

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 OF PAUL G. GOODMAN, FCA, FCIRP, FIIC
September 4, 2009

I, Paul G. Goodman, FCA, FCIRP, FIIC, President of BDO Dunwoody Goodman Rosen Inc., the Court-Appointed Monitor in this present matter and proceeding before this honorable Court, hereby make oath and say:

1. I am a Director and President of BDO Dunwoody Goodman Rosen Inc., the Court-Appointment Monitor in the *Companies' Creditors Arrangement Act* ("CCAA") proceeding with respect to Canadian Sailing Expeditions Inc. ("CSE"), a limited company incorporated under the laws of Nova Scotia, and I have personal knowledge on the matters deposed to herein unless such knowledge is otherwise stated to be by way of information and belief.
2. I state, in this affidavit, the source of any information that is not based on my own personal knowledge and I state my belief of that source.
3. This affidavit is filed to assist the Court in respect of a Motion to be made on behalf of CSE on Tuesday, September 8, 2009 at 9:15 a.m. for an Order Extending the Stay of Termination Date to December 4, 2009.
4. The Monitor wishes to update the Court on the status of this CCAA filing since the last Monitor's detailed report which was its Ninth Report dated July 23, 2009 and is on file with the Court.
5. Since the hearing held before your Lordship on July 28, 2009, the Monitor has undertaken its continuing activities including:
 - Monitoring of cash flow reports prepared by CSE every two weeks and reporting on cash flow to the established list of creditors who have indicated their desire to receive such reports;
 - Continued communications with CSE's officers and legal counsel on the status of the financing of the sale so that a Plan of Compromise or Arrangement can be implemented;

- Meetings and calls with Doug Prothero, President of CSE, as to the status of the financing and other matters including operations;
 - Communication with various creditors and other regarding the status of the CCAA plan.
6. I have met with Doug Prothero and had numerous telephone and email communications with him with respect to progress made and the commitments of Caterpillar Financial Inc. ("CAT"), Growth Works Atlantic Venture Fund Limited ("Growth Works"), and Nova Scotia Business Inc. ("NSBI") with respect to their collective tentative participation in the financing of the sale of the ship, Caledonia, in order to complete the CCAA Plan of Compromise or Arrangement.
 7. Mr. Prothero has advised me of the various meetings he has had in Canada, the United States and Europe with various parties who may be interested in participating in providing the equity funding component to allow the Plan of Compromise or Arrangement to be implemented and to cause CAT, Growth Works, and NSBI to solidify their commitment for financing.
 8. I state that the Monitor does not have any written confirmation or materials from any of the parties identified by Mr. Prothero to the Monitor as to their willingness or ability to provide the requested equity financing or any timing related thereto.
 9. The Monitor has no reason to believe that the requested equity financing would not be available before December 4, 2009, being the requested Extension of Stay of Termination Date, however the Monitor has raised concerns with Mr. Prothero as to how the operations of the ship, Caledonia, will be financed until that point in time.
 10. In its Ninth Report to this Honorable Court, the Monitor raised some concern that the operations of The Caledonia through the August period may not generate sufficient revenue to pay the operational expenses and as at the date of this present affidavit, and after reviewing the weekly cash receipts and disbursements to the end of week 60 (August 23, 2009) which is attached hereto as Exhibit 1 and after consulting with Mr. Prothero, we believe our concern to be a valid one.
 11. Attached as Exhibit 2 hereto is our email report to the Monitor's list with respect to the cash flow statement for weeks 59 and 60, being the period August 9, 2009 through to August 23, 2009 inclusive including the cumulative figures to August 23, 2009.
 12. Attached as Exhibit 2 to the Monitor's Ninth Report was a cash flow projection prepared by CSE through to the end of week 62 which was September 4, 2009, which projection reflected that there would be cash remaining at that point of \$11,545.00.
 13. Mr. Prothero has advised me that as at the date of this present affidavit, all of the figures are not yet in, but his estimate is that the shortfall of cash may be in the range of \$25,000 - \$40,000 which shortfall is consistent with the Monitor's concerns as expressed at the July 28, 2009 Court hearing.

