

This is **Exhibit "A"** referred to in the
Affidavit of Gavin D.F. MacDonald sworn
before me this 29th day of October, A.D. 2008



.....
A Barrister of the Supreme Court of Nova Scotia

IN THE 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.

AFFIDAVIT

I, Douglas Prothero of Halifax, Nova Scotia, make oath and say as follows:

1. I am a Director and the President of Canadian Sailing Expeditions Inc. (the "Company"), a limited company incorporated under the laws of the Province of Nova Scotia, and have personal knowledge of the matters deposed to herein unless such knowledge is otherwise stated to be by way of information and belief.
2. On June 27, 2008, Justice Gerald R. P. Moir issued an order ("Initial Order") granting the Company relief pursuant to The *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA").
3. Since the date of the Initial Order, the Company has been assisting BDO Dunwoody Goodman Rosen Inc, in its capacity as court appointed Monitor of the Company (the "Monitor"), in carrying out its functions under the present terms of the Initial Order.
4. The Company has prepared weekly cash flow statements (the "Cash Flow Statements") for the Monitor, the most recent of which was for the period October 20 to October 26, 2008 being week 17, which has been provided to the Monitor and will be incorporated in an affidavit of the Monitor, to be filed with the Court.
5. The Monitor advises and I do verily believe that it has or will circulate the Cash Flow Statements and a copy of its affidavit to counsel to Growthworks Atlantic Venture Funds Limited ("Growthworks"), Caterpillar Financial Services Limited ("Caterpillar"), Nova Scotia Business Incorporated, and a representative of National Marine and Fire Services Inc.
6. The Cash Flow Statements show that the Company is successfully managing its cash flow. Actual revenue has been consistent with or higher than planned. As previously described in my affidavit of October 16, 2008, the Caledonia has been wet-docked in Lunenburg with a skeletal crew doing maintenance and recertification for the next year's sailing. Expenses continue to be less than planned and to date have been approximately \$235,604 less than planned. As noted in my Affidavit of October 16, 2008, the

Company's debtor in possession ("DIP") financing has been fully drawn and the Company's cash on hand as of October 26, 2008 amounts to \$133,294. Additional DIP funds are required for the Company to continue to maintain minimal operations.

7. Since the date of my last Affidavit filed with the Court in respect of this proceeding and sworn October 16, 2008, the following primary activities have occurred:
 - (a) The Company has had significant discussions with representatives of Caterpillar and Growthworks with respect to the draft Plan of Arrangement circulated October 14, 2008. As a result of these discussions, a revised Plan of Arrangement was prepared and circulated to all creditors who received a copy of the earlier draft plan. Discussions with Caterpillar and Growthworks have also occurred regarding the relocation of the Caledonia from Lunenburg, Nova Scotia to a southern port in the United States of America to remain wet-docked with a skeletal crew of three employees without operating prior to the end of the proposed stay termination date (January 30, 2009) in order to increase the vessel's exposure in the relevant market for sale and to move the vessel closer to its winter markets for cruising.
 - (b) In addition to the foregoing, the Company has had significant discussions and negotiations with Growthworks regarding additional DIP financing, which have resulted in the issuance of the Term Sheet more particularly described below and attached to this Affidavit.
 - (c) In addition to the foregoing, the Company has had discussions with two significant unsecured creditors, Atlantic Canada Opportunities Agency and National Marine and Fire Services Inc., who have indicated initial positive responses to the draft Plan of Arrangement as initially circulated.
 - (d) The Caledonia and the Hawk remain listed for sale or a long term charter but there have been no new developments since my last Affidavit with respect to those efforts.
 - (e) Discussions between myself and several individuals and companies with respect to finance and equity investment in the Company have continued since the date of my last Affidavit with numerous meetings in person and by teleconference. We have also had additional discussions regarding a potential joint venture for the Company.
 - (f) More specific details of the foregoing, and in particular our efforts to obtain financing, equity and a potential joint ventureship have been provided to the Monitor, Growthworks and Caterpillar.
8. The Company continues to have discussions with and since the date of my last Affidavit, has provided updates to Growthworks and Caterpillar. I continue to be available to provide updates to other secured creditors as they request and as circumstances permit to discuss the Company's efforts at restructuring.

