; and
- as set out in **Appendix “B”**, estimated Ancillary Costs are between \$1.138 million and \$1.198 million.

#### A. Key Assumptions with respect to the Vessel Construction Project

In the ordinary course, much of the Vessel construction work would be performed by Worldspan’s workforce, with numerous sub-contractors being retained to provide specialty trades and services (e.g. installation of electronics, millwork, galley, etc.) Worldspan’s workforce of approximately 90 to 100 people was laid off sometime prior to July 2010 (over 18 months ago) and may, or may not, be capable of being reassembled.

The Completion Cost Analysis assumes that the most expeditious and efficient method of completing the Vessel’s construction is to sub-contract the remaining work to those Tradespeople that previously worked on the Vessel and who are most familiar with the Vessel and its construction to date. Where practicable, the work that otherwise would have been performed by Worldspan’s workforce would be sub-contracted to these Tradespeople.

As discussed in the VCO’s report of September 16, 2011, the VCO retained the services of David Boudreau and Martin Biros (both former Worldspan employees) to assist with the preparation of the Completion Cost Analysis. Messrs. Boudreau and Biros made initial contact with the Tradespeople and introduced them to the VCO. The VCO discussed and solicited these Tradespeople’s assistance in providing updated information as well as cost estimates for the work to be performed by them in completing the Vessel.

In view of the limited time available to the VCO in which to gather estimates for the Completion Cost Analysis, and considering the Tradespeople’s familiarity with the Vessel, the VCO believes the Tradespeople are the best qualified to complete the work.

Many of the Tradespeople have outstanding Pre-Filing Trade Claims, and some Tradespeople have asserted maritime liens in respect of such claims. All insist on being paid the full amount of their Pre-Filing Trade Claims before doing any more work on the Vessel. Because the Tradespeople are, in the VCO’s view, essential for the timely completion of the Vessel construction, the VCO has assumed that their Pre-Filing Trade Claims will be paid in full in the course of construction of the Vessel.

During their discussions, the VCO was advised by a number of the Tradespeople that, irrespective of whether their Pre-Filing Trade Claims were paid, they would not perform any further work on the Vessel if Worldspan was the contractor or was overseeing construction. For that reason, and considering the ongoing dispute between Worldspan and Sargeant, the Completion Cost Analysis assumes the VCO will be responsible for co-ordinating the completion of the Vessel's construction.

The Completion Cost Analysis also assumes Messrs. Boudreau and Biros will be responsible for overseeing day-to-day construction activity and overall project management. Technical support is to be provided by MTS Yachts Management & Technical Services ("MTS"), as required.

## **B. The Vessel's Estimated Construction Costs**

Attached as **Appendix "A"** hereto are details of the Vessel's estimated Construction Costs and the assumptions underlying the estimates.

### **1. Key Assumptions**

The following are some of the key assumptions made by the VCO in relation to the completion of the Vessel and preparing estimates of the Construction Costs:

- the Vessel will be constructed in the Building and all construction activities will be compatible with the business activities of any new, non-shipbuilding co-occupants;
- construction will be completed within a twelve (12) to fourteen (14) month period, commencing in January 2012;
- final price quotations from Tradespeople (to be obtained at the time construction of the Vessel recommences) will not vary significantly from those recently provided to the VCO; and
- satisfactory financial arrangements will be made with those Tradespeople having Pre-Filing Trade Claims, such that construction activities by those Tradespeople will commence in a timely fashion.



## 2. Estimated Construction Cost Summary

The following table summarizes the VCO's estimate of the Construction Costs.

<b>Cost Category</b>	<b>Estimated Low</b>	<b>Estimated High</b>
	<b>\$</b>	<b>\$</b>
Start Up	55,250	55,250
Material, Labour & Sub-Contractor Costs	8,527,645	10,014,956
Administrative Overhead	<u>1,520,380</u>	<u>2,068,393</u>
<b>Total Estimated Construction Costs</b>	<b><u>10,103,275</u></b>	<b><u>12,138,599</u></b>

### C. Estimated Ancillary Costs

Once built, the Vessel will need to be moved from the Building to the launch site and, after launch, undergo initial sea trials to identify any deficiencies.

Attached as **Appendix "B"** are details of the Estimated Ancillary Costs and the assumptions underlying the estimates.