14. Mr. Prothero has advised me that he is presently preparing a cash flow projection for the period from September 4, 2009 through to December 4, 2009 which will support how Caledonia would be financed through this period of the Stay of Termination Date in anticipation that the required equity financing arrangements can be completed.
15. I understand from Mr. Prothero that this cash flow projection through to December 4, 2009 may be available to the Court at the hearing to be held on September 8, 2009 at 9:15 a.m. before your Lordship, but I did not have it at the time this present affidavit was completed.
16. Mr. Prothero has also advised that neither CAT nor Growth Works are prepared to advance any further funding with respect to the maintenance of the Caledonia, but that he has communicated and met with officials of NSBI who at this time are considering whether to assist CSE to the extent of approximately \$200,000.00 which would consist of sufficient funds to pay out the accounts payable obligations from the August operations and leave sufficient funds to ensure that the Caledonia is properly maintained through to December 4, 2009 as well as allow for funding for the ongoing CCAA costs.
17. Mr. Prothero has advised the Monitor that the Caledonia should be tied up in Lunenburg by Tuesday, September 8, 2009 at the latest, subject to weather conditions.
18. For the purposes of disclosure, the Monitor advises that the total CCAA professional fees as advanced and billed to date pursuant to Paragraph 30 of the Initial Order, including those professional fees which are subject to the Administration Charge pursuant to Paragraph 31 of the Initial Order where unpaid, are summarized as follows and include time charges for fees, disbursements, and HST:

<u>Administration Professional</u>	<u>Position</u>	<u>Billings for Total Time, Disbursements, and HST</u>	<u>Amounts Unpaid and Subject to Charge</u>
BDO Dunwoody Goodman Rosen Inc. (Paul G. Goodman, FCA, FCIRP, FIIC)	Court-Appointed Monitor	\$ 184,457.07	\$ 3,146.60
Wickwire Holm (Carl Holm, QC)	Legal Counsel to the Monitor	43,947.62	Nil
Cox & Palmer (Robert MacKeigan, QC and Gavin MacDonald)	Legal Counsel to CSE	<u>180,603.03</u>	Nil
Total Fees, Disbursements, and HST		<u>\$ 409,007.72</u>	<u>\$ 3,146.60</u>

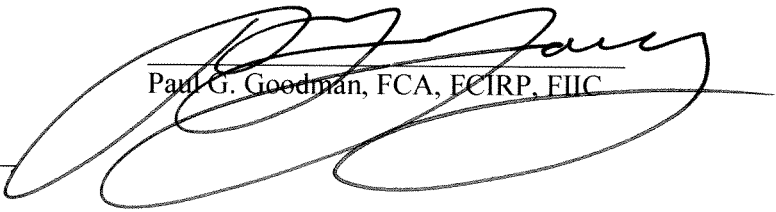
19. The Monitor advises due to the timing difference in the receipt of payment for fees in relation to the preparation of this affidavit, certain fees reflected as unpaid may indeed be paid by the time of the September 8, 2009 hearing and certain accounts may also have been billed after the preparation of this affidavit and hence not reflected herein.

SWORN TO BEFORE ME
in the City of Halifax
Province of Nova Scotia
the 4th day of September, 2009



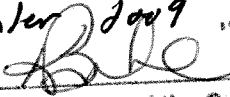
A Commissioner of the Supreme Court
of Nova Scotia

KIMBERLEY A. BURKE
A Commissioner of the Supreme
Court of Nova Scotia



Paul G. Goodman, FCA, FCIRP, FIC

This is Exhibit "A" referred to in
the Affidavit of Paul Goodman
Sworn before me this 4th day of
September 2009, A. D.


