

PLAN OF COMPROMISE OR ARRANGEMENT

CANADIAN SAILING EXPEDITIONS INC.

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Plan (including the Schedules hereto), unless otherwise stated or the context otherwise requires:

"**Affected Claim**" means a Claim other than an Unaffected Claim;

"**Agreement**" means the asset purchase agreement between the Applicant and Navigator pursuant to which Navigator is to purchase all of the assets of the Applicant for an amount sufficient to fund the Plan;

"**Applicant**" means Canadian Sailing Expeditions Inc., a company incorporated pursuant to the laws of the Province of Nova Scotia;

"**Business Day**" means any day, other than a Saturday or Sunday, on which Canadian chartered banks are open for business in Halifax, Nova Scotia;

"**CCAA**" means the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended from time to time;

"**Claim**" means any right or claim of any Person, whether or not asserted, in connection with any indebtedness, liability or obligation of any kind whatsoever against the Applicant or any present or former director or officer of the Applicant, and, in the case of any such present or former director or officer, any indebtedness, liability or obligation of any kind whatsoever actually and reasonably incurred by the director or officer as a result of his or her position or involvement with the Applicant, and, without limiting the foregoing, whether arising from employment, contract, the commission of a tort (intentional or not intentional), any breach of duty (legal, statutory, fiduciary or otherwise), or any Taxes, or any right of ownership or title to property, or to a trust or deemed trust, howsoever created, and whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, by guarantee, surety or otherwise and whether or not such right is executory in nature, including the right or ability of any Person to advance a claim for contribution or indemnity or otherwise:

(i) which indebtedness, liability or obligation is based in whole or in part on facts existing on or prior to the Filing Date or would have been claims provable in bankruptcy had the Applicant become bankrupt on the Filing Date; or

(ii) which indebtedness, liability or obligation arises after, or is based upon facts arising after, the Filing Date, including without limitation, that which arises from or is caused by the repudiation or termination of any contract, lease or agreement by the Applicant or order of this Court.

"Claims Bar Date" means September 11, 2008 as set by the Claims Bar Order;

"Claims Bar Order" means the Order of the Court issued August 13, 2008 setting forth a process to *inter alia* value and bar Claims against the Applicant;

"Class" means any group of Claims designated as a class in Article 3 hereof;

"Court" means the Supreme Court of Nova Scotia;

"Creditor" means any Person holding an Affected Claim;

"DIP Lender" means Growthworks in its capacity as lender of debtor in possession financing to the Applicant;

"Disallowed Creditor" means a Creditor who has received a Disallowance (as such term is defined in section 8.1) and the amount of whose Affected Claim for purposes of distribution has not been determined in accordance with section 8.2 prior to the Implementation Date;

"Final Order" means an order of the Court sanctioning this Plan under the CCAA;

"Filing Date" means June 27, 2008;

"Growthworks" means Growthworks Atlantic Venture Fund Limited;

"Growthworks Deficiency Claim" has the meaning set forth in section 4.4 hereof;

"Growthworks Deficiency for Payment" has the meaning set forth in section 4.4 hereof;

"Implementation Date" means the day on which all conditions for Sanction of the Plan and for Implementation set forth in Article 5 are either satisfied or waived in the manner permitted hereunder;

"Initial Order" means the order of the Court made on the Filing Date, pursuant to which the Applicant made its initial application under the CCAA and was, *inter alia*, provided

protection pursuant to the CCAA, as the same may be amended, supplemented, replaced or restated from time to time;

"Lease Lenders" means any Person who is a lessor of equipment for which the Applicant is a lessee;

"Monitor" means BDO Dunwoody Goodman Rosen Inc., in its capacity as court-appointed monitor of the Applicant pursuant to the Initial Order;

"Navigator" means Navigator Voyages Inc., the purchaser of the assets of the Applicant pursuant to the Agreement;

"Person" means any individual, corporation, partnership, co-ownership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator or other legal representative;

"Plan" means this Plan of Compromise and Arrangement as amended, supplemented, restated or replaced from time to time;

"Proceeds" has the meaning set forth in Section 2.1 hereof;

"Shareholders" means any Person who owns any common shares of any class, there being only common shares issued by the Applicant;

"Shares" means the common shares in the capital of the Applicant as constituted on the Implementation Date immediately prior to implementation of the Plan;

"Statutory Creditors" means the Canada Revenue Agency;

"Statutory Secured Claims" means the Claims of any Statutory Creditor that are secured by a deemed trust or interest in the Applicant's property or assets arising by operation of statutory law, including (without limitation) the *Income Tax Act* and *Excise Tax Act*.