#### 1. Key Assumptions

The following are some of the key assumptions made by the VCO in preparing estimates of the Ancillary Costs:

- the Pre-Filing Trade Claims of key Tradespeople must be paid during the course of construction;
- the purchaser of the Building is fully aware of, and consents to, the structural alterations to the Building that will be necessary in order to safely remove the Vessel upon completion of construction; and
- once the Vessel has been launched and initial sea trials have been completed, any deficiencies and repairs will not be performed at the Building, but at another location.

## 2. Ancillary Costs Summary

The following table summarizes the VCO's estimate of the Ancillary Costs.

<b>Cost Category</b>	<b>Estimated Low</b>	<b>Estimated High</b>
	<b>\$</b>	<b>\$</b>
Pre-Filing Trade Claims	<b>924,773</b>	<b>925,273</b>
Costs of Launching Vessel & Initial Sea Trials	<b><u>212,967</u></b>	<b><u>272,967</u></b>
<b>Total Estimated Ancillary Costs (Note 1)</b>	<b><u>1,137,740</u></b>	<b><u>1,198,240</u></b>

*Note 1: The costs associated with repairing deficiencies identified in the initial sea trials are unknown and no amount has been included for them in the Ancillary Costs.*

## **IV. Issues Affecting Completion of the Vessel**

The CCAA and related Federal Court proceedings have, to date, been very litigious. Not only is there a dispute between Worldspan and Sargeant regarding construction of the Vessel and funding for such construction under their Construction Agreement, there are a number of creditors of both Worldspan and Sargeant that have claimed an interest in the Vessel. There are, in addition, a number of matters that will arise in relation to the completion and delivery of the Vessel.

While the VCO's mandate does not require that the VCO resolve or opine on these matters, the VCO notes that the final cost of completing construction of the Vessel, and the availability of funding from Sargeant (or, alternatively, the amount that can be realized from the sale of the Vessel to a third party), will likely depend upon the resolution of these outstanding issues.

### **A. Delivery of Clear Title Upon Completion.**

A number of parties have asserted claims against Worldspan and/or Sargeant and against the Vessel. Undoubtedly, Sargeant's decision as to whether to fund the completion of the Vessel will depend in part upon:

- the validity, amount and priority of any maritime liens asserted as against the Vessel;
- the ability of Sargeant's or any of his company's creditors to assert an interest in the Vessel; and
- the resolution of the pending litigation between Worldspan and Sargeant, including Sargeant's security interest in the Vessel.

The aforementioned issues will most likely also impact on the amount that might be realized from the sale of the Vessel to a third party.

### **B. Oversight of the Vessel's Construction.**

If Sargeant elects to fund completion of the Vessel, a determination must be made as to who will oversee construction. While Worldspan is still the owner of the Vessel and may want to complete the Vessel itself, as noted above, a number of key Tradespeople whose cost estimates are included in the Completion Cost Analysis have indicated they are not prepared to provide services to Worldspan.

Although the Completion Cost Analysis assumes that the VCO would be appointed to oversee the completion of the Vessel's construction, there are, of course, several alternative scenarios, including:

- the Vessel is completed by Worldspan during the pendency of the CCAA Proceedings;
- the CCAA Proceedings are terminated and the Vessel is completed by a Receiver Manager either at the Building or at another shipbuilding facility; and
- the CCAA Proceedings are terminated and the Vessel is acquired by Sargeant or another party and completed at another shipbuilding facility.

The costs associated with each of these alternatives could vary significantly from costs estimated by the VCO as contemplated by this Report.

### **C. Construction of the Vessel at the Building**

The Completion Cost Analysis assumes the Vessel will be constructed in the Building. If Sargeant (or some other party) were to become the owner of the Vessel prior to its completion, it is unclear whether construction could or would continue at the Building, or how this would affect the Completion Cost Analysis.

Issues also arise due to the fact that the Building is not likely to be owned by Worldspan when construction recommences, including the following:

- there is now a new, non-shipbuilding co-occupant of the Building and it is uncertain whether construction activities on the Vessel are compatible with the co-occupant's tenancy and activities;
- structural alterations to the Building will be necessary in order to safely remove the Vessel upon its completion (estimated cost included in the Ancillary Costs), and it will undoubtedly be necessary to obtain landlord consent to make these alterations; and
- the new owner may sell the Building prior to completion of the Vessel's construction.