A Commissioner of the Supreme
Court of Nova Scotia

KIMBERLEY A. BURKE
A Commissioner of the Supreme
Court of Nova Scotia

Canadian Sailing Expeditions Inc.
Weekly Cash Receipts and Disbursements
Weeks #59 & #60

	CURRENT WEEK			ACCUMULATED POSITION		
	Weeks #59 & #60			Weeks 1 - 60		
	Aug 9 - 23 2008/2009			Jun 30-Aug 23 2008/2009		
	Actual	Planned	Variance	Actual End	Planned End	Variance
CASH, BEGINNING OF PERIOD	109,507	4,099	105,408	58,767	58,767	-
CASH RECEIPTS:						
Caledonia Revenue	17,721	44,950	(27,229)	1,028,886	1,089,111	(60,224)
Charter Fees	17,721	40,000	(22,279)	892,672	1,026,461	(133,788)
2009 PAX Extras		4,950	(4,950)	100,660	44,504	56,156
Bar				11,676	6,946	4,730
Excursion (gross-see note below)				16,564	6,072	10,493
Merchandise				7,314	5,129	2,185
Tips Collected - to be disbursed	500		500	25,630	5,827	19,803
HST Collected	3,017		3,017	48,772	17,000	31,773
Accounts Receivable				3,652		3,652
Reconciling Item Prior Week #11				3,243		3,243
Joint Marketing				5,687		5,687
Other Revenue				7,458		7,458
DIP Funds				1,788,185	1,522,420	265,765
	21,238	44,950	(23,712)	2,911,514	2,724,509	187,005
CASH DISBURSEMENTS:						
Accounts Payable				3,036	72,000	(68,964)
Uncleared Cheques				57,774	57,774	-
Credit Card Bill				2,000	2,000	-
Accrued Current Payroll Liabilities	9,613		9,613	265,825	65,326	200,498
General and Office	3,916	3,100	816	89,869	80,841	9,028
Postage/Courier	95		95	4,513	1,617	2,896
Office Supplies	235		235	3,277	4,825	(1,548)
Computer Supplies/Repairs	20		20	1,105	276	828
General		700	(700)	508	11,313	(10,804)
Professional Memberships						
Licenses/Permits	1,037		1,037	16,926	456	16,471
Telephone equipment				3,863	2,924	939
Office Phones/Long Distance	536	1,200	(664)	15,963	15,460	503
Call	1,700	1,200	500	22,880	15,339	7,541
Security				96		96
Rent				16,193	26,296	(10,103)
Computer Equipment	294		294	4,544	1,090	3,455
Salaries	4,416	6,531	(2,115)	223,781	302,934	(79,154)
Combined net pay (all office wk 1)				19,418	9,148	10,271
Management salaries	1,749	2,875	(1,126)	82,337	107,849	(25,511)
CEO	1,749	2,875	(1,126)	49,447	66,718	(17,270)
Director Operations				17,781	23,593	(5,812)
Benefits				15,109	17,538	(2,429)
Sales and Marketing Salaries				42,667	73,501	(30,834)
US Sales & Marketing				21,803	29,280	(7,477)
Corporate Sales				4,183	16,464	(12,281)
Marketing Associate				8,834	15,140	(6,307)
Full Time Consumer Sales				2,056		2,056
Full Time Consumer Sales				3,795	12,616	(8,822)
Part-time sales				1,996		1,996
Administration Salaries	2,668	3,656	(988)	79,358	112,437	(33,079)
Accounting/Administration	1,245	1,500	(255)	32,967	43,803	(10,836)
Special Projects	1,103	2,156	(1,053)	37,736	61,910	(24,174)
Cruise Coordinator	319		319	8,656	6,724	1,932
Professional fees	1,821	10,000	(8,179)	437,480	776,231	(338,750)
Legals				268,090	76,027	192,063
Consultancy	1,821	10,000	(8,179)	163,743	682,404	(518,661)
Accounting (D.Smith Bal/Audit)				5,648	17,800	(12,152)
Insurance	8,410		8,410	147,588	183,017	(35,429)
Hull & Machinery Caledonia	8,410		8,410	114,677	126,520	(11,842)
Hull & Machinery Hawk				6,346	6,290	56
Protection & Indemnity				20,134	26,600	(6,466)
COFR					7,000	(7,000)
MI				1,907	3,082	(1,175)
Director's Insurance/Life/Office				4,524	13,525	(9,001)
Sales & Marketing	2,434	2,500	(66)	197,040	159,540	37,500
General	217	2,500	(2,283)	68,290	153,229	(84,940)
Travel	219		219	10,606	374	10,232
Refinancing	1,997		1,997	118,144	5,936	112,208
Hawk Mooring				20,381	12,845	7,536
Charter Cost	37,062	55,107	(18,045)	1,108,221	1,335,227	(227,006)
Variable Costs	17,175	4,777	12,398	314,601	221,336	93,265
Catering	14,979	2,809	12,170	121,877	78,903	42,973
Alcohol	69	320	(251)	7,536	8,738	(1,202)
Supplies	198	568	(370)	11,958	15,251	(3,292)
Merchandise				7,554	1,250	6,304
Commissions		480	(480)	20,594	82,379	(61,785)
Excursions/PAX Extras/Tips	934		934	65,100	2,416	62,684
Onboard Entertainment	995	600	395	1,320	6,400	(5,080)
Petty Cash to Ship				78,663	26,000	52,663
Fixed Costs	19,887	50,330	(30,443)	793,620	1,113,891	(320,271)
Crew Charter	1,680	30,130	(28,450)	418,405	621,635	(203,230)
Combined Net Pays	1,680	30,130	(28,450)	418,405	621,635	(203,231)
Crew Provisions		1,000	(1,000)	13,675	42,393	(28,719)