"Taxes" means taxes, including all income, capital, corporate, gross receipts, goods and services, sales, use, value-added, *ad valorem*, transfer, non-resident, property, real or personal property, business, franchise, license and excise taxes and duties, together with any interest, penalties, fines, additional taxes and additions to tax imposed with respect to the foregoing;

"Unaffected Claim" means a Claim identified in section 2.3;

"Unsecured Claim" means (i) any Affected Claim where the Applicant has not granted a mortgage, charge or other security interest in real or personal property of the Applicant to secure such Claim, including (but not limited to) Claims of Shareholders; (ii) an Affected Claim secured by a charge, construction lien, possessory lien, writ of execution, right of distraint or other lien or

encumbrance arising by operation of law (statutory or otherwise) except for Statutory Secured Claims; and (iii) the Growthworks Deficiency Claim;

"Unsecured Creditor" means any Creditor who has an Unsecured Claim; and

"Valued Claim for Voting" shall mean, in respect of an Affected Claim, (i) the amount of such Affected Claim set out in the proof of claim accepted or deemed to be accepted by the Monitor or otherwise determined pursuant to the procedure set out in the Claims Bar Order or (ii) in respect of the Growthworks Deficiency Claim, the amount determined pursuant to section 4.4 hereof.

1.2 Article References

In this Plan, a reference to an Article, section, clause or paragraph shall, unless otherwise stated, refer to an Article, section, clause or paragraph of this Plan.

1.3 Number, etc.

In this Plan, where the context requires, a word importing the singular number shall include the plural and vice versa; and a word or words importing any gender shall include all genders.

1.4 Interpretation not Affected by Headings

The division of this Plan into Articles, sections, clauses and paragraphs and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan.

1.5 Date for any Action

In the event that any date on which any action is required to be taken hereunder by any of the parties is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

1.6 Time

All times expressed herein are local time in Halifax, Nova Scotia unless otherwise stipulated herein.

1.7 Currency

Unless otherwise stated herein, all references to currency in this Plan are to lawful money of Canada.

1.8 Successors and Assigns

This Plan shall be binding upon and shall enure to the benefit of the heirs, administrators, executors, legal and personal representatives, successors and assigns of any Person named or referred to in this Plan.

1.9 Governing Law

This Plan shall be governed by and interpreted or construed in accordance with the laws of the Province of Nova Scotia.

ARTICLE 2 PURPOSE AND EFFECT OF PLAN

2.1 Purpose

Subsequent to the Applicant offering for sale its principal asset, the sailing vessel Caledonia, the Applicant has received an offer for the sale of all of its assets, which offer is detailed in the Agreement and which the Applicant intends to accept. The Applicant will provide a copy of the Agreement to any Creditor who requests a copy. The proceeds from the sale of the assets pursuant to the Agreement and any monies received by the Applicant from its operations (the "Proceeds") will be used to fund the Plan. The Proceeds are currently estimated to be \$9,320,000 Canadian in total and a detailed accounting of which will be provided at the meeting described in Section 5.1 hereof.

2.2 Persons Affected

On the Implementation Date, the Affected Claims will be compromised in accordance with the terms hereof and the Plan shall become effective and shall be binding upon the Applicant, the Creditors to the extent of their Affected Claims, the Shareholders, and the holders of options or rights to purchase Shares.

