



No. S-113550
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 *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.

(the "Applicants")

MONITOR'S
SIXTH REPORT TO COURT

DECEMBER 15, 2011

Boale, Wood & Company Ltd.

Monitor appointed in the
Companies' Creditors Arrangement Act proceedings of
Worldspan Marine Inc. Crescent Custom Yachts Inc.,
Queenship Marine Industries Ltd., 27222 Developments Ltd.
and Composite FRP Products Ltd.

**Suite 1140 – 800 West Pender Street
Vancouver, BC V6C 2V6**

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I. COURT PROCEEDINGS

On June 6, 2011 Worldspan Marine Inc. (“Worldspan”), Crescent Custom Yachts Inc. (“Crescent”), Queenship Marine Industries Inc. (“Queenship”), 27222 Developments Ltd. (“27222”) and Composite FRP Products Ltd. (“Composite”) (the “Applicants” or the “Companies”) obtained an Order from the Supreme Court of British Columbia (the “CCAA Order”) commencing proceedings under the *Companies’ Creditors Agreement Act* (the “CCAA”). Pursuant to the CCAA Order, Boale, Wood & Company Ltd. was appointed Monitor (the “Monitor”) by the Court.

The CCAA Order provided for a stay of proceedings against the Companies until June 23, 2011.

By Order dated June 23, 2011, the Supreme Court of British Columbia granted a further 30 day extension of the stay of proceedings to allow time for the Companies to finalize arrangements to complete the construction of the Sargeant Yacht (the “Vessel”) and work on a restructuring plan for the stakeholders.

By Order dated July 22, 2011, the Supreme Court of British Columbia granted and imposed the following:

- A further extension of the stay of proceedings to September 20, 2011;
- A creditor claims process, outlining the procedure for creditor notification, submission and adjudication of claims, along with a claims filing deadline of September 9, 2011; and
- The appointment of a Vessel Construction Officer (“VCO”) in order to carry out, among other things, a completion cost analysis of the Vessel.

By Order dated August 29, 2011, the Federal Court of Canada imposed the following:

- A procedure, in addition to the CCAA notice process, by which the Monitor must notify all creditors who wish to file maritime claims that they must do so by the claims filing deadline of September 9, 2011, by filing a claim with the Monitor;
- A further procedure by which the Monitor must thereafter notify those that have declared they have “maritime claims” that they must also then file an affidavit supporting their claims in the Federal Court of Canada; and
- The authority, with further permission of the Courts, to schedule a hearing of the claims and/or seek an order dealing with Vessel.

By Order dated September 19, 2011, the Supreme Court of British Columbia extended the stay of proceedings to December 16, 2011. The Companies sought at that hearing the right to market the Vessel to other purchasers, other than the intended purchaser of the Vessel, Harry Sargeant III. The Court gave the Companies that right unless Mr. Sargeant posted \$4.0 million (US) in trust by September 29, 2011. Mr. Sargeant did not do so.

As a result, by Order dated October 7, 2011, the Federal Court of Canada allowed the Companies to market the Vessel to others. The court then set out numerous terms and conditions upon which this may be done.

By Order dated October 31, 2011, the Federal Court of Canada dismissed the maritime lien claims of numerous claimants and then set out numerous terms and conditions upon how the balance of the lien claims will be determined, along with the relative priority positions of those lien claims and other secured claims against the Vessel.

By Order dated November 10, 2011 the Supreme Court of British Columbia approved the sale of the Companies’ real property and approved a lease-back of a portion of that property to allow the Companies to continue to construct the Vessel. Those transactions were subsequently completed.

By Orders dated November 30, 2011, the Federal Court of Canada dismissed the *in rem* claims that were being advanced by Worldspan Marine Inc. against the Vessel. Worldspan Marine Inc. has since appealed that decision. The appeal is scheduled to be heard on January 9, 2012.

Certain documentation with respect to the CCAA Proceedings is available on the Monitor's website at <http://www.boalewood.ca/2011/06/06/worldspan-marine-inc-et-al/>

II. PURPOSE AND LIMITATIONS OF THE MONITOR'S SIXTH REPORT

The purpose of the Monitor's Sixth Report is to update the Court on the activities of the Company, Monitor and VCO in these CCAA Proceedings since the Order of September 19, 2011.

