



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
SECOND REPORT TO COURT

JULY 20, 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. 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 provided for a stay of proceedings against the Companies until June 23, 2011.

At the hearing on 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 and work on a restructuring plan for the stakeholders.

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 SECOND REPORT

The purpose of the Monitor's Second Report is to provide the Court with information with respect to the activities of the Companies and the Monitor since the date of the last Order and to report on the Cash Flow Statements prepared by the Companies.

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 last hearing on June 23, 2011, the activities of the Companies' management and legal counsel have included the following:

- Meetings and discussions with suppliers to arrange terms for continued supply of products and supplies required for Composite's business;
- Negotiating further orders for the supply of canopies;
- Meetings and discussions regarding the appointment of a Vessel Construction Officer ("VCO"), financing of the remaining construction of the Sargeant Yacht and various other issues surrounding the construction of the Sargeant Yacht;
- Meetings and discussions with the Monitor regarding various restructuring alternatives, a claims process and the general terms of a Plan of Arrangement;
- Identifying a brokerage firm to assist in selling the Sargeant Yacht;
- Various correspondence and discussions between the Companies' counsel and counsel for the respondents regarding the terms of the appointment of a VCO, financing the remaining construction of the Sargeant Yacht and the terms of a claims process; and
- Preparation of claims process that recognizes creditors that have maritime liens and provides process to be followed for disputed claims.

IV. MONITOR'S ACTIVITIES

Since the last hearing the Monitor's activities have included the following:

- Meeting and discussions with management regarding the CCAA proceedings, the appointment of the VCO, financing of the remaining construction of the Sargeant Yacht and general terms of a Plan of Arrangement;
- Discussions with Counsel for the Companies regarding the claims process;
- Responding to calls from suppliers regarding the CCAA process;
- Review of actual cash receipts and disbursements since the date of the Initial CCAA Order; and
- Updating the Monitor's website with respect to the CCAA proceedings.

V. MONITOR'S REPORT ON CASH FLOWS

The Monitor has attached as Appendix A to this report a copy of the updated Cash Flow Projection prepared by the Companies along with the Monitor's Report on the Updated Cash Flow Projection 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 17, June 24, July 1 and July 8, 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 versus the projected cash flows are as follows:

- Cash inflows from receivable collections were lower than budgeted due to the collection being slower than originally anticipated;
- Cash outflows to supplier Comp One for resin materials are higher than budgeted due to the pre-purchase of materials for future period production; and
- The cash outflows for fixed overheads were lower than budgeted due mainly to a timing issue with respect to the remittance of the Harmonized Sales Tax. The remittance was originally budgeted for the week ending July 1, however it was not actually paid until July 18.

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

The Monitor has been advised by management that a further order to manufacture 14 railcar covers has been received. This order is expected to be completed and shipped this week. Payment for this order in the amount of \$54,600 plus taxes is expected to be received next week.

V. MONITOR'S REPORT ON CASH FLOWS (Cont.)

The Monitor has also been advised by management that further ongoing orders to manufacture railcar covers is anticipated. However, it is likely that minimal notice of these new orders will be given by the customer.

VI. RESTRUCTURING OPTIONS

The Monitor previously reported that progress had been made towards the appointment of a VCO. However, the VCO appointment would only proceed if arrangements could be made to finance or fund the remaining construction of Sargeant Yacht.

Since the last hearing, counsel for the Companies has requested confirmation from Sargeant's counsel that funding for the remaining construction of the Sargeant Yacht is available and/or in place. Despite repeated requests, counsel for the Companies has not received the requested confirmation.

Counsel for the Companies has also asked counsel for Comerica Bank (the "Bank"), if the Bank would be prepared to fund the remaining construction of the Sargeant Yacht. Counsel for the Bank has confirmed that the Bank is not prepared to fund the remaining construction of the Sargeant Yacht.

Due to funding not being available to complete construction of the Sargeant Yacht for the eventual delivery of the yacht to Mr. Sargeant, the Companies are now seeking a Court Order to sell the Sargeant Yacht as the initial step to its restructuring plan. It is anticipated that, subject to a priority determination, a portion of the funds realized from the sale of the Sargeant Yacht will be available to form the basis of a Plan of Arrangement for the Companies' creditors.