2.3 Persons and Claims Not Affected

This Plan does not affect Claims held by the following Persons:

- (a) Employees and Officers - Claims of existing employees and officers of the Applicant for wages earned, vacation pay and severance owing for the period ending on the Implementation Date except for the Claims of such Persons arising in their capacity as Shareholders;
- (b) Post Filing Claims - Claims of Persons arising on account of any new obligations incurred by, or goods, services or materials supplied to, an Applicant after the date of the Initial Order;

- (c) New Advances - Claims of Persons, including Creditors and Navigator, if any, who advance new funds to the Applicant after the date of the Initial Order, but only in respect of such new advances whether by way of loan, continuation of existing letters of credit or otherwise;
- (d) Professional Advisors – All persons whose Claims are included in the Administrative Charge (as defined in the Initial Order), including the Monitor, the counsel to the Monitor, and counsel to the Applicant; and
- (e) DIP Lender – Claims by the DIP Lender secured by any orders of the Court.

ARTICLE 3 CLASSIFICATION OF CLAIMS

3.1 Classification of Claims

For purposes of considering and voting on the Plan, the Affected Claims shall be grouped in the following Classes and each Creditor in a designated Class shall, to the extent of its Valued Claim for Voting, be entitled to vote on the Plan as part of that Class:

Class 1 – Unsecured Claims shall be designated as Class 1;

Class 2 – Claims of Caterpillar Financial Services Limited (“**Caterpillar**”) shall be designated as Class 2;

Class 3 - Claims of Growthworks other than claims as the DIP Lender and the Growthworks Deficiency Claim shall be designated as Class 3;

Class 4 – Claims of the Lease Lenders shall be designated as Class 4; and

Class 5 – Statutory Secured Claims of Statutory Creditors shall be designated as Class 5.

ARTICLE 4 ARRANGEMENT

4.1 Limitation of Remedies

For purposes of this Plan, a holder of an Affected Claim in a Class listed in Article 3 shall receive the treatment provided in this Article 4 on account of such Affected Claim and shall have no further rights or remedies as against the Applicant in respect of such Affected Claim except as specifically provided in this Article 4.

4.2 Payment of Proceeds

No later than 30 days after the Implementation Date, the Applicant shall cause the following payments to be made from the Proceeds:

- (a) First, the DIP Lender on the basis of 100 cents on the dollar of the amounts outstanding to it;
- (b) Second, payment of all Unaffected Claims on the basis of 100 cents on the dollar of their Claims;
- (c) Third, all amounts owing in respect of Statutory Secured Claims shall be paid 100 cents on the dollar to the Statutory Creditors but all other claims of Statutory Creditors shall be treated as Unsecured Claims;
- (d) Fourth, the sum of \$5,870,000 shall be paid to Caterpillar in full and final satisfaction of its Claims;
- (e) Fifth, the sum of \$1,800,000 shall be paid to Growthworks together with an assignment of the \$350,000 promissory note dated as of March 1, 2006 from 3096000 Nova Scotia Limited to the Applicant;
- (f) Sixth, Claims of the Lease Lenders shall be addressed by Navigator assuming those leases identified in the Agreement and the return of all other leased equipment to the relevant Lease Lender – any deficiency claim of Lease Lender shall be treated as an Unsecured Claim and such Lease Lender shall be treated as an Unsecured Creditor in respect of such Unsecured Claim; and
- (g) Seventh, the amount of \$250,000 shall be apportioned for the payment of Claims of Unsecured Creditors in the following manner:
 - (i) Each Unsecured Creditor with a Valued Claim for Voting equal to or less than \$1000 will be paid an amount equal to its Valued Claim for Voting; and
 - (ii) Each Unsecured Creditor with a Valued Claim for Voting of more than \$1000 will be paid the sum of: (1) \$1000; and (2) a *pro rata* share of the balance remaining of the initial \$250,000 after payment to each Unsecured Creditor of the foregoing amounts in proportion to the sum of: (A) the Valued Claim for Voting of each such Unsecured Creditor except Growthworks; and (B) the Growthworks Deficiency for Payment.