This Report has been prepared by the Monitor based on information obtained from the records of the Companies, discussions with management of the Companies and other professional advisors retained in this matter.

The financial information received from the Companies has not been audited, reviewed or otherwise verified by the Monitor as to its accuracy or completeness. As a result, readers are cautioned that this report has been prepared solely for the purposes of these proceedings and may not be suitable for any other purposes. The Monitor does not express an opinion or other form of assurance on the financial information presented in this report.

In addition, the Monitor assumes no responsibility or liability for and disclaims any and all liability for any loss or damage incurred 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 reliance on any decisions made based on it are the responsibility of that party.

III. ACTIVITIES OF COMPANIES' MANAGEMENT AND LEGAL COUNSEL

Since the hearing on September 19, 2011, the activities of the Companies' management and legal counsel have included the following:

- Communicating with Fraser Yachts, the brokerage firm retained to market the Vessel;
- Arranging for a 3 month extension of the insurance Coverage on the Vessel;
- Correspondence, discussions and attendance at the Federal Court with respect to the Maritime *in rem* claims;
- Negotiating, obtaining Court approval and finalizing the sale of the land and building owned by 27222 Developments Ltd.;
- Meetings, discussions and correspondence with potential Debtor in Possession ("DIP") lenders with respect to Vessel construction financing;
- Negotiating a sale of miscellaneous equipment and furniture to generate funds to cover ongoing post-filing obligations such as labor and utilities.
- Preparation for the extension hearing scheduled for December 16, 2011

IV. MONITOR'S ACTIVITIES

Since the hearing on September 19, 2011, the Monitor's activities have included the following:

- Meeting and discussions with management regarding the CCAA proceedings, including the claims process, the sale of the land and building, the sale of miscellaneous equipment and furniture, and various restructuring options;
- Attending the Companies' premises to determine impact of new tenant on the Vessel construction operations;
- Meetings and discussions with counsel regarding the claims process, sale of various assets and various Court applications related thereto;
- Discussion with a representative of the VCO and review of the VCO's report on the completion cost analysis of the Vessel;
- Review of Fraser Yacht's marketing reports and discussions with a representative of Fraser Yachts regarding their marketing efforts;
- Responding to calls from creditors regarding the claims process and completing the Proof of Claim forms;
- Review correspondence of the Petitioners and Respondents in these CCAA proceedings and responding to inquires;
- Correspondence and discussions with the Vessel insurance agent regarding the 3 month extension of the coverage and follow up with representatives of Companies regarding information required by agent;
- Review of actual cash receipts and disbursements and preparation of Schedule of Cash Receipts and Disbursements;
- Preparation of the Monitor's 5th and 6th report to the Court; and
- Updating the Monitor's website with respect to the CCAA proceedings.

V. MONITOR'S REPORT ON CASH FLOWS

The Monitor has reviewed the actual cash inflows and outflows of the Companies for the period up to December, 2011 as well as the projected cash inflows and outflows for the months of December, 2011 through April, 2012. A Schedule of the cash inflows and outflows for this period is attached as Appendix A to this report.

In addition to the cash inflows and outflows reported by the Companies, there were funds advanced by Mr. Sargeant to pay a \$27,000 premium to extend the insurance coverage for 3 months and there were also funds generated from the sale of the land and building that were used to pay the outstanding professional fees.

The Monitor has reviewed the actual cash disbursements made since our last report and is satisfied that the disbursements are reasonable. The Monitor has also reviewed the projected cash outflows for the months of December, 2011 through April 2012. The Monitor considers the projected outflows to be reasonable but notes that the cash outflows for professional fees may vary significantly depending on the number and nature of further Court applications made in these proceedings during this period. As well, the projected cash outflows do not include the premises rent of approximately \$20,000 per month that is accruing but not required to be paid until May 2012 and the insurance premium that will come due in January 2012 that the Companies expect will be paid by Mr. Sargeant or Comerica.