Confirmation of compatibility of operations (i.e. construction of the Vessel and those of the new, non-shipbuilding co-occupant), the landlord's consent to the necessary structural alterations and the potential costs thereof, and occupancy until completion of the Vessel's construction would enable the VCO to narrow the range of costs estimates included in the Completion Cost Analysis.

### **D. Insurance**

The insurance underwriters for the Vessel are completing a marine survey to confirm the value of the Vessel. The underwriters are also assessing whether the commencement of the CCAA Proceedings, the anticipated recommencement of construction activities, and/or the presence of the new, non-shipbuilding co-occupant of the Building give rise to a change in risk for insurance purposes.

The underwriters advise that once this information has been obtained (after November 1, 2011), they will be able to update the three-month temporary premium with a firm quote on premiums for revised insurance coverage.

Insurance coverage is an important factor. Until the full extent and cost of insurance coverage available during the completion of the Vessel's construction is known, Sargeant (or another financier or purchaser) may not be prepared to commit to funding the project.

**E. The "Crescent Yacht" Brand Name**

The VCO understands that Sargeant would like the Vessel to bear the Crescent Yacht brand name upon completion. It is uncertain whether the Vessel can be branded as a Crescent Yacht if the Vessel's construction is not completed by Worldspan.

This is not a construction cost issue, however, it may be expected that Sargeant will seek certainty as to the Vessel's branding prior to making funding available to complete construction.

**F. Warranties from Equipment Suppliers**

Construction on the Vessel has been idle since the Spring of 2010 (18 months). Upon completion of the Vessel and the initial sea trials, the availability and extent of manufacturers' and suppliers' warranties for parts, machinery (e.g. engines), equipment (e.g. electronics) and workmanship will need to be ascertained.

This is also not a construction cost issue, however, it may be expected that Sargeant will seek certainty as to the warranty arrangements with various manufacturers and suppliers prior to making funding available to complete construction.

## V. Comparison to Previous Estimates of Completion

There are two existing estimates as to the Vessel's status (percentage of completion):

- Even Keel Marine Consultant's marine survey of March 2010 (just prior to Worldspan ceasing activity on the Vessel) indicated the Vessel was approximately 59.8% complete, with a further 5% allowance for offsite millworking not installed (total of 64.8%); and
- Patton Marine Inc.'s marine survey of January 2011 (eight months after Worldspan had ceased activity on the Vessel) indicated the Vessel was approximately 70% to 75% complete.

The VCO is advised by Sargeant that, from March 2007 to April 2010, Sargeant advanced US \$20.65 million to Worldspan under the Construction Agreement. When these costs are considered in conjunction with the above-noted percentage of completion estimates, the final Vessel construction costs would be between US \$27.5 million and US \$31.8 million.

In comparison, using the VCO's Completion Cost Analysis, the estimated total construction costs of the Vessel range from US \$31.691 million to US \$33.987 million.

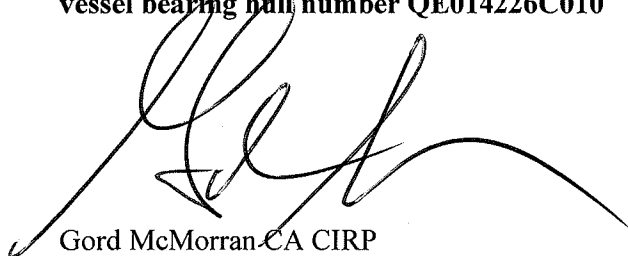
## VI. Conclusion

The VCO estimates completion of the Vessel's construction will require twelve (12) to fourteen (14) months at an estimated cost of \$11.241 million to \$13.337 million.

All which is respectfully submitted this 31<sup>st</sup> day of October, 2011.