9. As indicated in my Affidavit of October 16, 2008, a first draft of the proposed Plan of Arrangement was circulated to all creditors receiving notice of this application, initial comments have been received from some creditors and as a result the initial draft was amended and circulated for further consideration on October 21(confirm) by counsel to the Company. Given that discussions regarding the Plan are ongoing, it is possible that further changes will be needed prior to the Plan being submitted to the creditors for consideration and voting. The Company and its counsel continue to revise the Plan based on these comments and negotiations and the draft Plan will be filed with the Court prior to the time of the next hearing.
10. By orders of this Court issued July 4 and August 13, 2008, the Company entered into a non-demand facility with Growthworks for DIP funds in the aggregate maximum amount of \$813,145.00. The Company has now drawn all of those DIP funds and additional DIP funds are required for the Company to maintain its operations.
11. The most recent cash flow projections prepared by the Company are attached hereto as Exhibit "A" (the "Cash Flow Projections") and set out the Company's requirements for additional financing to the end of February, 2009. As noted above, it is the Company's intention to maintain minimal operations for the present time and wherever possible minimize expenses to the amount required to maintain the vessel, move it closer to the southern USA market to increase exposure for potential resale, and allow the Company to continue its efforts to sell the Caledonia or restructure. The Cash Flow Projections show a requirement for additional DIP financing of \$600,000.00 for the period beginning November 1, 2008 through to the end of February, 2009.
12. It is the intention of the Company to use the additional DIP funds, if approved by the Court, for the following:
 - (a) Relocate the Caledonia from Lunenburg, Nova Scotia to a port in the southern USA where it would be wet-docked with a skeletal crew to maintain it in its present condition and to make it available for viewings and inspections as part of the sale or restructuring efforts;
 - (b) The Company will continue to market the Caledonia for sale or charter and will continue to seek new source of equity and debt financing to fund the Plan in the form presently contemplated or as amended subsequently in the manner set out in the Plan;
 - (c) Once the Company has either a offer to purchase the Caledonia or a clear commitment for new equity and debt financing, the Company will present the Plan to its creditors for a meeting and vote – it is presently the hope and intention of the Company that such a meeting would be held prior to the expiration of the proposed stay termination date; and
 - (d) To request the approval of the Court prior to the end of the proposed stay of termination date for the Company to resume operations in February, 2009 since it is the Company's belief and expectation that sales of cruises for that period (based on sales to date and current projections) will be sufficient for the Company to

This is **Exhibit "A"** referred to in the
Affidavit of Douglas Prothero sworn
before me this day of October, A.D. 2008

