

Supreme Court of Nova Scotia

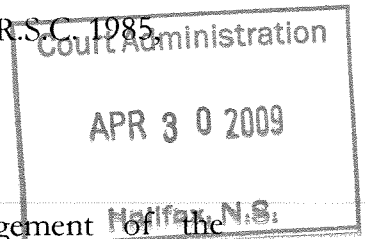
IN THE MATTER OF:

The *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 as amended.

-and-

IN THE MATTER OF:

A Plan of Compromise or Arrangement of the Applicant, Canadian Sailing Expeditions Inc.



sgd
A.D. MacADAM
J

FOURTH DIP ORDER

BEFORE THE HONOURABLE JUSTICE A. DAVID MACADAM IN CHAMBERS
A.D. MacADAM

UPON READING the Affidavits of Douglas Prothero sworn April 27, 2009 and of Gavin MacDonald sworn April 30, 2009;

AND UPON HEARING Robert G. MacKeigan Q.C., counsel for the Company;

IT IS HEREBY ORDERED THAT:

1. The Company not be required to serve notice of this application on any of its creditors except for GrowthWorks Atlantic Venture Fund Limited, Nova Scotia Business Inc., Caterpillar Financial Services Limited and National Marine and Fire Services Inc.
2. The Company is hereby authorized and empowered to enter into a fourth non-revolving credit facility (the "Fourth DIP Facility") with GrowthWorks Atlantic Venture Fund Limited (the "DIP Lender") for a maximum total principal amount of \$375,000 on the terms and conditions set forth in the April 29, 2009 commitment letter from the DIP Lender accepted by the Company (the "DIP Commitment Letter") to fund the ongoing, ordinary course of activities of the Company and to permit the Company to pay such amounts as may be permitted by the terms of this Order, the Order of Justice Moir issued June 27, 2008 (the "Initial Order") and the DIP Commitment Letter.
3. The Company shall be authorized to borrow and shall otherwise obtain credit from the DIP Lender in accordance with the DIP Commitment Letter provided that the total outstanding principal amount thereunder does not at any time exceed \$375,000 and the Company is hereby authorized and directed to perform all of its obligations under the DIP Commitment Letter and the DIP Credit Documentation (as defined

below), and the Company shall pay when due all principal and interest under the Fourth DIP Facility, provided that nothing in this Order shall oblige the DIP Lender to make any advance to the Company.

4. The DIP Lender is hereby granted a first priority charge, mortgage and security interest in all present and after-acquired real and personal property of the Company ("Property"), including (without limitation) a marine mortgage on the vessel "Caledonia" (ON 370565) (the "DIP Marine Mortgage") (collectively the foregoing are collectively referred to in this Order as the "Fourth DIP Charge"), as security for repayment of all amounts advanced or owing pursuant to the DIP Commitment Letter, the DIP Credit Documentation and this Order (or any of them) together with all interest, fees, expenses, charges and other amounts payable in respect thereof (collectively, the "DIP Liabilities").
5. The Company is hereby authorized and empowered to execute and deliver to the DIP Lender such mortgages, charges, hypothecs, security agreements, debentures (collectively, the "DIP Security") and such other agreements and documents (together with the DIP Security, the "DIP Credit Documentation") as are contemplated by the DIP Commitment Letter or the Fourth DIP Charge or as may be reasonably required by the DIP Lender from time to time in respect of borrowings under the Fourth DIP Facility.
6. Notwithstanding that the Company has granted a marine mortgage over the vessel *Caledonia* in favour of Caterpillar Financial Services Limited dated November 16, 2007 (the "Caterpillar Marine Mortgage") and that the Company has granted a marine mortgage over the vessel *Caledonia* in favour of Nova Scotia Business Inc. dated November 16, 2007 (The "NSBI Marine Mortgage") or that the Caterpillar Marine Mortgage and NSBI Marine Mortgage have been registered on the Ship Registry maintained by Transport Canada under the *Canada Shipping Act* (the "Ship Registry"), the DIP Marine Mortgage, when executed, delivered and registered on the Ship Registry, shall rank in priority to the Caterpillar Marine Mortgage and the NSBI Marine Mortgage and have the same priority as the charges in favour of the DIP Lender pursuant to the orders of this Court issued July 4, 2008, August 13, 2008, and November 2, 2008 in this proceeding (collectively the "Prior DIP Charges").
7. The DIP Security and the Fourth DIP Charge shall be deemed to have attached, as of 12:01 a.m. (Halifax time) on the date of the Initial Order, to all Property of the Company with respect to all advances made and to be made under the Fourth DIP Facility.
8. The Company shall pay to the DIP Lender when due all amounts owing, and shall perform all other obligations of the Company to the DIP Lender pursuant to the DIP Commitment Letter, the DIP Credit Documentation and this Order (or any one of them).

