

2012

Halifax No 348504

**SUPREME COURT OF NOVA SCOTIA**

In Bankruptcy and Insolvency

**THE TORONTO DOMINION BANK**

Applicant

and

**KARLSEN SHIPPING COMPANY LIMITED**

Respondent

**First Report of the Substituted Receiver**

**Grant Thornton Limited**

**October 17, 2012**

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## **1. APPOINTMENT**

- 1.1 On May 17, 2011, on application by the Toronto Dominion Bank, Karlsen Shipping Company Limited (“Karlsen”) was placed into receivership by Order of this Honourable Court (“the Receivership Order”) and PriceWaterhouseCoopers Inc. (“PWC”) was appointed receiver of all of Karlsen’s property, assets and undertakings.
- 1.2 On September 25, 2012, 3264741 Nova Scotia Limited (“NumberCo”) took an assignment of the debt and security held by the Toronto Dominion Bank with respect to which the May 17, 2011 Receivership Order was granted.
- 1.3 By Order of this Honourable Court dated September 14, 2012, Grant Thornton Limited was appointed Receiver (“the Receiver”) as a replacement for PWC.

## **2. PURPOSE OF THIS REPORT**

- 2.1 This report is this Receiver’s first report (the “First Report”) to the Court. The purpose of the First Report is to provide this Honourable Court with:
  - a) an update on the Receiver’s activities since September 14, 2012, and
  - b) information for the Court to consider relative to the Motion filed by the Receiver and scheduled to be heard on October 25, 2012. In this Motion, the Receiver is seeking an Order approving the sale of Karlsen’s major asset, the vessel The Polar Star.
- 2.2 All dollar amounts identified in this report are expressed in Canadian dollars, unless otherwise specified.

### **3. BACKGROUND**

- 3.1 Karlsen's principal economic activity was the operation of a 86.5 meter, 105 passenger motor vessel named The Polar Star ("the Ship"). The Ship carried out polar expeditions for tourists to the Arctic, Antarctica, and the North Atlantic.
- 3.2 In January of 2011, the Ship struck ground in Antarctica and incurred significant damage. Temporary repairs were made and the Ship was then moved to the Astican Shipyard in Las Palmas, Canary Islands, Spain. This shipyard was familiar with the Ship, having performed refits on it in prior years.
- 3.3 The Ship has been in the Astican drydock since March 2011 and is the subject of numerous liens.
- 3.4 Karlsen held other assets including a head office property, vacant land, and an investment in a subsidiary. The status of Karlsen's assets are set out below.
- 3.5 PWC had received approval from this Honourable Court for the sale of the following assets:
  - a) The Polar Sun, a Beneteau 423 masthead Auxiliary Sloop, pursuant to an Order dated August 11, 2011;
  - b) Karlsen's head office property located at 55 Crane Lake Drive, pursuant to an Order dated October 7, 2011;
  - c) A building and small parcel of land located at 3889 North Street, Chester, Nova Scotia, pursuant to an Order dated January 31, 2012.
- 3.6 PWC also received payment of insurance proceeds relating to claims for damages to the Ship.

- 3.7 PWC seized deposits received from customers for future trips in the approximate amount of \$667,000.
- 3.8 The following assets remained unsold on September 14, 2012, the date Grant Thornton Limited was appointed Receiver, and with the exception of the Ship, are currently in the possession of the Receiver:
- a) The Ship, a refurbished ice breaker that was used for Artic, Antarctica, and North Atlantic expeditions;
  - b) 6 parcels of land located at New Harbour, Nova Scotia;
  - c) Shares in Karlsen Norway SA, a wholly-owned Norwegian subsidiary of Karlsen. As indicated in the Second Report of PWC, and as confirmed by Martin Karlsen, the main assets of Karlsen Norway SA are land and a building located in Norway;
  - d) A Life Insurance Policy on the life of Mr. Martin Karlsen;
  - e) Intellectual property. This asset consists of client lists and other market information.
- 3.9 PWC has prepared the Statement of Receipts and Disbursements for the period May 17, 2011 to October 11, 2012 included in Exhibit 1. This statement outlines the proceeds from the liquidation of Karlsen's assets, the costs incurred, and the distributions by PWC while it was the receiver.
- 3.10 PWC indicated that it will, in due course, file its final report to this Honourable Court outlining its activities as receiver and seek its discharge.