.....
A Barrister of the Supreme Court of Nova Scotia

Canadian Sailing Expeditions Inc.
Monthly Cash Receipts and Disbursements

Rev Date: 27-Oct-08

	Week 17	Week 18	Week 19	Week 20	Week 21	Week 22		
	Oct 20 - 26 2008	Oct 27-Nov 2 2008	October 2008	Nov 3 - 9 2008	Nov 10 - 16 2008	Nov 17 - 23 2008	Nov 24 - 29 2008	November 2008
CASH, BEGINNING OF PERIOD	157,665	133,293	157,665	2,082	65,840	33,728	108,549	2,082
CASH, END OF PERIOD	133,293	2,082	2,082	65,840	33,728	108,549	54,001	54,001
CASH RECEIPTS:								
DIP Funds			-	150,000		125,000		275,000
TOTAL CASH RECEIPTS:	-	-	-	150,000	-	125,000	-	275,000
CASH DISBURSEMENTS:								
Accounts Payable		7,200	7,200					-
ADMINISTRATION								
General and Office	852	4,757	5,609	2,149	350	2,350	660	5,509
Telephone equipment		310	310				310	310
Office Phones/Long Distance		1,000	1,000	-	-	1,000	-	1,000
Cell	680	1,120	1,800	-	-	1,000	-	1,000
General Office	172	528	700	350	350	350	350	1,400
Rent	-	1,799	1,799	1,799	-	-	-	1,799
Office Salaries	-	8,929	8,929	625	14,122	625	2,781	18,153
CEO		2,875	2,875					-
Special Projects		2,156	2,156		2,156		2,156	4,312
Controller/Bookkeeper		1,250	1,250	625	625	625	625	2,500
Benefits		2,648	2,648		898			898
Accrued Current Payroll Liabilities			-		10,442			10,442
Professional fees	11,729	68,057	79,785	29,444	7,500	7,500	7,500	51,944
Legals	3,373	50,557	53,930					-
Consultancy	8,356	17,500	25,856	26,644	7,500	7,500	7,500	49,144
Accounting (Audit)			-	2,800				2,800
Insurance	-	11,000	11,000	3,241	-	3,500	16,700	23,441
Hull & Machinery Caledonia		11,000	11,000				15,000	15,000
Protection & Indemnity			-	1,700			1,700	3,400
WQIS			-			3,500		3,500
MII			-	1,541				1,541
Sales & Marketing Operating Expenses	(19)	2,500	2,481	3,769	1,250	1,250	1,250	7,519
General	(19)	2,500	2,481	3,769	1,250	1,250	1,250	7,519
Travel			-					-
Refinancing Costs			-					-
Financing Related	3	7,097	7,100	11,019	50	50	12,623	23,742
Bank Charges	3	97	100	50	50	50	50	200
DIP Interest Payments			-	10,969			12,573	23,542
Cash Management Charges		7,000	7,000					-
SHIP OPERATIONS								
Crew	4,723	400	5,123	12,545	840	32,654	300	46,339
Combined Net Pays	3,978		3,978					
Master			-	1,897		3,524		5,421
First Mate			-	4,058		2,776		6,834
Tommy			-	1,265				1,265
Ivo/Pierre			-	2,990		2,990		5,980
Lee Lafontaine			-			4,068		4,068
Cook			-			2,136		2,136
1 Hospitality Staff			-			1,150		1,150
Tania Sear			-			1,479		1,479
Sanders			-	805		805		1,610
Peter Amyoony			-	690		690		1,380
Nick Tabone			-			1,479		1,479
Corey Deveau			-			1,479		1,479
Sophie Martell			-			1,150		1,150
Duncan			-			1,314		1,314
Sylvain			-			1,150		1,150
Lise			-			1,150		1,150
Crew Provisions	496	400	896	840	840	840	300	2,820
Crew Changes	249		249			4,475		4,475
Marine Operations	5,463	16,046	21,509	21,000	6,750	1,000	6,509	35,259
Management			-		2,875		2,875	5,750
Director Marine Operations		2,875	2,875		2,875			2,875
Travel			-	500	500	500	500	2,000
Repositioning (Fuel)			-	20,000				20,000
Repairs General	5,463	10,537	16,000	500	500	500	500	2,000
Caledonia POS System Lease		400	400				400	400
Lifesaving Equipment Lease		2,234	2,234				2,234	2,234
Docking	-	3,950	3,950	1,250	1,250	1,250	3,750	7,500
Docking		1,250	1,250	1,125	1,125	1,125	1,125	4,500
Power		2,500	2,500				2,500	2,500
Garbage		200	200	125	125	125	125	500
Hawk	-	1,275	1,275	1,200	-	-	2,475	3,675
Hawk Mooring		500	500	1,200			1,700	2,900
Container Storage		170	170				170	170
Hull & Machinery Hawk		605	605				605	605
HST	1,620		1,620					-
TOTAL CASH DISBURSEMENTS	24,371	131,211	155,582	86,242	32,112	50,179	54,548	223,081
CASH, END OF PERIOD	133,293	2,082	2,082	65,840	33,728	108,549	54,001	54,001