4.3 Nova Scotia Business Inc.

The payment to Caterpillar pursuant to section 4.2(d) shall fully and finally satisfy the Claims of Caterpillar and any claims Caterpillar may have against Nova Scotia Business Inc. (“NSBI”) and any other guarantors of the Claims of Caterpillar. For greater certainty, the guarantee of NSBI to Caterpillar shall be discharged and released as of the Implementation

Date. On the Implementation Date, NSBI shall fully release and discharge Caterpillar from any unpaid guarantee fees owing as of the Implementation Date, and shall fully release and discharge any and all guarantees made by any Person in favour of NSBI in respect of the Applicant, the Claims of Caterpillar or any amount in respect of our related to the foregoing.

4.4 Growthworks

- (a) The deficiency between the total value of the Claim of Growthworks (as determined by process established under the Claims Bar Order) and the sum of the cash payment made to Growthworks and the face value of the promissory note assigned by the Applicant, both pursuant to 4.2(e) (the “**Growthworks Deficiency Claim**”) shall be deemed to be an Unsecured Claim.
- (b) Pursuant to section 7.2 hereof, Growthworks may vote as an Unsecured Creditor in Class 1 in respect of the Growthworks Deficiency Claim and its Valued Claim for Voting for Class 1 shall be the amount of the Growthworks Deficiency Claim.
- (c) For the purpose of apportioning the amount specified in section 4.2(g) among Unsecured Creditors, the Growthworks Deficiency Claim shall be reduced by 50% (the “**Growthworks Deficiency for Payment**”).
- (d) The payments to Growthworks pursuant to sections 4.2(e) and (g), and the assignment of the promissory note referenced in section 4.2(e) shall constitute full and final satisfaction of the Claims of Growthworks.

4.5 Extinguishment of Claims

On the Implementation Date and after the completion of all of the events outlined in this Article 4, all Affected Claims as of the Implementation Date, including, without limitation, all accruals, indebtedness, liabilities or obligations in respect of such Affected Claims, against the Applicant will be extinguished and the Applicant will be released from all claims, liabilities and obligations with respect thereto. For greater certainty and as provided under section 6 of the Claims Bar Order, the Claim of any Person who has not complied with the process mandated by the Claims Bar Order shall have its Claim forever extinguished and is barred from participating in this plan or making or enforcing the Claim against the Applicant, Monitor or any other Person.

ARTICLE 5 IMPLEMENTATION

5.1 Voting on the Plan

- (a) A meeting for each Class of Affected Claims in respect of which Creditors are entitled to vote shall be held February 17, 2009 or any date to which such a meeting is adjourned by the Monitor.

- (b) Each Creditor having an Affected Claim in a Class shall be entitled to attend and to vote at the meeting for such Class. In order for this Plan to be accepted by a Class, it must be approved by a majority in number of the Creditors in such Class who are present and voting either in person or by proxy at the meeting and such Creditors must represent two-thirds of the Valued Claims for Voting of such Class.
- (c) The Monitor shall preside as the Chair of each meeting and shall, subject to the Initial Order or any other order of the Court, decide on matters relating to procedure at the meeting. A quorum at each meeting of a Class shall be one Creditor in that Class. If the requisite quorum is not present at any meeting or any meeting is postponed by the vote of a majority of Creditors present at such meeting in person or by proxy and entitled to vote at such meeting, then the meeting shall be adjourned by the Chair to a date not less than 10 days thereafter and to such time and place as may be appointed by the Chair, who shall determine what notice shall be provided to the Creditors.
- (d) In the event that one or more Classes, with the exception of Class 2 and Class 3, do not approve this Plan and, in the reasonable opinion of the Applicant, this Plan may be implemented substantially in accordance with its terms without any material adverse effect upon the Classes who have approved this Plan, the Applicant may deem all Affected Claims in any such Class that has not so approved this Plan to be Unaffected Claims and may apply to the Court for a Final Order which sanctions this Plan only insofar as it affects the Classes which have approved this Plan or, in the alternative, the Applicant may amend this Plan in accordance with Article 6.
- (e) A meeting for the Shareholders shall be held within 2 Business Days of the meeting of Creditors described in section 5.1(a). At such meeting the Shareholders shall consider and vote upon a resolution to approve the Plan. The results of such vote shall be presented to the Court for its consideration in connection with the Final Order but approval of the Plan by the Shareholders, or any class thereof, shall not be a condition to the Applicant seeking sanction of this Plan or to the granting of the Final Order. Alternatively, the Shareholder may execute a resolution in writing approving the Plan instead of calling a meeting of Shareholders.
- (f) Each Shareholder shall be entitled to notice of and the right to attend the meeting of Shareholders and to vote with respect to the resolution to approve the Plan.
- (g) A representative of the Applicant shall preside as the Chair of the meeting of the Shareholders and shall, subject to the memorandum and articles of association of the Applicant, the Initial Order and any other order of the Court, decide on matters relating to procedure at the meeting.