### **WOLRIGE MAHON LIMITED**

**Court Appointed Vessel Construction Officer for  
vessel bearing hull number QE014226C010**



Gord McMorran CA CIRP  
Vice - President

**Appendix A**  
**Estimated Construction Costs**



# EXHIBIT " A "

## Estimated Construction Costs

Cost Categories	Minimum Estimated Costs to Complete	Maximum Estimated Costs to Complete
	\$	\$
<b>Start Up Costs:</b>		
Developing start up / build scheduling requirements & cleaning the Vessel - 8 weeks	<u>55,250</u>	<u>55,250</u>
<b>Estimated Material, Labour &amp; Sub-Contractor Costs:</b>		
FRP Lamination	60,200	66,250
Shipwright	183,251	198,650
Mechanical	272,608	286,400
Direct Materials still needed to be purchased	1,587,553	1,825,686
Indirect Materials	420,000	462,000
Pascoe Tender	50,000	50,000
Interior and Decore items still needed to be purchased	400,254	440,280
Fairing and Painting	750,000	1,356,711
Galley	80,970	80,970
Electronics, Navigation, Entertainment	679,060	679,060
Structural Engineering	15,000	20,000
Electrical Installation and Engineering	1,305,000	1,525,200
Vessel control and monitoring system	140,440	140,440
Cabinetry Manufacturing and Installation	1,725,000	2,025,000
Solid Surface Manufacturing and Installation	204,363	204,363
Interior Design	100,000	100,000
Night Navigator Camera	52,281	52,281
Transom Door	75,385	75,385
All Interior Furniture and Finishing	426,280	426,280
<b>Sub-total</b>	<u>8,527,645</u>	<u>10,014,956</u>
<b>Administrative Overhead Costs:</b>		
Administrative Costs - Project Management Fees & Salaries	614,080	716,426
Administrative Costs - Office and Facility	398,300	454,300
Legal & Professional Fees - VCO	280,000	326,667
Vessel Insurance	108,000	431,000
Contingency / Cushion	120,000	140,000
<b>Sub-total</b>	<u>1,520,380</u>	<u>2,068,393</u>
<b>Estimated Construction Costs</b>	<u>10,103,275</u>	<u>12,138,599</u>

The financial information contained in this schedule summarizes estimated costs, provided to Wolrige Mahon Limited by third parties, which are based upon assumptions about future events and conditions that are not ascertainable. Actual costs may vary significantly from the cost estimates, even if the underlying assumptions materialize. Wolrige Mahon Limited make no representation as to the completeness or accuracy of the financial information.

## APPENDIX A

### Estimated Construction Costs

**Exhibit "A"**, on the opposite page, shows that estimated Construction Costs may range between \$10.103 million and \$12.139 million. As shown, there are three main cost sections: (i) start up costs; (ii) material, labour & sub-contractor costs; and (iii) administrative overhead costs. The following are the assumptions made by the VCO in conjunction with Estimated Construction Costs:

#### A. General Assumptions

General assumptions underlying the estimated Construction Costs include:

- funding arrangements for the construction project being confirmed by mid-November 2011;
- the minimum estimated Construction Costs assumes that the Vessel construction work will be completed over a twelve (12) month period (or less), with few problems or difficulties being encountered by the Tradespeople;
- the maximum estimated Construction Costs assumes that the Vessel construction work will be completed over a fourteen (14) month period, with problems and difficulties being encountered by the Tradespeople;
- Canadian-based Tradespeople will bill for services in Canadian funds and US-based Tradespeople will bill for services in US funds, but the Canadian / US currency exchange rate will remain at or near par (thereby not giving rise to foreign exchange issues); and
- Harmonized Sales Tax ("HST") charged by Canadian-based Tradespeople will ultimately be recovered by the VCO, therefore HST is not included in the estimated costs.

#### B. Start Up Costs

It is assumed that during a six (6) to eight (8) week period (from mid-November 2011 to mid-January 2012) the VCO would:

- confirm employment of key project management personnel and other employees;
- prepare the Vessel's build schedule and arrange for occupancy of premises, insurance, utilities and services;
- re-establish contact with the American Bureau of Shipping and the MCA to confirm completion of the Vessel under their yacht classifications and codes;

- confirm price estimates with the Tradespeople as well as the timing of re-commencement of their construction activities;
- clean all work areas on the Vessel, as well as work areas in the Building that would be used by the Tradespeople; and
- arrange for a newly formed company to be used for the sole purpose of completing the Vessel's construction.