#### **4. ACTIVITIES OF THE RECEIVER**

On September 14, 2012, Grant Thornton Limited was appointed Receiver of Karlsen in substitution of PWC. Since that time, the Receiver has:

- 4.1 Met with:
  - a) Representatives of NumberCo to understand, what if any, funding was available to deal with Karlsen's assets including repairs, liens, and other issues associated with the Ship;
  - b) Martin Karlsen, principal of Karlsen, to understand Karlsen's history, and the issues surrounding the Ship and other assets owned by Karlsen;
  - c) A representative of PWC to discuss its activities to date, including the sale process PWC employed to market Karlsen's assets, and to review PWC's receivership files, asset appraisals and listing agreements.
- 4.2 Had discussions with the real estate broker who previously held the listing for the six parcels of land located in Nova Scotia.
- 4.3 Entered into a listing agreement for the six parcels of land located in Nova Scotia.
- 4.4 Received the sum of \$135,000 held in trust by PWC.
- 4.5 Reviewed the reports filed with this Honourable Court by PWC.
- 4.6 Held discussions with a broker who provided an appraisal of the ship to PWC. This is more fully detailed in a later section of this First Report.
- 4.7 Held discussions with a marine survey firm regarding the cost of mobilizing the Ship.
- 4.8 Held discussions with a party who had previously negotiated a purchase of the Ship.
- 4.9 Placed a copy of the Order Substituting the Receiver on the Receiver's website.

## 5. STATUS OF POLAR STAR

- 5.1 As reported above, the Ship ran aground in January 2011. The Ship is presently sitting in dry dock in the Astican Shipyard, Las Palmas, Canary Islands, Spain. Although some of the repairs have been completed by the shipyard, the Ship must be put back into the water to complete the repairs.
- 5.2 Attached as Exhibit 2 is the body of the Second Report of PWC dated September 27, 2011. Section 5 of PWC's report clearly lays out the efforts made to market the Ship, the debt accumulated against the Ship to that point, and the conclusion that the Ship would be abandoned.
- 5.3 In summary, PWC reported that:
- it conducted a sale process for the Ship as follows:
    - The Ship was advertised for sale in two international trade magazines specializing in the sale of vessels;
    - Expressions of interest were received from parties around the world.
    - PWC received an offer to sell the Ship for scrap for approximately US \$1.5 million but the liens and charges first had to be removed;
    - PWC negotiated with two serious parties, but a sale was not concluded.
  - the Ship should be abandoned. Its recommendation appears to have been made in light of the following factors:
    - Wharfage fees continued to accrue at the rate of 34,500 Euros per month.
    - The Ship is subject to numerous liens, including a possessory lien claimed by the Astican Shipyard, which we understand from PWC has commenced judicial proceedings to enforce its lien.
    - PWC had no funds to pay the ongoing wharfage costs and therefore the lien claims against the Ship increased daily.
    - There was no equity for Karlsen's creditors.

- 5.4 Since September 27, 2011, the Ship has been attracting charges at the rate of approximately 34,500 Euros monthly from the shipyard. A copy of the shipyard's invoice for the month of September is included as Exhibit 3.
- 5.5 After its appointment as substitute Receiver, the Receiver spoke with Mr. Per Erdal ("Erdal"), a representative from PS Platou ASA. This firm provided a valuation of the Ship to PWC dated May 27, 2011 in the amount \$8-10 million US assuming the Ship was able to sail and was in reasonable condition.
- 5.6 Erdal advised the Receiver of the following:
- PS Platou ASA is in the ship brokerage and has offices around the world.
  - The world-wide market for potential buyers of ice class tourist vessels such as the Ship is very limited. Mr. Erdal is not aware of anyone looking for such a vessel at this time,
  - The fact that the Ship is involved in a receivership further diminishes its value.
  - The Ship is out of class, meaning it cannot sail again until it has been recertified,
  - Given the limited interest in the Ship and the amount of time that has passed with it being in dry dock, Mr. Erdal expects the Receiver should be looking to accept offers of less than half of the May 2011 appraised value.
- 5.7 The Receiver confirmed with Allswater Marine Consultants Ltd., a marine survey firm engaged by the secured lender, advice it has provided to the secured lender surrounding the costs of having the Ship mobilized. Included as Exhibit 4 is a copy of the summary from Allswater indicating that the cost of mobilization is estimated at approximately 1.3 million Euros.