The Monitor notes that no cash inflows are projected with the exception of funds that will be generated from the sale of miscellaneous equipment and furniture in the event the sale is approved by the Court.

VI. RESTRUCTURING PROGRESS

Since our last report, the Companies have completed a sale of the land and building owned by 27222. The sale includes a lease back of the portion of the building that will allow construction of the Vessel to be completed on the premises. The monthly rent accruing but not required to be paid until May 2012 is considerably lower than the monthly mortgage payment that was accruing prior to the sale.

As well, the Vessel has been listed for sale with Fraser Yachts since October 2011. Fraser Yachts have provided the Monitor with regular reports on the marketing of the Vessel. The most recent report dated December 9, 2011 is attached as Appendix C to this report.

It is evident from its report that Fraser Yachts has been actively marketing the Vessel and that they continue to be optimistic that their efforts will result in a sale of the Vessel within the next 9 months.

The Monitor continues to be of the view that finalizing a restructuring plan cannot be done until sale of the Vessel is negotiated including the terms and conditions of completing the construction of the Vessel. As well, the amounts and priority of the creditors' claims will need to be determined by the Courts in order for the creditors to be in a position to vote on the restructuring.

VII. REPORT OF VESSEL CONSTRUCTION OFFICER

The Vessel Construction Officer ("VCO") submitted its report to the Court on the cost completion analysis of the Vessel on October 31, 2011. A copy of the report is attached as Appendix D to this report.

The VCO has estimated the cost to complete the Vessel at between \$10,000,000 and \$12,000,000 as well as ancillary costs of approximately \$1,100,000 to pay certain pre-filing creditors and launching costs.

The Companies' representatives believe the VCO's estimates are too high as the estimates were provided by creditors of the Companies that had previously worked on the Vessel and the estimates were not provided as part of a competitive bid process.

The Companies have requested that the VCO provide the documentation in support of the estimated costs to complete the Vessel. This information will assist the Companies in preparing its own estimate.

VIII. SALE OF MISCELLANEOUS EQUIPMENT AND FURNITURE

The Companies are seeking Court approval to sell certain equipment and furniture to the purchaser/ landlord of the land and buildings. The Monitor has not been provided with any documentation with respect to the proposed sale but understands that the purchase price is \$30,000. The purchaser has also agreed to repair the equipment and allow the Companies to use the equipment at no charge for purposes of completing the construction of the Vessel.

An independent appraisal of the assets being sold has not been obtained, however, the Monitor has provided pictures of the equipment and furniture to Mr. Douglas Kavanagh, a bailiff that seizes and sells similar equipment from time to time in distress situations. Mr. Kavanagh reviewed the pictures provided but has not inspected the subject assets to confirm their condition. Based on Mr. Kavanagh's cursory review of the pictures, Mr. Kavanagh has suggested a liquidation value after liquidation costs in the range of \$40,000 to \$60,000.

It is the Monitor's view that the difference between the sale price and estimated liquidation value can be attributed in part to the free use and repair of the equipment. The value of the equipment and furniture being sold is relatively immaterial when you consider the amount of the creditor claims in these CCAA proceedings. It is also recognized that the Companies require funds to cover ongoing operating costs.

The Monitor is not in a position to recommend the sale given that the sale price appears to be less the liquidation value. However, the Monitor is not opposed to the sale because it will generate required funds to cover ongoing operating costs and will not materially prejudice the stakeholders given the value of the assets being sold as compared to the stakeholders' claims.

IX. CONCLUSIONS AND RECOMMENDATION

Since the last extension Order on September 19, 2011, the Companies have made progress towards a restructuring plan. This progress includes the listing of the Vessel for sale with Fraser Yachts and the sale of the land and building owned by 27222.

The Companies are requesting that the stay be extended a further 120 days that will allow time for the following:

- Further advancing the claims process and dealing with disputed claims;
- Finding a purchaser for the Vessel and negotiating a sale including the terms and conditions of completing the construction of the Vessel; and
- Continuing efforts towards formalizing a restructuring plan for the Companies creditors.

