



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 FIRST REPORT TO COURT

JUNE 21, 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.

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TABLE OF CONTENTS

I.	CCAA PROCEEDINGS.....	1
II.	PURPOSE AND LIMITATIONS OF THE MONITOR'S FIRST REPORT...	2
III.	BACKGROUND OF COMPANIES AND CAUSES OF INSOLVENCY.....	3
IV.	MANAGEMENT ACTIVITIES	5
V.	MONITOR'S ACTIVITIES	6
VI.	MONITOR'S REPORT ON CASH FLOWS	7
VII.	RESTRUCTURING OPTIONS	9
VIII.	CONCLUSIONS AND RECOMMENDATION	10

APPENDICES

APPENDIX A

APPENDIX B

I. CCAA 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 provides for a Stay of Proceedings against the Companies until June 23, 2011.

Certain documentation with respect to the CCAA Proceedings is available on the Monitor’s website at <http://www.boalewood.ca/corporate-matters/worldspan-marine-inc.-June-2011.html> (the “Website”)

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

The purpose of the Monitor's First Report is to provide the Court with information with respect to the activities of the Companies and the Monitor since the date of the Initial Order, and to report on the Cash Flow Statement prepared by the Companies as required pursuant to Section 23(1)(b) of the CCAA.

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. BACKGROUND OF COMPANIES AND CAUSES OF INSOLVENCY

The Companies are each incorporated in British Columbia, with the exception of Worldspan which is federally incorporated. The Companies carry on business retailing, designing and manufacturing custom “super yachts”, with each of the Companies performing a separate function in that business. Worldspan acts as the head organization, with Crescent and Queenship supplying materials and labour (respectively) for the construction of yachts. 27222 owns the lands on which the shipyard is located. Lastly, Composite has been recently incorporated to facilitate a purchase order for a certain number of rail car covers, which are being manufactured at the ship yard. In addition to the above, the Companies offer a variety of services to their past clients and yachts, including servicing, updating, retrofitting, expansion, repowering and reconfiguring existing yachts.0

We are advised that the financial difficulties of the Companies arise from the current yacht under construction (the “**Sargeant Yacht**”) for Mr. Harry Sargeant III (“**Sargeant**”). The Sargeant Yacht was to be a 142 foot, three level motor yacht, bearing hull number QEO14226C010. Worldspan and Sargeant entered into a construction agreement in respect of the Sargeant Yacht on or around February 29, 2008.

We understand that several disputes arose between the Companies and Sargeant following the commencement of construction. Following these disputes, together with a series of change orders, construction costs began to exceed the initial estimated purchase price, and in or around January, 2010, Sargeant ceased making monthly payments to Worldspan for construction of the Sargeant Yacht. The Companies continued construction to April, 2010, at which point the total arrears had reached approximately \$4.9 million according to management. These arrears led the Companies to severe cash flow difficulties, which resulted in the Companies ceasing construction on the Sargeant Yacht.

We further understand that construction on the Sargeant Yacht has remained stalled since May, 2010. The partially completed Sargeant Yacht is now occupying the bulk of the ship building space at the ship yard. As a result, we are advised by management that the Companies' operations have been largely stalled for over a year, and the Companies have faced successive enforcement proceedings from various creditors due to an inability to generate cash flow.

IV. MANAGEMENT ACTIVITIES

Since the commencement of the CCAA Proceedings, the management's activities have included the following:

- Meetings with staff to explain about the CCAA proceedings and provide assurance to staff that the Composite business is carrying on as usual while a restructuring plan is developed;
- Meetings and discussions with suppliers to arrange terms for continued supply of products and supplies required for Composite's business;
- Meetings and discussions with legal counsel regarding the appointment of a Vessel Construction Officer and the various issues surrounding the construction of the Sargeant Yacht; and
- Meetings and discussions with legal counsel and the Monitor regarding various restructuring alternatives.