5.8 Since September 14, 2012, the Receiver has confirmed that:

- 1) PWC abandoned the ship;
- 2) The Ship is uninsured;
- 3) The liens and charges against the Ship are in excess of the best offer received through the PWC sale process;
- 4) Charges continue to accrue daily for wharfage and the Receiver has no funding to pay those charges and therefore has not taken possession of the Ship;
- 5) An “as is, where is” offer is likely only to bring in offers at scrap value, which are still subject to the liens and charges;
- 6) The Receiver does not have the financial resources, or the time required to clear the Ship of the existing liens and charges;
- 7) The Receiver does not have the resources to have the repairs completed and the Ship recertified;
- 8) The Ship would have to be recertified before it could sail, at an estimated cost of 1.3 million Euros.

## 6. ASSET SALE AGREEMENT

The Receiver received an unsolicited offer from NumberCo in the amount of \$200,000 for the Receiver’s right, title, and interest in the Ship. A copy of the Asset Sale Agreement reached between the Receiver and NumberCo is included in Exhibit 5.

Below is a summary of the key components of this agreement:

- The purchase price of \$200,000 is on an “as is, where is” basis. The sale by the Receiver would be subject to any and all claims, liens, judicial action etc. presently being made and enforced against the Ship as it sits in the Shipyard;
- It will be the responsibility of the purchaser to deal with the various liens and charges against the Ship including those in international jurisdictions;
- NumberCo holds the security on Karlsen’s assets previously held by the Toronto Dominion Bank and SpareBank.

In the Receiver's opinion, the sale to NumberCo should be approved due to the following:

- After undertaking an extensive sale process, the previous receiver, PWC, abandoned the ship, concluding that its value was less than the charges and claims filed against it;
- Selling the Ship to NumberCo for \$200,000 will provide a small recovery to the estate but will also provide certainty surrounding its status. Any trailing and possible liabilities to the Receiver such as ongoing wharfage costs and third party liability for injury or damages would be eliminated and assumed by the purchaser;
- The charges and claims against the Ship are more than its estimated market value;
- All serious purchasers, as indicated by PWC, insisted that the Ship be certified before they would purchase it. The cost of certifying the Ship is significant and the Receiver does not have funds to do so.

Accordingly, the Receiver respectfully seeks this Honorable Court's approval of the Asset Sale Agreement.

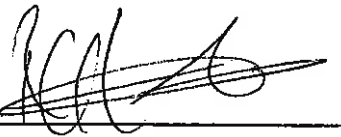
Dated at Halifax, Nova Scotia this 17<sup>th</sup> day of October, 2012.

Respectfully submitted,

**Grant Thornton Limited**

In its capacity as Court Appointed Receiver  
of Karlsen Shipping Company Limited