The Monitor's only concern with respect to the proposed extension is the Companies inability to fund the ongoing operating costs, insurance, legal fees and Monitor's fees to facilitate the continuation of these CCAA proceedings. As a result of the recent sale of the land and building the Companies no longer have sufficient assets to protect Administrative Charge for these costs. It continues to be the Monitor's view that the Administration Charge should extend to the Vessel, however to date an application to the Federal Court to request a charge against the Vessel has not been made.

Subject to satisfactory arrangements being made to cover the ongoing costs of the CCAA proceedings, the Monitor is of the view that the management of the Companies has been cooperative and is continuing to act in good faith and with due diligence. Based on the information currently available, the Monitor also believes that the relief being sought by the Companies is reasonable and that the stakeholders will not be materially prejudiced by a further extension of the stay of proceedings being sought. Accordingly, the Monitor respectfully recommends that the Court grant the extension.

DATED at Vancouver, British Columbia, this 15th day of December, 2011.

Boale, Wood & Company Ltd.

Monitor Appointed in the *Companies'*

Creditors Arrangement Act Proceedings of

Worldspan Marine Inc. Crescent Custom Yachts Inc.,

Queenship Marine Industries Ltd., 27222 Developments Ltd.

and Composite FRP Products Ltd.

Per:  John D. McEown, CA, CIRP

APPENDIX A

SCHEDULE OF CASH INFLOWS & OUTFLOWS

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
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IN THE MATTER OF WORLDSPAN MARINE INC., CRESCENT CUSTOM
YACHTS INC., QUEENSHIP MARINE INDUSTRIES LTD., 27222 DEVELOPMENTS
LTD. AND COMPOSITE FRP PRODUCTS LTD.

MONITOR'S REPORT ON THE CASH FLOW STATEMENT

The attached statement of projected cash flow of WORLDSPAN MARINE INC., CRESCENT CUSTOM YACHTS INC., QUEENSHIP MARINE INDUSTRIES LTD., 27222 DEVELOPMENTS LTD. AND COMPOSITE FRP PRODUCTS LTD. ("the Companies"), as of the 14th day of December, 2011 consisting of projected cash inflows and outflows for the 5 months commencing on December 1st 2011 and ending on April 30th 2012 has been prepared by management of the Companies for the purpose of the above noted *Companies' Creditors Arrangement Act* Proceeding, using probable and hypothetical assumptions set out in Notes 1 to 6 on the statement.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied to us by the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by the insolvent person for the probable assumptions and the preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

- a) The hypothetical assumptions are not consistent with the purpose of the projection;
- b) As at the date of this report, the probable assumptions developed by the insolvent person are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- c) The projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose of the above noted *Companies' Creditors Arrangement Act* Proceeding and readers are cautioned that it may not be appropriate for other purposes.

DATED AT the City of Vancouver, British Columbia, this 14th day of December, 2011.

Boale, Wood & Company Ltd.

Monitor appointed in the
Companies' Creditors Arrangement Act proceedings of
Worldspan Marine Inc. Crescent Custom yachts Inc.,
QueenShip Marine Industries Ltd., 27222 Developments Ltd.
and Composite FRP Products Ltd.