Counsel for the Companies has prepared a claims process that has been included in the materials submitted in respect of the hearing on July 22, 2011. The Monitor has reviewed this claims process and is satisfied that it adequately provides a fair and reasonable mechanism for the filing and adjudication of creditor claims including the issues pertaining to maritime lien claims.

VI. RESTRUCTURING OPTIONS (Cont.)

The Monitor has met with and discussed with management the general terms of a Plan of Arrangement. Management has outlined several changes that will have to be made by the Companies in order to successfully restructure the business. These changes will likely include the following:

- Sale of the land and building once the Sargeant Yacht is sold and construction of the vessel is completed;
- Entering into a lease back of the land and building to allow for the continuation of the yacht building business following any sale of the real property ; and
- Refocusing marketing efforts in the direction of yacht retrofitting and maintenance that can still be done locally on a competitive basis.

Assuming that an Order is granted to sell the Sargeant Yacht, it is the Monitor's view that the Companies will be in a better position to finalize the Plan of Arrangement once a broker is retained to market the Sargeant Yacht, who should be able to provide an estimate of the current market value of the vessel as-is, and the claims process is completed including the determination of the amount and priority of the creditors claim to proceeds from the sale of the Sargeant Yacht.

VII. CONCLUSIONS AND RECOMMENDATION

The Companies are requesting that the stay be extended a further 90 days that will allow time for the following:

- Retaining a broker to sell the Sargeant Yacht and commence a marketing program of the vessel assuming an Order is granted to sell the Sargeant Yacht;
- Advance the claims process and commence dealing with disputed claims; and
- Formalizing a Plan of Arrangement.

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

DATED at Vancouver, British Columbia, this 20th day of July, 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

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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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 21st day of June, 2011 consisting of projected cash inflows and outflows for the 9 weeks commencing on June 18th 2011 and ending on August 19th 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 20th day of July, 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
Updated
21-Jun-11

	Actual Weeks ending 17-Jun	Week Ending 24-Jun	Week Ending 01-Jul	Week Ending 08-Jul	Week Ending 15-Jul	Week Ending 22-Jul	Week Ending 29-Jul	Week Ending 05-Aug	Week Ending 12-Aug	Week 4 Ending 19-Aug
Opening cash	40753	32388	68965	88404	59751	41190	10090	5429	-632304	-636965
Cash In										
AR Collections; Ecofab	82,460	47,880	53,200	0	0	0	0	0	0	0
Sale of hulls and superstructure										
DIP Financing										
Other										
Total Cash In	82460	47,880	53,200	0	0	0	0	0	0	0
Cash Out										
Production										
Comp One	-31069									
Raider Hansen	-228									
Maple Leaf Disposal	-904	-900								
10 man crew	-10,627	-3898								
Fixed Overheads										
Management/consulting	-1040	-6000		-6000		-6000		-6000		-6000
Jim Hawkins	-2773		-2773		-2773		-2773		-2773	
Martin Biros	-1865	-505								
Chris Grimes-Goard	-1802		-1388		-1388		-1388		-1388	
CRA withholdings	-10059				-13900					-3,970
Hydro	-2512			-2000				-2000		
Insurance	-5000					-5000				-5000
Terasen Gas	-648					-100				-100
Bell Mobility	-566			-200				-200		
Telus	-130			-250				-250		
Internet	-113			-130				-130		
Sewage Inspection Orion	-875							-1080		
Golden Ears Alarm				-73				-73		
Worksafe BC (WCB)										
Property taxes								-608,000		
Miscellaneous	-736		-500		-500		-500		-500	
Professional Fees	-19,878			-20000		-20,000		-20000		-20000
HST Paid			-29100							
Total Cash Out	-90825	-11303	-33761	-28653	-18561	-31100	-4661	-637733	-4661	-35070
Cash Increase (Decrease)	-8365	36,577	19,439	-28,653	-18,561	-31,100	-4,661	-637,733	-4,661	-35,070
CLOSING CASH	32388	68965	88404	59751	41190	10090	5429	-632304	-636965	-672035

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 CCAA petition. Readers are cautioned that the projections may not be appropriate for any other purposes.