### **C. Estimated Material, Labour & Sub-Contractor Costs**

All of the sub-contractors contacted by the VCO have extensive experience and knowledge in the yacht building industry and most were utilized on this project by Worldspan. Given the tight timeframe to complete the Completion Cost Analysis, the VCO expanded the mandate of certain Tradespeople (i.e. asked for them to provide estimates for completing more work on the Vessel than originally contemplated by Worldspan) in order to obtain cost estimates.

It is assumed that during the twelve (12) to fourteen (14) month period (from January 2012 to February 2013):

- construction activity on the Vessel would recommence and be completed by Tradespeople that previously worked on the Vessel;
- Messrs. Boudreau and Biros would work jointly, overseeing the day-to-day activities of the Tradespeople on the project;
- MTS would provide technical support where needed, as well as consult with Messrs. Boudreau and Biros on a regular basis, monitoring the progress of the Vessel's construction; and
- completion of "as built" drawings of the Vessel would be prepared.

### **D. Administrative Overhead Costs**

It is assumed that during the twelve (12) to fourteen (14) month period (from January 2012 to February 2013):

- the VCO would oversee administrative activities, manage the accounting and provide financial reporting;
- the VCO would be in constant communication with the project managers (Messrs. Biros and Boudreau) and MTS; and
- the VCO would provide reporting to the Court, and other stakeholders, as required.

**Appendix B**  
**Estimated Ancillary Costs**

**EXHIBIT " B "**

**Estimated Ancillary Costs**

Cost Categories	Minimum Estimated Costs to Complete	Maximum Estimated Costs to Complete
<i>Pre-Filing Trade Claims:</i>		
Restaurant Design and Sales	255,180	255,180
Yacht Tech Solutions	69,772	69,772
Guritt	44,000	44,000
Comar Electric	16,291	16,291
InteliSea	17,750	17,750
Offshore Interiors	293,755	293,755
High Seas Trading	41,800	42,300
Jeff Homchick	<u>186,225</u>	<u>186,225</u>
<i>Sub-total</i>	<u>924,773</u>	<u>925,273</u>
<i>Costs of Launching Vessel &amp; Initial Sea Trials:</i>		
Launch of Vessel	162,967	222,967
Sea Trials	50,000	50,000
Post Sea Trial Deficiencies & Repairs	Unknown	Unknown
Dockwise ship transport	Unknown	Unknown
<i>Sub-total</i>	<u>212,967</u>	<u>272,967</u>
<b>Estimated Ancillary Costs</b>	<u>1,137,740</u>	<u>1,198,240</u>

*The financial information contained in this schedule summarizes estimated costs, provided to Wolrige Mahon Limited by third parties, which are based upon assumptions about future events and conditions that are not ascertainable. Actual costs may vary significantly from the cost estimates, even if the underlying assumptions materialize. Wolrige Mahon Limited make no representation as to the completeness or accuracy of the financial information.*

## APPENDIX B

### Estimated Ancillary Costs

**Exhibit "B"**, on the opposite page, shows that estimated Ancillary Costs may range between \$1.138 million and \$1.198 million. As shown, there are two cost sections: Pre-Filing Trade Claims and Cost of Launching the Vessel & Initial Sea Trials. The following are the assumptions made by the VCO in conjunction with Estimated Ancillary Costs:

#### A. Pre-Filing Trade Claims

The Tradespeople listed in **Exhibit "B"** have asserted Pre-Filing Trade Claims which must be paid before these key Tradespeople will recommence construction activities on the Vessel.

#### B. Costs of Launching the Vessel & Initial Sea Trials

It is assumed that:

- once the Vessel's construction is completed, the Building will be altered, the Vessel will be moved outside where the hard top will be attached and then the Vessel will be moved by barge to a third party shipyard where it will be launched;
- once the Vessel has been launched and initial sea trials have been completed, any deficiencies and repairs will not be performed at the Building but at another location; and
- there are likely to be costs incurred for rectification of deficiencies identified during the initial sea trial, but as these are unknown, the VCO is unable to provide an estimate as to these costs.

The VCO notes that:

- the minimum estimated costs to complete are based upon few problems or difficulties being encountered either launching the Vessel or during initial sea trials; and
- the maximum estimated costs to complete are based upon problems and difficulties being encountered either launching the Vessel or during initial sea trials.

It is assumed that HST charged by Canadian-based Tradespeople will ultimately be recovered by the VCO, therefore HST is not included in these estimated costs.