

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-revolving 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; and
 - (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.
13. It is the Company's intention 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 resume operations either with no additional DIP funds or with less DIP funds than will be required to maintain the Caledonia in its present wet-dock condition.

- 14. Given that the intended financial activities of the Company during the period of the extended stay will be minimal, it is the Company's position that the financial monitoring Cash Flow Statements by the Monitor can be extended from the current weekly schedule to occur every two weeks. This will be a reduced reporting burden on the Company's employees who are also working on the financial details to be incorporated in the Plan.
- 15. Attached as Exhibit "B" to this Affidavit is a signed copy of the new Growthworks Term Sheet for additional debtor-in-possession financing of \$600,000.00.
- 16. The existing stay of proceedings expires November 28, 2008. At present, there is no accepted offer to sell the Caledonia and negotiations for new equity, debt financing or a joint venture are not sufficiently advanced to allow the creditors to vote on the present Plan. In order to allow the Company additional time to finalize one of those options for presentation to the creditors and given the proposed costs set out in the Cash Flow Projections, it will be necessary for the stay of proceedings under the CCAA to be extended to and including January 30, 2009.
- 17. I continue to believe that the Company will be able to complete a successful restructuring of its business if it is provided with additional time to finalize one of the two options presently under consideration.

SWORN TO before me at Halifax,)
 Province of Nova Scotia, this 31st)
 day of October, 2008.)
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 Gavin D.F. MacDonald
 A Barrister of the Supreme Court
 of Nova Scotia



DOUGLAS PROTHERO

This is **Exhibit "A"** referred to in the
Affidavit of Douglas Prothero sworn
before me this 31st day of October, A.D. 2008



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A Barrister of the Supreme Court of Nova Scotia

Gavin D.F. MacDonald

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

Canadian Sailing Expeditions Inc.
Monthly Cash Receipts and Disbursements

Rev Date: 27-Oct-08

	Week 23	Week 24	Week 25	Week 26	Week 27	
	November 2008	Nov30-Dec6 2008	Dec 7 - 13 2008	Dec 14 - 20 2008	Dec 21 - 26 2008	Dec27-Jan2 2008
CASH, BEGINNING OF PERIOD	2,082	54,001	34,900	16,646	97,836	57,666
CASH, END OF PERIOD	54,001	34,900	16,646	97,836	57,666	19,351
CASH RECEIPTS:						
DIP Funds	275,000			100,000		
TOTAL CASH RECEIPTS:	275,000	-	-	100,000	-	-
CASH DISBURSEMENTS:						
Accounts Payable	-					
ADMINISTRATION						
General and Office	5,509	1,100	350	2,350	350	660
Telephone equipment	310					310
Office Phones/Long Distance	1,000	-	-	1,000	-	-
Cell	1,000	-	-	1,000	-	-
General Office	1,400	350	350	350	350	350
Rent	1,799	750	-	-	-	-
Office Salaries	18,153	625	3,680	625	2,781	625
CEO	-					
Special Projects	4,312		2,156		2,156	
Controller/Bookkeeper	2,500	625	625	625	625	625
Benefits	898		898			
Accrued Current Payroll Liabilities	10,442					
Professional fees	51,944	7,500	7,500	7,500	7,500	7,500
Legals	-					
Consultancy	49,144	7,500	7,500	7,500	7,500	7,500
Accounting (Audit)	2,800					
Insurance	23,441	1,541	-	-	16,700	-
Hull & Machinery Caledonia	15,000				15,000	
Protection & Indemnity	3,400				1,700	
WQIS	3,500					
MII	1,541	1,541				
Sales & Marketing Operating Expenses	7,519	1,250	1,250	1,250	1,250	1,250
General	7,519	1,250	1,250	1,250	1,250	1,250
Travel	-					
Refinancing Costs	-					
Financing Related	23,742	50	50	50	50	14,000
Bank Charges	200	50	50	50	50	50
DIP Interest Payments	23,542					13,950
Cash Management Charges	-					
SHIP OPERATIONS						
Crew	46,339	4,785	300	4,785	300	4,785
Combined Net Pays						
Master	5,421					
First Mate	6,834					
Tommy	1,265					
Ivo/Pierre	5,980	2,990		2,990		2,990
Lee Lafontaine	4,068					
Cook	2,136					
1 Hospitality Staff	1,150					
Tania Sear	1,479					
Sanders	1,610			805		805
Peter Arnyoony	1,380	690		690		690
Nick Tabone	1,479					
Corey Deveau	1,479					
Sophie Martell	1,150					
Duncan	1,314					
Sylvain	1,150					
Lise	1,150					
Crew Provisions	2,820	300	300	300	300	300
Crew Changes	4,475					
Marine Operations	35,259	1,000	3,875	1,000	9,384	3,875
Management	5,750		2,875		2,875	2,875
Director Marine Operations	2,875				2,875	
Travel	2,000	500	500	500	500	500
Repositioning (Fuel)	20,000					
Repairs General	2,000	500	500	500	500	500
Caledonia POS System Lease	400				400	
Lifesaving Equipment Lease	2,234				2,234	
Docking	7,500	1,250	1,250	1,250	1,250	3,750
Docking	4,500	1,125	1,125	1,125	1,125	1,125
Power	2,500					2,500
Garbage	500	125	125	125	125	125
Hawk	3,675	-	-	-	605	1,870
Hawk Mooring	2,900					1,700
Container Storage	170					170
Hull & Machinery Hawk	605				605	
HST	-					
TOTAL CASH DISBURSEMENTS	223,081	19,101	18,255	18,810	40,170	38,315
CASH, END OF PERIOD	54,001	34,900	16,646	97,836	57,666	19,351