9. Subject to the following, nothing in this Order or the Initial Order shall apply to prevent, enjoin, restrain or stay:
- (a) Any right of the DIP Lender to terminate the making of or refuse to make advances to the Company under the DIP Commitment Letter and to make demands thereunder, or from issuing any notices of intention to enforce security, notices of power of sale, notices of disposition or other such notices, and from exercising any acceleration rights or rights of set-off or combination of accounts, or any rights and remedies under the DIP Credit Documentation, the Fourth DIP Charge or the DIP Security;
 - (b) Without limiting paragraph (a) above, prevent the DIP Lender from applying to this Court for the appointment of an interim receiver, receiver and manager and/or for the appointment of a trustee in bankruptcy in connection with the enforcement of the Fourth DIP Charge and the DIP Security or the payment of the DIP Liabilities or for other relief;
 - (c) The DIP Lender from exercising its rights and remedies as and against the Company in respect of the Fourth DIP Charge or the DIP Credit Documentation; and
 - (d) The Company from paying amounts from time to time on account of the DIP Liabilities to the extent permitted by this Order in accordance with the DIP Commitment Letter and the DIP Credit Documentation.

Notwithstanding any other provision of this Order, the DIP Lender shall not enforce any security (or exercise any right of set-off or combination of accounts) against the Company or its Property without the prior leave of this Court, provided that the DIP Lender may deliver to the Company demands and notices and exercise acceleration rights without the leave of the Court.

10. The DIP Lender, in such capacity, shall, unless it otherwise agrees, be treated in all respects as an unaffected creditor in these proceedings, in the reorganization plan by the Company or in any other plan filed by the Company (the "Plan") with respect to the DIP Liabilities and, unless otherwise agreed by the DIP Lender, all indebtedness and liability owing by the Company to the DIP Lender with respect to the Fourth DIP Facility shall be paid to the DIP Lender in full no later than the date of implementation of the Plan.
11. The DIP Lender and its advisors shall be given clear and unfettered access to the books and records of the Company and such other information as the DIP Lender and its advisors deem necessary or appropriate.

12. No order shall be made varying, rescinding or otherwise affecting the provisions of this Order with respect to the Fourth DIP Facility, the DIP Credit Documentation, the Fourth DIP Charge or the DIP Security unless either:
 - (a) Notice of application for such order is served on the DIP Lender by the moving party within ten (10) days after such moving party is served with a copy of this Order; or
 - (b) The DIP Lender applies for or consents to such order.

13. The Company shall execute all documents and take such other actions necessary or appropriate to give effect to the Fourth DIP Charge.
14. The Fourth DIP Charge shall attach to all present and future Property of the Company, including any lease, sublease, offer to lease or other contract, except that the Fourth DIP Charge shall not attach to the last day of the term of any lease of real property or to any such lease, sublease, offer to lease, or other contract to the extent that such attachment would constitute a breach of its terms or permit a party to terminate such agreement. If the Fourth DIP Charge does not attach to any Property in accordance with this paragraph, the Company shall hold its interests in such lease, sublease, offer to lease or other contract or any proceeds therefrom in trust for the DIP Lender and shall assign such interests to the DIP Lender or its assignees upon obtaining the required consent or upon order of the Court.
15. Advances made under the Fourth DIP Facility shall be made to the Company as required for the operations of the Company, as determined by the Monitor and approved by the DIP Lender. The Fourth DIP Charge resulting from any such advance has priority over all other mortgages, marine mortgages, charges, security interests, liens and encumbrances of any kind or nature (collectively, the "Encumbrances" and individually, an "Encumbrance") in or against any and all of the Property of the Company, subject to: (i) applicable prior statutory liens, (ii) personal property secured in favour of any of the lenders identified under the heading "Leases" at Exhibit H to the affidavit of Douglas Prothero filed June 26, 2008 together with any proceeds thereof, and (iii) the Prior DIP Charges, which shall rank *pari passu* with the Fourth DIP Charge.
16. Except as otherwise expressly provided for herein, the Company shall not borrow any amounts or grant any Encumbrance on any of its Property from the date of this Order unless the Company obtains the prior written consent of the DIP Lender and approval of this Court.
17. None of the Fourth DIP Charge, the obligations of the Company pursuant to the Fourth DIP Charge, the DIP Liabilities or any of the documents delivered pursuant thereto, shall be illegal, invalid or non-binding obligations of the Company or otherwise rendered unenforceable against the Company or any of the Property, nor