5.2 Conditions to Implementation

The implementation of this Plan will be conditional upon the fulfilment or satisfaction of the following conditions either by completion or by completion and delivery in escrow pending the Implementation Date, and thereupon the Plan will be binding upon the Applicant, Shareholders, all holders of options or rights to purchase Shares, and all Creditors:

- (a) the Applicant shall have taken all necessary corporate actions and proceedings to approve this Plan and to enable the Applicant to execute, deliver and perform its obligations under this Plan and the Agreement;
- (b) the requisite majorities of Creditors in number and value, as required by the CCAA, this Plan and any orders of the Court, shall have approved the Plan;
- (c) the completion of the Agreement and the closing of the transaction contemplated thereby pursuant to the terms and conditions thereof; and
- (d) the Final Order shall have been granted on terms contemplated by this Plan and otherwise satisfactory to the Applicant, and any relevant appeal period shall have expired without an appeal having been taken or any appeal so taken shall have been finally determined by the appropriate appellate tribunal confirming the Final Order without amendment.

ARTICLE 6 AMENDMENT TO THE PLAN

6.1 Amendments

- (a) The Applicant reserves the right, at any time prior to a meeting, to amend this Plan, provided that the Applicant shall inform all Creditors and all Shareholders voting at such meeting of the details of any amendment prior to the vote being taken at the meeting and provided further that the amendment does not adversely affect any Class of Creditors or the Shareholders that have already voted.
- (b) The Applicant may propose an amendment to this Plan at a meeting of Creditors or Shareholders or at any time prior to both such meetings and it shall not be necessary to adjourn either meeting unless the Creditors or Shareholders present, in person or by proxy, by a majority vote, determine that the Creditors, Shareholders or any of them are adversely affected by the amendment proposed.
- (c) After the last meeting and prior to the Implementation Date, changes may be made to the provisions of Article 4 of this Plan with the approval of any Class

of Creditors particularly affected by the change in question and, if the Final Order has been granted, the Court.

- (d) Subsequent to any meeting and whether or not the Final Order has been granted, the Applicant may, with the approval of the Court and upon notice as prescribed by the Initial Order, make any technical or *de minimis* amendment to this Plan that is not materially prejudicial to any Class of Creditors or the Shareholders.

ARTICLE 7 MISCELLANEOUS

7.1 Notices

Any notice or communication to be made or given hereunder shall be in writing and shall reference this Plan and may, subject as hereinafter provided, be made or given by personal delivery, by prepaid mail or by telecopier addressed to the respective parties as follows:

- (a) if to the Applicant:

Canadian Sailing Expeditions Inc.
P.O. Box 2613
Halifax NS B3J 3N5

Attention: Douglas Prothero, President
Facsimile: 902-429-1475
Email: doug@canadiansailingexpeditions.com

with a copy to the Monitor at:

BDO Dunwoody Goodman Rosen Inc.,
in its capacity as Monitor
1718 Argyle Street, Suite 620
Halifax, NS B3J 3N6

Attention: Paul G. Goodman
Facsimile: 902-425-3777
Email: pgoodman@bdo.ca

and with a copy to the Applicant's counsel at :

Cox & Palmer
1959 Upper Water St., Suite 1100
Halifax NS B3J 3N2

Attention: Robert G. MacKeigan
 Facsimile: 902-421-3130
 Email: robbie@coxandpalmer.com

and with a copy to the Monitor's counsel at :