Canadian Sailing Expeditions Inc.
Monthly Cash Receipts and Disbursements

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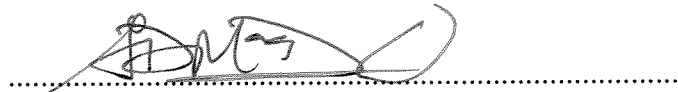
	December 2008	Jan 3 - 9 2009	Jan 10 - 16 2009	Jan 17 - 23 2009	Jan 24 - 30 2009	January 2009
		Week 28	Week 29	Week 30	Week 31	
CASH, BEGINNING OF PERIOD	54,001	19,351	127,579	106,995	90,514	19,351
CASH, END OF PERIOD	57,666	127,579	106,995	90,514	30,417	30,417
CASH RECEIPTS:						
DIP Funds	100,000	125,000				125,000
TOTAL CASH RECEIPTS:	100,000	125,000	-	-	-	125,000
CASH DISBURSEMENTS:						
Accounts Payable	-					-
ADMINISTRATION						
General and Office	4,810	1,100	350	2,350	660	4,460
Telephone equipment	310				310	310
Office Phones/Long Distance	1,000	-	-	1,000	-	1,000
Cell	1,000	-	-	1,000	-	1,000
General Office	1,750	350	350	350	350	1,400
Rent	750	750	-	-	-	750
Office Salaries	8,336	2,781	1,523	2,781	625	7,710
CEO	-					-
Special Projects	4,312	2,156		2,156		4,312
Controller/Bookkeeper	3,125	625	625	625	625	2,500
Benefits	898		898			898
Accrued Current Payroll Liabilities	-					-
Professional fees	37,500	7,500	7,500	7,500	7,500	30,000
Legals	-					-
Consultancy	37,500	7,500	7,500	7,500	7,500	30,000
Accounting (Audit)	-					-
Insurance	18,241	1,541	-	-	16,700	18,241
Hull & Machinery Caledonia	15,000				15,000	15,000
Protection & Indemnity	1,700				1,700	1,700
WQIS	-					-
MII	1,541	1,541				1,541
Sales & Marketing Operating Expenses	6,250	1,250	1,250	1,250	1,250	5,000
General	6,250	1,250	1,250	1,250	1,250	5,000
Travel	-					-
Refinancing Costs	-					-
Financing Related	14,200	50	50	50	16,013	16,163
Bank Charges	250	50	50	50	50	200
DIP Interest Payments	13,950				15,963	15,963
Cash Management Charges	-					-
SHIP OPERATIONS						
Crew	14,955	300	4,785	300	4,785	10,170
Combined Net Pays						
Master	-					-
First Mate	-					-
Tommy	-					-
Ivo/Pierre	8,970		2,990		2,990	5,980
Lee Lafontaine	-					-
Cook	-					-
1 Hospitality Staff	-					-
Tania Sear	-					-
Sanders	2,415		805		805	1,610
Peter Amyoony	2,070		690		690	1,380
Nick Tabone	-					-
Corey Deveau	-					-
Sophie Martell	-					-
Duncan	-					-
Sylvain	-					-
Lise	-					-
Crew Provisions	1,500	300	300	300	300	1,200
Crew Changes	-					-
Marine Operations	19,134	1,000	3,875	1,000	6,509	12,384
Management	8,625		2,875		2,875	5,750
Director Marine Operations	2,875					-
Travel	2,500	500	500	500	500	2,000
Repositioning (Fuel)	-					-
Repairs General	2,500	500	500	500	500	2,000
Caledonia POS System Lease	400				400	400
Lifesaving Equipment Lease	2,234				2,234	2,234
Docking	8,750	1,250	1,250	1,250	3,750	7,500
Docking	5,625	1,125	1,125	1,125	1,125	4,500
Power	2,500				2,500	2,500
Garbage	625	125	125	125	125	500
Hawk	2,475	-	-	-	2,305	2,305
Hawk Mooring	1,700				1,700	1,700
Container Storage	170					-
Hull & Machinery Hawk	605				605	605
HST	-	-	-	-	-	-
TOTAL CASH DISBURSEMENTS	134,650	16,772	20,583	16,481	60,097	113,933
CASH, END OF PERIOD	57,666	127,579	106,995	90,514	30,417	30,417