V. MONITOR'S ACTIVITIES

Since its appointment the Monitor's activities have included the following:

- Completing its duties and requirements pursuant to the provisions of the CCAA Order and the provisions of Section 23 of the CCAA. Activities include:
 - Making available certain documents and Orders on the Monitor's website;
 - Publishing notice of the CCAA proceedings in the local newspaper;
 - Sending notices to all known creditors owed more than \$1,000; and
 - Filing all required documents with the Office of the Superintendent of Bankruptcy and preparing a report on the Cash Flow Statement prepared by the Company;
- Meetings and discussions with the management and accountant of the Companies to explain the implications of the CCAA proceeding on the suppliers of the business and to implement procedures to provide weekly reporting of the cash receipts and disbursements;
- Meeting with management to generally discuss the CCAA proceedings and various restructuring options;
- Responding to calls from suppliers regarding the CCAA process;
- Review of actual cash receipts and disbursements since the date of the Initial CCAA Order.

VI. MONITOR'S REPORT ON CASH FLOWS

The Monitor has attached as Appendix A to this report a copy of the Cash Flow Projection prepared by the Companies and included in the initial CCAA application materials along with the Monitor's Report on the Cash Flow Projections as required pursuant to section 23(1)(b) of the CCAA.

Since being appointed, the Monitor has reviewed the actual cash inflows and outflows of the Companies for the weeks ended June 11 and June 18, 2011. A comparison of the actual cash inflows and outflows to the projected cash inflows and outflows has been attached as Appendix B to this report. The Monitor's comments on the actual cash flows verses the projected cash flows are as:

- The opening cash position on June 4, 2011 was approximately \$51,000 higher than budgeted due primarily to timing differences, the most significant of which were professional fees that were budgeted to be paid in May but were not actually disbursed until June; and
- Cash inflows from receivable collections were lower than budgeted due to lower production in May as a result of a theft of copper wire that caused a power outage that took a few days to fix; and
- The cash outflows for fixed overheads were higher than budgeted due in part to the timing of the payment of professional fees. Professional fees were budgeted to be paid in May but were not actually disbursed until June. As well, the Companies were required to pay an insurance premium of \$5,000 to keep the insurance in force that was not included in the initial budget.

The Monitor confirms that since the commencement of the CCAA proceedings, the Companies have kept current with its remittances for employee source deductions and

have indicated that the Harmonized Sales Tax will be remitted when the amounts become due.

The Monitor has been advised by management that the current contract to manufacture railcar covers ends this week and currently it is not known if and when a new contract will be offered.

The Companies are in the process of amending the cash flow projections to reflect this change. Absent the cash flow being generated from the production of rail car covers or other alternate funding arrangements, the Companies will not have sufficient cash flow to fund the ongoing restructuring costs.

VII. RESTRUCTURING OPTIONS

The Monitor is of the view that it is premature to consider restructuring options until arrangements are made to either complete the construction of or sale as-is the Sargeant Yacht.

We understand from our discussions with legal counsel for the Companies that progress has been made towards the appointment of a Vessel Construction Officer (“VCO”). However, the VCO appointment would only proceed if arrangements can be made to finance or fund the remaining construction of Sargeant Yacht. We understand that there is agreement amongst most of the Respondents to the CCAA proceedings for the actual appointment the VCO upon satisfactory arrangements being made to fund the remaining construction costs.

VIII. CONCLUSIONS AND RECOMMENDATION

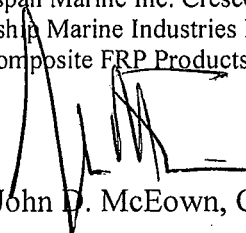
The Companies are requesting that the stay be extended a further 30 days to allow time to pursue the financing and structuring of the remaining construction and, assuming financing or funding can be arranged, appointing the VCO.

The Monitor is of the view that the management of the Companies have been cooperative and have been and will continue 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 being sought. Accordingly, the Monitor respectfully recommends that the Court grant the extension.

DATED At the City of Vancouver, British Columbia, this 21st day of June, 2011

Boale Wood and 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

MONITOR'S REPORT ON THE CASH FLOW STATEMENT

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
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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 11th day of May, 2011 consisting of projected cash inflows and outflows for the 14 weeks commencing on May 11th 2011 and ending on August 27th 2011 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 4 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.