Per: John D. McEown, CA, CIRP

**Worldspan Group of Companies
Cash Flow Statement**

	Actual Month Ending Aug 31	Actual Month Ending Sep 30	Actual Month Ending Oct 31	Actual Month Ending Nov 31	Projected Month Ending Dec 31	Projected Month Ending Jan 31	Projected Month Ending Feb 29	Projected Month Ending Mar 31	Projected Month Ending Apr 30	Total Actual
Production										
<i>Weekly production (canopies)</i>										
Opening Cash Position	\$ 58,125	\$ 6,176	\$ 7,771	\$ 8,392	\$ 12,005	\$ (8,613)	\$ (47,918)	\$ (84,423)	\$ (120,648)	\$ 58,125
Cash Inflows										
AR Collections	-	-	-	15,792	-	-	-	-	-	-
Rental	-	-	-	-	30,000	-	-	-	-	15,792
Sale of equipment	-	-	-	-	-	-	-	-	-	30,000
DIP Financing	-	-	-	-	-	-	-	-	-	-
Cspan Financial Loan	-	10,000	374,604	15,792	30,000	-	-	-	-	384,604
	-	10,000	374,604	15,792	30,000	-	-	-	-	430,396
Cash Outflows										
<i>Production</i>										
Comp One	246	-	-	-	-	-	-	-	-	246
Ralder Hansen	-	-	-	-	-	-	-	-	-	-
Maple Leaf Disposal	1,004	-	2,100	4,848	725	350	350	350	350	5,229
Direct Labor	374	-	5,003	4,848	2,800	2,800	-	-	-	15,825
	1,624	-	7,103	4,848	3,525	3,150	350	350	350	21,300
Fixed Overheads										
Management/consulting	12,500	-	-	-	-	-	-	-	-	12,500
J Hawkins	6,045	1,000	9,403	-	8,000	8,000	8,000	8,000	8,000	56,448
Martin Biros	-	-	-	-	-	-	-	-	-	-
Chris Grimes-Goard	1,180	1,000	-	-	-	-	-	-	-	2,180
CRA	6,883	-	2,706	1,667	9,005	1,080	1,080	800	800	24,021
Hydro	1,311	-	2,146	2,583	2,550	800	800	800	800	11,790
Insurance	1,000	-	5,000	-	-	-	-	-	-	6,000
Terasan Gas	148	148	148	-	100	100	100	100	100	944
Bell Mobility	30	-	176	155	143	150	150	150	150	1,104
Telus	464	354	10	464	350	350	350	350	350	3,042
Internet	178	75	-	150	75	175	175	175	175	1,178
Sewage Inspection Orion	-	-	-	-	-	-	-	-	-	-
Golden Ear's Alarm	-	476	-	-	-	-	-	-	-	476
Worksafe BC (WCB)	-	2,489	-	230	1,370	-	-	-	1,370	5,459
Property taxes	-	-	250,000	-	-	-	-	-	-	250,000
Miscellaneous	9,250	-	847	-	500	500	500	500	500	12,597
Professional Fees	-	2,863	96,444	2,082	25,000	25,000	25,000	25,000	25,000	226,389
HST Paid	11,336	-	-	-	-	-	-	-	-	11,336
	50,325	8,405	366,880	7,331	47,093	36,155	36,155	35,875	37,245	625,464
	(51,949)	1,595	621	3,613	(20,618)	(39,305)	(36,505)	(36,225)	(37,595)	(216,368)
Cash Increase (Decrease)										
Closing Cash Position	\$ 6,176	\$ 7,771	\$ 8,392	\$ 12,005	\$ (8,613)	\$ (47,918)	\$ (84,423)	\$ (120,648)	\$ (158,243)	\$ (158,243)

See attached notes

Worldspan Group of Companies Notes to Cash Flow Statement

- 1) The only projected cash inflows reported are with respect to the sale of miscellaneous equipment and furniture.
- 2) The projected cash outflows are based on management's estimate of overhead costs to secure and protect the assets. It assumes that the vessel construction and/or rail cover operations are not recommenced during this period.
- 3) Projected cash outflows assume that no payments will be made to secured creditors.
- 4) The Companies will not be able to pay for the ongoing projected overhead costs unless arrangements can be made to secure funds to do so.
- 5) These projections are made based on assumptions of future events. Accordingly, the actual results will vary from the information presented and the variances may be material.
- 6) The Projections have been prepared solely for the purposes of the CCAA proceeding. Readers are cautioned that the projections may not be appropriate for any other purposes.

APPENDIX B

FRASER YACHTS REPORT DATED DECEMBER 9, 2011

4990 N. Harbor Drive, Suite #200
San Diego,
CA 92106, USA

December 9, 2010

Fraser Milner Casgrain
20th Floor, 250 Howe Street
Vancouver, BC
V6C 3R8



FRASER YACHTS

Attn: Mr. John Sandrelli / Mr. Jordan Schultz

Re: Crescent 144

Dear Mr. Sandrelli and Mr. Schultz,

With the Monaco Yacht Show ending two months ago and the Ft. Lauderdale show ending nearly one month ago, I wanted to give you the trend that we are seeing in superyacht sales and how the Crescent fits into the scheme of the market. As you might imagine, it's still a difficult market for new and brokerage yachts but there are deals being made and the 144 is a marketable boat that will receive inquiries and sell.