Per: \_\_\_\_\_



# EXHIBIT 1

**Interim Statement of Receipts and Disbursements**  
 For the Period May 17, 2011 to October 11, 2012

<b>A. Receipts</b>	
Cash in Bank	652,352.77
Sale of 55 Crane Lake Drive	485,000.00
Insurance Claim	236,036.15
Sale of Yacht	140,000.00
Sale of Land	42,500.00
HST Collected	21,000.00
Dividend	116.20
Motor Vehicle Refund	65.64
Petty Cash	15.27
<b>Total Receipts</b>	<b>1,577,086.03</b>
<b>B. Disbursements</b>	
Receiver Fees	194,924.00
Legal Fees	163,871.15
Grant Thornton in Trust	135,000.00
Insurance	128,724.60
HST Paid - ITC	75,128.57
Casual Labour	41,914.86
PwC Las Palmas	34,887.49
Ship Inspection	32,856.18
Real Estate Commission	19,525.00
Property Taxes	19,007.77
Repairs and Maintenance	15,606.91
Commission on Sale of Yacht	14,000.00
Tender Advertising	11,792.33
Administrative Fee	11,799.27
Roof Repairs	7,500.00
Appraisal Fees	6,607.00
Telephone	3,876.61
Utilities	1,211.65
Property Management	1,106.00
Travel	332.80
Bank Charges	282.31
Change Locks	270.35
Water Taxes	198.21
Mail Redirection	135.00
Registration of Receivership	70.00
Payroll Services	68.85
<b>Total Disbursements</b>	<b>920,696.91</b>
<b>C. Excess of Receipts over Disbursements</b>	<b>656,389.12</b>
<b>D. Payment to Secured Creditor</b>	
Toronto Dominion Bank	649,099.00
<b>Total Payment to Secured Creditor</b>	<b>649,099.00</b>
<b>E. Cash on Hand</b>	<b>7,290.12</b>

PricewaterhouseCoopers Inc.  
 Court Appointed Receiver of  
 Karlсен Shipping Company Limited

# EXHIBIT 2

2011

Hfx No. 348504

**SUPREME COURT OF NOVA SCOTIA**

**BETWEEN:**

**THE TORONTO-DOMINION BANK**

**Applicant**

**And**

**KARLSEN SHIPPING COMPANY LIMITED**

**Respondent**

**SECOND REPORT OF RECEIVER**

**PRICEWATERHOUSECOOPERS INC.**

**September 27, 2011**

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## 1. APPOINTMENT

- 1.1 PricewaterhouseCoopers Inc. (the "Receiver") was appointed as Receiver of all of the property, assets and undertaking of Karlsen Shipping Company Limited ("Karlsen" or the "Company") by Order of this Honourable Court dated May 17, 2011 (the "Receivership Order") (Exhibit A).
- 1.2 The appointment of the Receiver was made pursuant to s. 243 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as am., and s. 43(9) of the *Judicature Act*, R.S.N.S. 1989, c. 240.
- 1.3 This is the Receiver's second report (the "Second Report") to the Supreme Court of Nova Scotia (the "Court"). The purpose of the Second Report is to provide this Honourable Court with information pertaining to the affairs of Karlsen, the administration of the file to date, and the current status of the remaining assets.
- 1.4 The purpose of this Second Report is also to provide information to assist this Honourable Court in considering the Receiver's Motion seeking approval of the sale by the Receiver of Karlsen's property at 55 Crane Lake Drive, Halifax Regional Municipality, Nova Scotia (PID No. 40513483) (the "Property").

## 2. OVERVIEW OF KARLSEN SHIPPING COMPANY LIMITED

- 2.1 Prior to the appointment of the Receiver, Karlsen operated a vessel named M/V Polar Star (the "Ship"), which specialized in polar expeditions to the Arctic, Antarctica, and North Atlantic. The Ship's specifications are attached as Exhibit B.

The Ship has had a history of three (3) incidents/groundings occurring since 2008 as follows:

- Ferguson Channel, Antarctica – November 18, 2008.
- Russopynten, Svalbard, Arctic – June 30, 2010.
- Dataiele Island, Antarctica - January 30, 2011.

All three incidents were the subject of insurance claims.

The latest accident in January, 2011 resulted in significant damage, and all scheduled cruises since that time were cancelled.

Karlsen made arrangements for temporary repairs and to move the Ship to the Astican Shipyard in Las Palmas, Canary Islands, Spain. This was the shipyard which had done annual refits in prior years and which was familiar with the Ship.

The Ship was lifted out of the water and has been in the Astican drydock since March 18, 2011. The repairs were completed by about April 27, 2011, insofar as could be accomplished on land. Some additional work will be necessary once the Ship is re-launched.

The Company also provided services (crew and supplies) to Solvtrans, a company which owns a vessel providing services to the aquaculture industry. This service was discontinued as at the date of the receivership.



Karlsen sustained continued operating losses over the past years. Attached as Exhibit "C" are the "draft internal" financial statements for the twelve months ended December 31, 2010 which show a deficit of \$1,703,797.

There have been no revenues generated since January 2011, other than "deferred revenue" as explained below.