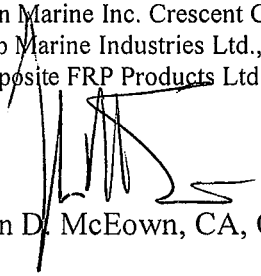
Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

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

DATED AT the City of Vancouver, British Columbia, this 21st day of June, 2011.

Boale, Wood & Company Ltd.

Monitor appointed in the
Companies' Creditors Arrangement Act proceedings of
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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

Per Contract

	May-11				11-Jun				11-Jul				11-Aug			
	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4		
Weekly production	110	118	9	9	9	9	9	9	9	9	9	9	9	9		
Units produced	15,000	16,620	16,620	16,620	16,620	16,620	16,620	16,620	16,620	16,620	16,620	16,620	16,620	16,620		
Opening cash																
Cash In																
AR Collections: 1 week in arrears	26,600	42,560	47,880	47,880	47,880	47,880	47,880	47,880	47,880	47,880	47,880	47,880	47,880	47,880		
Repayment of Ecofab deposit	-13,300	-13,300														
Sale of hulls and superstructure																
DIP Financing																
Other																
Total Cash In	28,300	29,260	47,880	47,880	47,880	47,880	47,880	47,880	47,880	47,880	47,880	47,880	47,880	47,880		
Cash Out																
Production																
Comp One	-11,000	-17,600	-19,800	-19,800	-19,800	-19,800	-19,800	-19,800	-19,800	-19,800	-19,800	-19,800	-19,800	-19,800		
Raider Hansen	-375	-375	-375	-375	-375	-375	-375	-375	-375	-375	-375	-375	-375	-375		
Maple Leaf Disposal	-700	-700	-700	-700	-700	-700	-700	-700	-700	-700	-700	-700	-700	-700		
10 man crew	-13,977	-13,977	-13,977	-13,977	-13,977	-13,977	-13,977	-13,977	-13,977	-13,977	-13,977	-13,977	-13,977	-13,977		
Fixed Overheads																
Management/consulting																
Jim Hawkins	-6,000	-6,000	-6,000	-6,000	-6,000	-6,000	-6,000	-6,000	-6,000	-6,000	-6,000	-6,000	-6,000	-6,000		
Martin Biros	-4,289	-4,289	-4,289	-4,289	-4,289	-4,289	-4,289	-4,289	-4,289	-4,289	-4,289	-4,289	-4,289	-4,289		
Chris Grimes-Goard	-2,656	-2,656	-2,656	-2,656	-2,656	-2,656	-2,656	-2,656	-2,656	-2,656	-2,656	-2,656	-2,656	-2,656		
CRA withholdings, May weeks 1,2	-1,600	-1,600	-1,600	-1,600	-1,600	-1,600	-1,600	-1,600	-1,600	-1,600	-1,600	-1,600	-1,600	-1,600		
MSP	-315	-315	-315	-315	-315	-315	-315	-315	-315	-315	-315	-315	-315	-315		
Hydro																
Terasen Gas	-500	-500	-500	-500	-500	-500	-500	-500	-500	-500	-500	-500	-500	-500		
Bell Mobility	-650	-650	-650	-650	-650	-650	-650	-650	-650	-650	-650	-650	-650	-650		
Telus																
Internet																
Sewage Inspection Orion	-1,080	-1,080	-1,080	-1,080	-1,080	-1,080	-1,080	-1,080	-1,080	-1,080	-1,080	-1,080	-1,080	-1,080		
Golden Ears Alarm	-73	-73	-73	-73	-73	-73	-73	-73	-73	-73	-73	-73	-73	-73		
Worksafe BC (WCB)	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000		
Miscellaneous	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000		
Professional Fees	-3,085	-3,983	-5,785	-4,185	-3,903	-6,187	-3,125	-5,271	-3,830	-5,547	-3,785	-5,520	-3,823	-6,197		
Total Cash Out	-30,855	-39,835	-61,879	-61,879	-61,879	-61,879	-61,879	-61,879	-61,879	-61,879	-61,879	-61,879	-61,879	-61,879		
HST																
Collected	-2,850	-4,560	-5,130	-5,130	-5,130	-5,130	-5,130	-5,130	-5,130	-5,130	-5,130	-5,130	-5,130	-5,130		
Paid out	2,025	3,697	5,265	2,628	2,991	5,961	2,073	4,899	2,903	5,193	2,865	5,197	2,895	5,973		
May, week 1, week 2																
Net HST	-824	-1,563	135	-4,501	-2,138	831	-1,347	417	-1,578	711	-1,617	715	-1,587	1,491		
Cash Increase (Decrease)	-3,379	-4,123	-9,837	15,286	6,706	-13,168	-679	-10,447	19,666	-12,918	2,381	-12,638	2,031	-18,638		
CLOSING CASH	11,620	-5,176	-10,354	-8,826	-2,119	-15,287	-15,966	-2,641	-2,444	-3,736	-3,498	-4,762	-1,455	-6,422		