The Monaco show did not generate very many sales, although one gentleman from western Canada did buy the 45m Hakvoort, MY TRUST (asking €26m) on the first day of the show (Fraser had the listing). Thus far the Ft. Lauderdale show appears to have generated few sales, but there was a positive sign in that the attendance by qualified buyers was considered good and improved from last year.

For an overview of the market, please look at the first attached chart for Worldwide Brokerage Sales for sail and motor yachts over 24m (85'). The second attachment has a 2010 and an YTD chart for new worldwide build orders for boats over 24m. Of the 72 new builds YTD for 2011, 9 of those were built in the US; 15 are in the 40m-50m range (the Crescent is 44m) with none built in the US. Please note that not all builders consistently volunteer their sales numbers, therefore the figures are not 100% accurate.

I continue to feel that the Crescent 144' is sitting in a comfortable market position. The third attachment is a list of new builds that might be considered competitors and as you will see, there is a void of offerings in the 140' to 150' range. Below our length we have the Westport 130' that has an asking price of \$20m (high asking price!) and above us we have the Northern Marine 151' at \$24m (very basic boat that won't start until it's sold), Richmond 150' at \$29m and the popular Christensen 164' with an asking price of \$36m. Obviously those prices are for completed yachts and are negotiable. To my knowledge there is nothing in the 41m - 49m size range being offered in North America. Therefore the 144 is in a unique position which we should exploit. Regardless of the lack of competition in the Crescent's size, when we do locate a buyer, we will be subject to the same very difficult negotiations and price concessions that are taking place in both the brokerage and new boat market. The good news is that there are boats being sold. With an improving economy our activity will increase which will lead to a sale.

With regards to pricing, at first glance the \$18.9m asking price for the 144' Crescent, in its current state, is an attractive price for marketing purposes. Fraser Yachts is currently asking \$18.9m dollars for the 144' Crescent, given that the yacht is approximately 70 percent complete. The \$18.9m is an asking price, not a selling price for the 144' Crescent in its current, incomplete, state.

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San Diego,
CA 92106, USA



FRASER YACHTS

Once a buyer understands what that price includes, they will then add the completion costs. Using the asking price as a base and adding the completion costs, depending on how they choose to finish it, the effective finish price would be \$26 to \$29 m. This means that, if the yacht is finished, the yacht would cost the ultimate purchaser between \$26m to \$29m.

Using either the current asking price or the completed price, a North American buyer looking for a new build in our size range should be contacting us, since we are one of the few options in our size range and we are competitively priced. European buyers are less likely because they have plenty of choices in Europe. Because the \$18.9m is already a significant discount on the monies that have already been spent, we are hopeful that the negotiations leading up to sale will allow for the least amount of reduction from the \$18.9 m asking price.

Regarding time needed to find a buyer, it would not be at all unusual to take nine months. Fortunately we are approaching the buying season (February – July) and, we hope, an improving economy. If superyacht buyers gain confidence in the world economy, then they will start looking for new boats to buy. The first yachts to be sold will be those yachts that are already under construction as “spec” builds.

As I have previously indicated, the purchaser of the yacht will want the yacht to be properly branded as a Crescent Yacht, meaning that the yacht would be finished by Crescent. In the event that the yacht was not finished by Crescent it would be what is known in the industry as a bastard yacht. In the event that the yacht was not finished by Crescent, there could be irreconcilable problems relating to sea trials and warranty. The Value of the yacht would be significantly impaired. The cost of moving the vessel from its current location to any other location would be substantial. The build quality of the yacht, as is found in both maritime surveys, is excellent. This means that the yacht has been built to a high standard and should be completed in the same manner by Crescent.

To summarize our marketing, we are moving on several different fronts:

A. Internet - The 144 is on four websites- yachtcouncil.com , yachtworld.com, boatinternational.com and fraseryachts.com. The vast majority of our leads are generated by the internet. In my next report at the end of this month I will report the number of hits the 144 has received and how it compares to other yachts.