Deposits received by Karlsen for future trips were not kept separate to be applied against future expenses, but instead were treated as current revenue and used for working capital. A "deferred revenue" account was recorded on the balance sheet. According to Karlsen's management, this is consistent with the common practice in this industry.

Deposits (for future trips) received up to and after the signing of a Forbearance Agreement dated March 18, 2011 were frozen, and access to these funds had been restricted. The total of such funds as of April 15, 2011 was US\$667,000. These funds were seized by the Receiver, as noted in Section 4.6 below.

- 2.2 The Receiver obtained an independent legal opinion which stated that the "funds constitute property of the debtor which may, under the terms of the Court Order, be used for the purposes of the receivership".

### 3. ACTIVITIES OF THE RECEIVER

- 3.1 Upon issuance of the Receivership Order, the Receiver carried out the following procedures:

- Attended at Karlsen's head office at 55 Crane Lake Drive, Bayers Lake Industrial Park, Halifax, Nova Scotia.
- Served a copy of the Order on Karlsen's President, Mr. Martin Karlsen.
- Met with the employees of the Company and advised of the Receivership.
- Terminated all employees and subsequently retained certain former staff members, including Martin Karlsen, to assist with obtaining financial information, payroll information, asset information and to assist with the sale of assets.
- Arranged for adequate insurance coverage for the Property and the Ship.
- Changed the locks at Karlsen's head office and retained Veranova Property Management Limited to secure and maintain the Property.
- Completed the Notice of Receiver pursuant to s. 245 of the *Bankruptcy and Insolvency Act* (Exhibit D) and sent it to the debtor and all known creditors.
- Obtained an independent legal opinion as to the validity of the secured lenders' security.
- Dealt with the ROE's and WEPPA claims for employees.

- Dealt with the retrieval and return of all leased vehicles.
- Contacted Solvtrans and discontinued services.
- Arranged for appraisals.
- Ongoing dealings with respect to the Ship as noted in Section 5 below.

#### 4. Sale of Assets located in Canada

##### 4.1 The "Polar Sun"

The Polar Sun is a 2004 Beneteau 423 yacht that was owned by Karlsen as of the date of the Receivership. This yacht was sold on August 11, 2011 for \$140,000 plus HST, and such sale was approved by Order of this Honourable Court dated August 11, 2011 (Exhibit E).

##### 4.2 The Property

Karlsen's head office was located at the Property, which is owned by Karlsen. The Receiver obtained an appraisal from Fennell & Associates Appraisers Ltd. dated July 13, 2011 which indicated a market value of \$510,000 and a forced sale value of \$425,000. The appraisal is attached as Exhibit F. An appraisal was also completed by Castle Appraisal Ltd. for the chattels on site, indicating a distressed sale value of \$14,570.

The Receiver has not advertised for the Property for sale, but it has been contacted by several parties expressing interest in purchasing the Property. These include:

- The owner of an adjacent property. A representative of this company toured the Property, however, declined to put forward an offer.
- An unsolicited offer for \$360,000+HST received from a local solicitor on behalf of his client. As this offer was significantly below the distressed sale value, it was rejected.
- An unsolicited offer for \$485,000 was received from 3244351 Nova Scotia Limited for the land and building and the chattels located on the site. Since this amount was higher than the distressed sale value and since the offer came with a reasonable closing period and minimal conditions, the offer was accepted by the Receiver subject to the approval of this Honourable Court. A deposit of \$20,000.00 has been paid to the Receiver. The due diligence was completed by the purchaser on or about August 31, 2011 and a Purchase and Sale Agreement was signed on September 13, 2011, a copy of which is attached as Exhibit G. The Receiver wishes to proceed to conclude the sale, which is scheduled to close on or before September 29, 2011, or such other day to which the parties mutually agree.

##### 4.3 New Harbour Properties

This asset consists of six (6) parcels of land located in New Harbour, Lunenburg

County, Nova Scotia. The Receiver has received an appraisal from Fennell & Associates Appraisers Ltd., which will be used to assess any offers received pursuant to the Request for Offers noted below.