Canadian Sailing Expeditions Inc.
Weekly Cash Receipts and Disbursements
Weeks #59 & #60

	CURRENT WEEK			ACCUMULATED POSITION		
	Weeks #59 & #60			Weeks 1 - 60		
	Aug 9 - 23			Jun 30-Aug 23		
	2008/2009			2008/2009		
<i>Crew Changes</i>	4,081		4,081	50,507	30,735	19,772
<i>Pilot Fees/Agent Fees</i>			-	18,643	20,500	(1,857)
<i>Fuel</i>	12,492	15,000	(2,508)	185,421	264,105	(78,684)
<i>Docking</i>	1,635	4,200	(2,565)	67,440	64,398	3,043
<i>Docking</i>		4,000	(4,000)	60,576	48,935	11,641
<i>Power</i>			-	3,534	5,000	(1,466)
<i>Garbage</i>	1,635	200	1,435	3,330	10,463	(7,133)
<i>Marina Operations</i>			-	90,457	70,956	19,501
<i>Management</i>			-	3,833	17,250	(13,417)
<i>Travel</i>			-	1,835	11,875	(10,040)
<i>Repositioning</i>			-	33,861	41,000	(7,139)
<i>Director Marina Operations</i>			-	12,001	21,868	(9,867)
<i>L/Boat Lease</i>			-	27,594	26,729	865
<i>Caledonia POS System</i>			-	5,637	6,655	(1,018)
<i>Petty Cash to Ship</i>			-	5,695	-	5,695
<i>Repair and Maintenance</i>	16,141	1,000	15,141	92,620	174,659	(82,039)
<i>Repairs Electrical</i>			-	2,197	6,905	(4,708)
<i>Repairs Plumbing</i>			-	239	5,100	(4,861)
<i>Repairs Rigging</i>			-	2,573	8,292	(5,718)
<i>Repairs Mechanical</i>			-	8,057	9,588	(1,531)
<i>Repairs Paint</i>			-	705	7,180	(6,475)
<i>Repairs Drydock</i>			-	-	-	-
<i>Repairs Wetdock</i>			-	-	50,000	(50,000)
<i>Anchor Repair</i>			-	75	-	75
<i>Communications</i>			-	2,285	3,800	(1,515)
<i>Repairs General</i>	16,141	1,000	15,141	76,489	83,796	(7,307)
<i>Financing Related</i>	5	100	(95)	113,968	190,691	(76,723)
<i>Bank Charges</i>	5	100	(95)	4,187	4,624	(437)
<i>DIP Interest</i>			-	103,782	179,367	(75,585)
<i>Cash Management Charges</i>			-	5,999	6,700	(701)
TO TRUST ACCOUNT/USD ACCOUNT	100		100	1,843	-	1,843
HST Paid on Expenses	7,647		7,647	118,750	17,582	101,168
	91,565	78,338	13,228	2,931,104	3,485,918	(554,814)
CASH, END OF PERIOD	39,179	(29,289)	68,469	39,177	(702,642)	741,819
US\$ Account Reconciled Balance	2,965					
CAD Account Reconciled Balance	30,217					
SHIP Account Reconciled Balance	507					
US\$ Exchange Difference (cumulative)	3,699					
Ship Petty Cash	1,792					
TOTAL BALANCES - BANKS	39,179					

This is Exhibit "B" referred to in
the Affidavit of Paul G Goodman
Sworn before me this 4th day of
September 2009, A. D.