B. Mailings - Monthly emails are routinely sent to brokers & selected clients reminding them of the boat. Two have been sent out thus far. One example is attached. This avenue is the fastest way to update and energize brokers & clients and create activity for a particular yacht.

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San Diego,
CA 92106, USA



FRASER YACHTS

C. **Printed media** - We missed the October Ft. Lauderdale show publications due to when the listing was signed. I typically limit my ads during December and January because it is the slowest time of the year for inquiries. Our next big push in printed ads coincides with the Miami Boat Show in mid February. From February through June we have extensive advertising planned for the Crescent. Currently scheduled: **December** - *Northwest Yachting*, **January**- *Boat International*, **February** - *Sea* (tentative), *Northwest Yachting*, **March** (Miami Boat Show issue) - full page *Yachts International*, ½ page *Showboats*. **April** - *Showboats*, *Bt. International*, *Superyacht World*, *Sea*. To be candid, printed ads no longer generate the results as they did a decade ago, but they are an still an important element to a marketing effort for a yacht and represent a significant part of expenditure in our marketing budget.

D. **Miscellaneous** - At the Ft. Lauderdale Show we held a press conference especially for new builds that Fraser Yachts was representing. The Crescent was included. I have approached two magazines about doing an article on the project. I will know by January if they will cooperate. I have proposed to our marketing group to do joint marketing with the other new build offerings we have.

As for leads, we have two North American brokers who presented the boat to their clients. We have three other brokers, two are from Europe, who have asked for more details about the build and are presenting to their clients. It is too early to see if any of these will develop into a visit to the yard.

Please do not hesitate to contact me with any questions that you may have.

Best Regards,

A handwritten signature in black ink, appearing to read "Neal Esterly". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Neal Esterly

APPENDIX C

VESSEL CONSTRUCTION OFFICER REPORT DATED OCTOBER 31, 2011

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 2nd REPORT TO COURT

October 31, 2011

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**VANCOUVER
SUPREME COURT SCHEDULING**


WOLRIGE MAHON LIMITED
TRUSTEES IN BANKRUPTCY, RECEIVERS, LIQUIDATORS

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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:

Cost Category	Estimated Low	Estimated High
	\$	\$
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>
Total Vessel Completion Costs	<u>11,241,015</u>	<u>13,336,839</u>

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.

Cost Category	Estimated Low \$	Estimated High \$
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>
Total Estimated Construction Costs	<u>10,103,275</u>	<u>12,138,599</u>

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.

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

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.

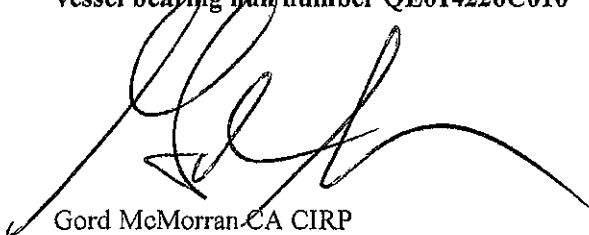
VI. Conclusion

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 31st day of October, 2011.

WOLRIGE MAHON LIMITED

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



Gord McMorrان 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
	\$	\$
Start Up Costs:		
Developing start up / build scheduling requirements & cleaning the Vessel - 8 weeks	55,250	55,250
Estimated Material, Labour & Sub-Contractor Costs:		
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 Decor 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
Tansom Door	75,385	75,385
All Interior Furniture and Finishing	426,280	426,280
Sub-total	8,527,645	10,014,956
Administrative Overhead Costs:		
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
Sub-total	1,520,380	2,068,393
Estimated Construction Costs	10,103,275	12,138,599

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
Pre-Filing Trade Claims:		
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
IntelliSea	17,750	17,750
Offshore Interiors	293,755	293,755
High Seas Trading	41,800	42,300
Jeff Homcrick	186,225	186,225
Sub-total	924,773	925,273
Costs of Launching Vessel & Initial Sea Trials:		
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
Sub-total	212,967	272,967
Estimated Ancillary Costs	1,137,740	1,198,240

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.