shall they be void or voidable by creditors or shareholders of the Company, a trustee in bankruptcy of the Company or any other person by reason of:

- (a) The pendency of these proceedings and the declarations of insolvency made herein;
- (b) The pendency of any petitions for any receiving order or any receiving orders issued under the *Bankruptcy and Insolvency Act* ("BIA") in respect of the Company, or any assignment under the BIA being made or deemed to have been made; or
- (c) The provisions of any federal or provincial law.

18. The Prior DIP Charges, the Fourth DIP Charge and the Administration Charge have relative priority as follows:

- (a) Firstly, the Administration Charge to a maximum principal amount of \$75,000;
- (b) Secondly, the aggregate of the Prior DIP Charges and the Fourth DIP Charge; and
- (c) Thirdly, the remaining Administration Charge (if any).

19. The beneficiaries of the Fourth DIP Charge may, but shall not be required to file, register, record or perfect the Fourth DIP Charge, notice thereof or any financing statement with respect thereto and the Fourth DIP Charge shall be valid and enforceable for all purposes against all existing and after acquired property for any purpose with priority over any right, title or interest filed, registered, recorded or perfected prior or subsequent to the Fourth DIP Charge coming into existence despite any failure to file, register, record or perfect the Fourth DIP Charge, notice thereof, or any financing statement with respect thereto. Despite anything in this Order, the beneficiaries of the Fourth DIP Charge may take such steps as they deem necessary or appropriate to register, record or perfect the Fourth DIP Charge, notice thereof or any financing statement with respect thereto, if they deem it advisable to do so.

20. The creation of the Fourth DIP Charge and the payments made by the Company and any agreements, instruments or other documents delivered pursuant to this Order to do not constitute fraudulent preferences, fraudulent conveyances, oppressive conduct, settlements or other challengeable or reviewable transactions under any applicable law.

21. None of the Fourth DIP Charge, the Fourth DIP Facility, or the DIP Credit Documentation shall be, or be deemed to be, invalid or ineffective by reason of any negative covenant, prohibition or other similar provision with respect to incurring

debt or other obligations or the creation of any Encumbrance contained in any agreement to which the Company is a party and, notwithstanding any provision to the contrary in such agreements:

(a) None of the Fourth DIP Charge, the obtaining of the Fourth DIP Facility, or the creation of any of the DIP Credit Documentation and none of the execution, delivery, performance, perfection or registration of any agreement, instrument or other documents delivered pursuant thereto shall create or be deemed to constitute a breach by the Company of any agreement to which it is a party; and

(b) No person shall have any liability to any other person whatsoever as a result of any breach of any agreement caused by or resulting from the Fourth DIP Charge, the obtaining of the Fourth DIP Facility, the creation of any of the DIP Credit Documentation or the execution, delivery, performance, perfection or registration of any agreements, instruments or other documentation delivered pursuant thereto.

22. This Court requests the aid and recognition of any court or any judicial, regulatory or administrative body in any province or territory of Canada (including the assistance of any Court in Canada pursuant to Section 17 of the CCAA) and the Federal Court of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States and the states or other subdivisions of the United States and of any other nation or state to act in aid of and to be complementary to this Court in carrying out the terms of this Order and all subsequent orders made by this Court in this proceeding.

DATED at Halifax, Nova Scotia, this 30 day of April, 2009.

GEORGE GHOSN
Deputy Prothonotary



Deputy Prothonotary

IN THE SUPREME COURT OF NOVA SCOTIA

I hereby certify that the foregoing document, identified by the Seal of the Court, is a true copy of the original document on file herein.

Dated the 30 day of April A.D., 2009

Deputy Prothonotary