Canadian Sailing Expeditions Inc.
Monthly Cash Receipts and Disbursement

Rev Date: 27-Oct-08

	Week 23	Week 24	Week 25	Week 26	Week 27	Week 28	Week 29	
	Nov30-Dec6 2008	Dec 7 - 13 2008	Dec 14 - 20 2008	Dec 21 - 26 2008	Dec27-Jan2 2008	December 2008	Jan 3 - 9 2009	Jan 10 - 16 2009
CASH, BEGINNING OF PERIOD	54,001	34,900	16,646	97,836	57,666	54,001	19,351	127,579
CASH, END OF PERIOD	34,900	16,646	97,836	57,666	19,351	57,666	127,579	106,995
CASH RECEIPTS:								
DIP Funds			100,000			100,000	125,000	
TOTAL CASH RECEIPTS:	-	-	100,000	-	-	100,000	125,000	-
CASH DISBURSEMENTS:								
Accounts Payable						-		
ADMINISTRATION								
General and Office	1,100	350	2,350	350	660	4,810	1,100	350
Telephone equipment					310	310		
Office Phones/Long Distance	-	-	1,000	-	-	1,000	-	-
Cell	-	-	1,000	-	-	1,000	-	-
General Office	350	350	350	350	350	1,750	350	350
Rent	750	-	-	-	-	750	750	-
Office Salaries	625	3,680	625	2,781	625	8,336	2,781	1,523
CEO						-		
Special Projects		2,156		2,156		4,312	2,156	
Controller/Bookkeeper	625	625	625	625	625	3,125	625	625
Benefits		898				898		898
Accrued Current Payroll Liabilities						-		
Professional fees	7,500	7,500	7,500	7,500	7,500	37,500	7,500	7,500
Legals						-		
Consultancy	7,500	7,500	7,500	7,500	7,500	37,500	7,500	7,500
Accounting (Audit)						-		
Insurance	1,541	-	-	16,700	-	18,241	1,541	-
Hull & Machinery Caledonia				15,000		15,000		
Protection & Indemnity				1,700		1,700		
WQIS						-		
MII	1,541					1,541	1,541	
Sales & Marketing Operating Expenses	1,250	1,250	1,250	1,250	1,250	6,250	1,250	1,250
General	1,250	1,250	1,250	1,250	1,250	6,250	1,250	1,250
Travel						-		
Refinancing Costs						-		
Financing Related	50	50	50	50	14,000	14,200	50	50
Bank Charges	50	50	50	50	50	250	50	50
DIP Interest Payments					13,950	13,950		
Cash Management Charges						-		
SHIP OPERATIONS								
Crew	4,785	300	4,785	300	4,785	14,955	300	4,785
Combined Net Pays						-		
Master						-		
First Mate						-		
Tommy						-		
Ivo/Pierre	2,990		2,990		2,990	8,970		2,990
Lee Lafontaine						-		
Cook						-		
1 Hospitality Staff						-		
Tania Sear						-		
Sanders	805		805		805	2,415		805
Peter Amyoony	690		690		690	2,070		690
Nick Tabone						-		
Corey Deveau						-		
Sophie Martell						-		
Duncan						-		
Sylvain						-		
Lise						-		
Crew Provisions	300	300	300	300	300	1,500	300	300
Crew Changes						-		
Marine Operations	1,000	3,875	1,000	9,384	3,875	19,134	1,000	3,875
Management		2,875		2,875	2,875	8,625		2,875
Director Marine Operations				2,875		2,875		
Travel	500	500	500	500	500	2,500	500	500
Repositioning (Fuel)						-		
Repairs General	500	500	500	500	500	2,500	500	500
Caledonia POS System Lease				400		400		
Lifesaving Equipment Lease				2,234		2,234		
Docking	1,250	1,250	1,250	1,250	3,750	8,750	1,250	1,250
Docking	1,125	1,125	1,125	1,125	1,125	5,625	1,125	1,125
Power						2,500		
Garbage	125	125	125	125	125	625	125	125
Hawk	-	-	-	605	1,870	2,475	-	-
Hawk Mooring						1,700		
Container Storage						170		
Hull & Machinery Hawk				605		605		
HST						-		
TOTAL CASH DISBURSEMENTS	19,101	18,255	18,810	40,170	38,315	134,650	16,772	20,583
CASH, END OF PERIOD	34,900	16,646	97,836	57,666	19,351	57,666	127,579	106,995