Canadian Sailing Expeditions Inc.
Monthly Cash Receipts and Disbursements

Rev Date: 27-Oct-08

	Week 32	Week 33	Week 34	Week 35	February 2009	Total Oct-Feb
	Jan 31-Feb 6	Feb 7 - 13	Feb 14 - 20	Feb 21 - 27	February 2009	Total Oct-Feb
CASH, BEGINNING OF PERIOD	30,417	115,186	94,603	78,122	30,417	157,665
CASH, END OF PERIOD	115,186	94,603	78,122	17,706	17,706	17,706
CASH RECEIPTS:						
DIP Funds	100,000				100,000	600,000
TOTAL CASH RECEIPTS:	100,000	-	-	-	100,000	600,000
CASH DISBURSEMENTS:						
Accounts Payable						7,200
ADMINISTRATION						
General and Office	1,100	350	2,350	660	4,460	24,848
Telephone equipment				310	310	1,550
Office Phones/Long Distance	-	-	1,000	-	1,000	5,000
Cell	-	-	1,000	-	1,000	5,800
General Office	350	350	350	350	1,400	6,650
Rent	750	-	-	-	750	5,848
Office Salaries	2,781	1,523	2,781	625	7,710	50,839
CEO						2,875
Special Projects	2,156		2,156		4,312	19,405
Controller/Bookkeeper	625	625	625	625	2,500	11,875
Benefits		898			898	6,242
Accrued Current Payroll Liabilities						10,442
Professional fees	7,500	7,500	7,500	7,500	30,000	229,229
Legals						53,930
Consultancy	7,500	7,500	7,500	7,500	30,000	172,500
Accounting (Audit)						2,800
Insurance	-	-	-	16,700	16,700	87,823
Hull & Machinery Caledonia				15,000	15,000	71,000
Protection & Indemnity				1,700	1,700	8,500
WQIS						3,500
MI						4,623
Sales & Marketing Operating Expenses	1,250	1,250	1,250	1,250	5,000	26,250
General	1,250	1,250	1,250	1,250	5,000	26,250
Travel						-
Refinancing Costs						-
Financing Related	50	50	50	16,332	16,482	77,687
Bank Charges	50	50	50	50	200	950
DIP Interest Payments				16,282	16,282	69,737
Cash Management Charges						7,000
SHIP OPERATIONS						
Crew	300	4,785	300	4,785	10,170	86,757
Combined Net Pays						3,978
Master						5,421
First Mate						6,834
Tommy						1,265
Ivo/Pierre		2,990		2,990	5,980	26,910
Lee Lafontaine						4,068
Cook						2,136
1 Hospitality Staff						1,150
Tania Sear						1,479
Sanders		805		805	1,610	7,245
Peter Amyoony		690		690	1,380	6,210
Nick Tabone						1,479
Corey Deveau						1,479
Sophie Martell						1,150
Duncan						1,314
Sylvain						1,150
Lise						1,150
Crew Provisions	300	300	300	300	1,200	7,616
Crew Changes						4,724
Marine Operations	1,000	3,875	1,000	6,509	12,384	100,670
Management		2,875		2,875	5,750	25,875
Director Marine Operations						8,625
Travel	500	500	500	500	2,000	8,500
Repositioning (Fuel)						20,000
Repairs General	500	500	500	500	2,000	24,500
Caledonia POS System Lease				400	400	2,000
Lifesaving Equipment Lease				2,234	2,234	11,170
Docking	1,250	1,250	1,250	3,750	7,500	35,200
Docking	1,125	1,125	1,125	1,125	4,500	20,375
Power				2,500	2,500	12,500
Garbage	125	125	125	125	500	2,325
Hawk	-	-	-	2,305	2,305	12,035
Hawk Mooring				1,700	1,700	8,500
Container Storage						510
Hull & Machinery Hawk				605	605	3,025
HST	-	-	-	-	-	1,620
TOTAL CASH DISBURSEMENTS	15,231	20,583	16,481	60,416	112,712	739,959
CASH, END OF PERIOD	115,186	94,603	78,122	17,706	17,706	17,706

This is **Exhibit "B"** referred to in the
Affidavit of Douglas Prothero sworn
before me this 31st day of October, A.D. 2008



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

Gavin D.F. MacDonald

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 31st DAY OF October, 2008.

CANADIAN SAILING EXPEDITIONS INC.

Per: 

Douglas Prothero, President