Worldspan Group of Companies Notes to Cash Flow Statement

- 1) Cash Inflows and Outflows are based on historical operating results adjusted for known changes to the operations.
- 2) Cash outflows assume that no payments will be made to secured creditors.
- 3) 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.
- 4) The Projections have been prepared solely for the purposes of filing the CAA petition. Readers are cautioned that the projections may not be appropriate for any other purposes.

APPENDIX B

WEEKLY CASH FLOW VARIANCE ANALYSIS

Worldspan Group of Companies
Cash Flow Statement
Variance Analysis

	Budget Week Ending June 11	Budget Week Ending June 18	Total Budget	Actual	Variance
Production					
<i>Weekly production (canopies)</i>	9	9	18	15	3
Opening Cash Position	\$ (10,355)	\$ (8,826)	\$ (10,355)	\$ 40,753	\$ 51,108
Cash Inflows					
AR Collections	47,880	47,880	95,760	82,460	(13,300)
Sale of Hulls and Superstructure	-	-	-	-	-
DIP Financing	-	-	-	-	-
Other	-	-	-	-	-
	<u>47,880</u>	<u>47,880</u>	<u>95,760</u>	<u>82,460</u>	<u>(13,300)</u>
Cash Outflows					
<u>Production</u>					
Materials	19,800	19,800	39,600	31,069	8,531
Supplies	375	375	750	228	522
Maple Leaf Disposal	-	700	700	904	(204)
Production Labour	-	13,977	13,977	10,627	3,350
	<u>20,175</u>	<u>34,852</u>	<u>55,027</u>	<u>42,828</u>	<u>12,199</u>
<u>Fixed Overheads</u>					
Management/consulting	6,000	-	6,000	1,040	4,960
Production Manager	4,289	-	4,289	2,773	1,516
Designer	2,656	-	2,656	1,865	791
Office Assistant	1,600	-	1,600	1,802	(202)
CRA Remittances	5,400	-	5,400	10,059	(4,659)
MSP	-	-	-	-	-
Hydro	-	-	-	2,512	(2,512)
Insurance	-	-	-	5,000	(5,000)
Terasen Gas	-	730	730	648	82
Bell Mobility	650	-	650	566	84
Telus	-	250	250	130	120
Internet	-	130	130	113	17
Sewage Inspection Orion	1,080	-	1,080	875	205
Golden Ears Alarm	-	73	73	-	73
Worksafe BC (WCB)	-	-	-	-	-
Miscellaneous	-	3,000	3,000	736	2,264
Professional Fees	-	-	-	19,878	(19,878)
	<u>21,675</u>	<u>4,183</u>	<u>25,858</u>	<u>47,997</u>	<u>(22,139)</u>
Harmonized Sale Tax					
Collected	5,130	5,130	10,260	-	10,260
Paid out	(2,629)	(2,991)	(5,620)	-	(5,620)
Arrears	2,000	-	2,000	-	2,000
	<u>4,501</u>	<u>2,139</u>	<u>6,640</u>	<u>-</u>	<u>6,640</u>
Cash Increase (Decrease)	<u>1,529</u>	<u>6,706</u>	<u>8,235</u>	<u>(8,365)</u>	<u>-</u>
Closing Cash Position	\$ (8,826)	\$ (2,120)	\$ (2,120)	\$ 32,388	\$ 34,508