A Commissioner of the Supreme
Court of Nova Scotia

KIMBERLEY A. BURKE
A Commissioner of the Supreme
Court of Nova Scotia

Goodman, Paul

From: Goodman, Paul
Sent: Friday, August 28, 2009 9:06 AM
To: Brett Parks (brett.parks@cat.com); bruce.marchand@mcinnescooper.com; cholm@wickwireholm.com; Chris Moyer; Doug Prothero (doug@cansailexp.com); Frank Metcalf; Gavin MacDonald (gmacdonald@coxandpalmer.com); Glenda Lindsay; Jeanie Chow; Joe Pettigrew; john.stringer@mcinnescooper.com; Jonathan Stevens; Michael Pugsley; Richard Muller; Robbie MacKeigan (robbie@coxandpalmer.com); Sandra Attersley; Susan Grundy; Tom Hayes (tom.hayes@growthworks.ca)
Subject: Canadian Sailing Expeditions Inc. [CSE] and Cash Flow Report [CFR] re Weeks 59 and 60

Attachments: CSE Weekly Cash Flow for weeks 59 and 60.pdf

Ladies and Gentlemen;

The Monitor herewith reports to you with respect to CSE's Cash Flow for weeks 59 and 60, being the time period from August 9, 2009 to August 23, 2009. The attached Cash Flow Report [CFR] and the related materials have been provided to the court appointed Monitor by CSE. The Monitor has not audited or verified the information provided by CSE and we do not express any opinion whatsoever as to the accuracy or completeness of the data. We have made inquiries of CSE where we felt the need to do so and our questions were addressed.

The Monitor's comments on the CFR and other materials provided to us are as follows;

--- Charter Revenue for the 2 weeks and Extras are \$27,229 less than the plan as reflected in the attachment, and \$29,729 less than the projection filed as Exhibit 2 with the Monitor's 9th Court Report.

-- Expenses are \$13,228 more than the attached plan, mostly related to unplanned repairs to Caledonia and timing differences in payment of expenses like insurance. The repairs variance arise from \$2,020 spent on an engine problem and \$11,436 spent to recertify the life rafts which is reflected in the week 57 projection at \$12,000, hence a timing difference.

--- The differences in the actual revenue and expenses take CSE \$40,000 off plan for weeks 59 and 60.

-- In looking at CSE's projection which is attached to the Monitor's 9th Court Report as Exhibit 2, we note the projected cash at the end of week 60 was to be a negative [\$4,785]. The attachment hereto reflects the Planned column at a negative [\$29,289] with the actual cash at a positive \$39,179 or \$35,480 after you delete the US\$ exchange difference. The Monitor has inquired about some old outstanding cheques that are included in the cash flow and which may now be duplicates and if such is so, and the cheques are cancelled, about \$7,752 would be added back to the actual cash. CSE is investigating this question.

--- Accounts payable as provided by CSE are \$26,777 including disputed AP of \$6,488, but excluding any unbilled CCAA professional fees and charges to various credit cards, the latter which CSE estimates to be in the \$5,000 to \$10,000 range.

--- Trust funds for fare deposits paid in advance have increased \$2,163 in mixed Canadian and US dollars to \$113,850. There were \$22,110 in new deposits in the two week period, and \$19,946 was either transferred to Revenue or refunded.

-- CSE estimates that Revenue in weeks 59 and 60 appear to exceed \$80,000, excluding PAX extras as compared to the projection for the same weeks at \$105,000.

We have no other comments at this time.

BDO Dunwoody Goodman Rosen Inc.
Court Appointed Monitor
per
P.G.Goodman-FCA,FCIRP,FIIC
August 28,2009



CSE Weekly Cash
Flow for weeks...

Paul G.Goodman--FCA,FCIRP,FIIC

President & Managing Partner

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