Wickwire Holm
 1801 Hollis Street, Suite 2100
 PO Box 1054
 Halifax NS B3J 2X6

Attention: Carl Holm
 Facsimile: 902-429-8215
 Email: cholm@wickwireholm.com

- (b) if to a Creditor: to the last address of such Creditor as shown in the records of the Applicant or as may be specified in the proofs of Claims filed by a Creditor pursuant to the Initial Order or this Plan;

or to such other address as the Applicant may from time to time notify the Creditors, or as any Creditor may from time to time notify the Applicant in accordance with this section 10.1. All notices and communications shall be deemed to have been received, in the case of notice by telecopier or by delivery received prior to 5:00 p.m. on a Business Day, when received or, if received after 5:00 p.m. on a Business Day or at any time on a day other than a Business Day, on the next following Business Day and, in the case of notice mailed as aforesaid, on the 3rd Business Day following the date on which such notice or other communication is mailed. In the event of any strike, lockout or any other event which interrupts postal service in any part of Canada, all notices and communications during such interruption may only be given or made by personal delivery or by telecopier and any notice or any other communication given or made by prepaid mail within the five Business Day period immediately preceding the commencement of such interruption shall be deemed not to have been given or made. The unintentional failure by the Applicant to give a notice contemplated hereunder to any particular Creditor shall not invalidate this Plan or any action taken by any Person pursuant to this Plan.

7.2 Participation in Different Capacities

Creditors may be affected by this Plan in more than one capacity and belong to more than one Class. Each Creditor shall be entitled to participate hereunder in each such capacity and Class. Any action taken by a Creditor in any one capacity or Class shall not affect the Creditor in any other capacity or Class unless the Creditor agrees in writing.

7.3 Release

On the Implementation Date and after the completion of all steps outlined in this Plan, each Creditor and each Shareholder will be deemed in its capacity as such to have forever released each of the Applicant and its directors, officers, employees, legal counsel, auditors and advisers from any and all demands, suits, claims, debts, sums of money, accounts, damages, expenses, liens, actions and causes of action it had, may have had, or may have been entitled to assert, whether known or unknown, matured or unmatured, against the Applicant or its respective directors, officers, employees, legal counsel, auditors or advisers based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Implementation Date arising from, relating to or in connection with any Affected Claim, any of the Shares or the options or rights to purchase Shares, the business and affairs of the Applicant, the Plan, or the proceedings under the CCAA, as the case may be.

7.4 Paramourncy

From and after the Implementation Date, any conflict between this Plan and the covenants, warranties, representations, terms, conditions, provisions or obligations, expressed or implied, of any contract, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, by-laws of the Applicant, lease or other covenant or agreement, written or oral, and any and all amendments or supplements thereto, existing between a Creditor, a Shareholder or a holder of options or rights to purchase Shares and the Applicant or between one or more of such parties and the Applicant as at the Implementation Date (other than those entered into or effective as of the Implementation Date as part of this Plan) will be deemed to be governed by the terms, conditions and provisions of this Plan, which shall take precedence and priority.

7.5 Waiver of Defaults

Subject to sections 4.3 and 4.5, from and after the Implementation Date, each Creditor, Shareholder or holder of options or rights to purchase Shares will be deemed to have waived any and all defaults by the Applicant of every covenant, warranty, representation, term, condition, provision or obligation, expressed or implied, in every contract, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, lease or other covenant or agreement, written or oral, and any and all amendments or supplements thereto, existing between such party or parties and the Applicant which have occurred and are continuing as at the Implementation Date.

7.6 Ratification and Further Assurances

Each Creditor, Shareholder and holder of options or rights to purchase Shares will be deemed in its capacity as such to have ratified and confirmed, as of the Implementation Date, all of the transactions contemplated in this Plan. Each Creditor will execute and deliver or otherwise provide such further documents, instruments or information required by the

Applicant as may be reasonably necessary or desirable to give effect to this Plan and the transactions contemplated by this Plan.

DATED this 16th day of January, 2009.