Canadian Sailing Expeditions Inc.
Monthly Cash Receipts and Disbursement

Rev Date: 27-Oct-08

	Week 30		Week 31
	Jan 17 - 23 2009	Jan 24 - 30 2009	January 2009
CASH, BEGINNING OF PERIOD	106,995	90,514	19,351
CASH, END OF PERIOD	90,514	30,417	30,417
CASH RECEIPTS:			
DIP Funds			125,000
TOTAL CASH RECEIPTS:	-	-	125,000
CASH DISBURSEMENTS:			
Accounts Payable			-
ADMINISTRATION			
General and Office	2,350	660	4,460
Telephone equipment		310	310
Office Phones/Long Distance	1,000	-	1,000
Cell	1,000	-	1,000
General Office	350	350	1,400
Rent	-	-	750
Office Salaries	2,781	625	7,710
CEO			-
Special Projects	2,156		4,312
Controller/Bookkeeper	625	625	2,500
Benefits			898
Accrued Current Payroll Liabilities			-
Professional fees	7,500	7,500	30,000
Legals			-
Consultancy	7,500	7,500	30,000
Accounting (Audit)			-
Insurance	-	16,700	18,241
Hull & Machinery Caledonia		15,000	15,000
Protection & Indemnity		1,700	1,700
WQIS			-
MII			1,541
Sales & Marketing Operating Expenses	1,250	1,250	5,000
General	1,250	1,250	5,000
Travel			-
Refinancing Costs			-
Financing Related	50	16,013	16,163
Bank Charges	50	50	200
DIP Interest Payments		15,963	15,963
Cash Management Charges			-
SHIP OPERATIONS			
Crew	300	4,785	10,170
Combined Net Pays			-
Master			-
First Mate			-
Tommy			-
Ivo/Pierre		2,990	5,980
Lee Lafontaine			-
Cook			-
1 Hospitality Staff			-
Tania Sear			-
Sanders		805	1,610
Peter Amyoony		690	1,380
Nick Tabone			-
Corey Deveau			-
Sophie Martell			-
Duncan			-
Sylvain			-
Lise			-
Crew Provisions	300	300	1,200
Crew Changes			-
Marine Operations	1,000	6,509	12,384
Management		2,875	5,750
Director Marine Operations			-
Travel	500	500	2,000
Repositioning (Fuel)			-
Repairs General	500	500	2,000
Caledonia POS System Lease		400	400
Lifesaving Equipment Lease		2,234	2,234
Docking	1,250	3,750	7,500
Docking	1,125	1,125	4,500
Power		2,500	2,500
Garbage	125	125	500
Hawk	-	2,305	2,305
Hawk Mooring		1,700	1,700
Container Storage			-
Hull & Machinery Hawk		605	605
HST			
TOTAL CASH DISBURSEMENTS	16,481	60,097	113,933
CASH, END OF PERIOD	90,514	30,417	30,417

This is **Exhibit "B"** referred to in the
Affidavit of Douglas Prothero sworn
before me this day of October, A.D. 2008

.....
A Barrister of the Supreme Court of Nova Scotia

Commitment Letter

To: Canadian Sailing Expeditions Inc.

Attn: Douglas Prothero, President

Re: Provision of Demand Non-revolving Operating Loan Facility (the "Credit Facility") by Growthworks Atlantic Venture Fund Limited (the "Lender") to Canadian Sailing Expeditions Inc. (the "Company")

Dear Mr. Prothero:

The Lender is pleased to offer to the Company an additional debtor-in possession financing facility ("Third DIP Financing") up to \$600,000 on the same terms and conditions, *mutatis mutandis*, as set out in the Commitment Letter dated June 27, 2008 (the "First DIP Financing Commitment Letter"). Without limiting the generality of the foregoing, this Commitment Letter is conditional upon the following:

- (a) the Company shall have obtained a court order under the *Companies Creditors Arrangement Act* ("CCAA") in form and content satisfactory to the Lender and its counsel including all of the matters set forth in section (b) of the "Conditions" section of the First DIP Financing Commitment Letter;
- (b) satisfaction of all other conditions set forth in the "Conditions" section of the First DIP Financing Commitment Letter applied *mutatis mutandis*;
- (c) the delivery of legal documentation in form and substance satisfactory to the Lender, the Company and their respective legal counsel including the security described in the "Legal Documentation" section of the First DIP Financing Commitment Letter;
- (d) the obligation to advance funds under this Third DIP Financing shall be conditional upon any Plan of Arrangement and any amendment thereto filed by the Company pursuant to the CCAA being satisfactory to the Lender in its sole discretion; and
- (e) the Lender entering into a written agreement with Caterpillar Financial Services Limited ("Caterpillar") satisfactory to the Lender in its sole discretion dealing with protection against legal, administrative or other proceedings against the vessel "Caledonia" otherwise than in the Supreme Court of Nova Scotia including, without limitation, covenants that Caterpillar will initiate no action to enforce its security during any period the vessel "Caledonia" is outside Canadian waters without the prior written consent of the Lender.

EXECUTED THIS 29 DAY OF October, 2008.

GROWTHWORKS ATLANTIC VENTURE FUND
LIMITED

Per: 

Thomas Hayes, President

ACCEPTED AND AGREED TO THIS _____ DAY OF October, 2008.

CANADIAN SAILING EXPEDITIONS INC.

Per: _____

Douglas Prothero, President