The Receiver has prepared an Information Package and has advertised for Expressions of Interest to Purchase, with a proposed receipt date for offers of October 21<sup>st</sup>, 2011. Copies of the Advertisement and the Information Package are attached as Exhibit H.

#### 4.4 Chester Property

This asset consists of a building and small parcel of land located at 3889 North Street, Chester, Nova Scotia. The Receiver obtained an appraisal from Fennell & Associates Appraisers Ltd., which will be used to evaluate offers received pursuant to the request for offers as noted above.

#### 4.5 Insurance Proceeds

As noted in Section 2 above, the Ship has suffered three separate accidents which have resulted in insurance claims. It is the Receiver's understanding that the proceeds from the 2009 and 2011 incidents were paid directly to the secured banks as per the terms of the assignment of insurance proceeds pursuant to the policy. The insurance proceeds from the 2008 incident (US\$234,721.71) have been received by the Receiver.

#### 4.6 Cash In Bank

Karlsen had a practice of intermingling deposits for future trips with current operating funds. As at May 17, 2011, the date of the Receivership Order, however Karlsen held US\$667,000 in a separate account. These funds were seized by the Receiver, and have been used to pay costs to date of the Receivership as outlined in detail in the Statements of Receipts and Disbursements attached as Exhibit I.

#### 4.7 Shares in Karlsen Norway SA

Karlsen Norway, SA is a wholly-owned Norwegian subsidiary of Karlsen. Its main asset is land and building in Norway, which the Receiver understands is leased. A potential sale of the leased property to the tenant has fallen through due to a title issue. The Receiver also understands that there may be a significant sales tax issue with this subsidiary company, which would negatively impact its value. The Receiver is in the process of seeking further information to assist in the assessment of any potential recovery for these shares.

### 5 The Ship

As noted in Section 2 above, the Ship is a refurbished ice breaker that was used for Arctic, Antarctic and Northern Canadian expeditions. It is located in drydock, at the Astican shipyard in Las Palmas, Canary Islands, Spain.

At the date of the receivership, the Receiver determined that the Ship's crew were still on-board and that they had not been paid wages or salaries for almost two months. In addition, supplies on the Ship were running out. Over the next two weeks the Receiver, with the assistance of its office located

in Las Palmas, performed the following duties:

- Met with the Captain and crew and advised of the Receivership;
- Acted as a liaison with the Astican shipyard officials;
- Upon receipt of funds advanced by the Toronto-Dominion Bank, arranged for airline tickets, visas and spending money for the crew to complete their repatriation to their home countries, which included Poland, the USA and the Phillipines;
- With the assistance of the Ship's captain, arranged for the disposition to the authorities of the medical drugs and weapons which were on board; and  
Took possession of critical documentation including Ship's logs, certificates etc..

Since the receivership, the Receiver, with the assistance of Martin Karlsen, has been actively pursuing a purchaser for the Ship. This included placing advertisements in the international trade magazines "The Tradewinds" and "Lloyd's List". As a result of these efforts the Receiver received interest from all over the globe, including Canada, Iceland, Belgium, Germany, UK, Australia, New Zealand, The Netherlands, Norway, Austria, India and Hong Kong. The serious buyers and the results of sales discussions are as follows:

- A Dutch shipowning concern involved in the polar expedition business, conducted two inspections of the Ship in Las Palmas. The Receiver and this party agreed to a sale price of US\$6 million (subject to Court approval), but, in the end, the Receiver was informed that no bank would finance the acquisition on acceptable terms, despite the buyer's willingness to invest 50% equity. The Receiver was advised that the financing difficulties were related to the age of the Ship and the realisation that the Ship's engines would soon have to be replaced.
- Another apparently serious inquiry came forward through a broker representing a Swedish-Bermuda shipowning group. The Receiver and this party also agreed to a sale price of US\$6 million (subject to Court approval), and the offer was not "subject to financing", according to the broker. Negotiations were quite advanced and an inspection was scheduled but never conducted, as the arrangement between the buyer and an ultimate user fell through. In the course of negotiations, the broker noted that all of the vessels presently engaged in the Arctic/Antarctic expedition business would have to be re-powered or replaced by 2014 due to new restrictions on the use of heavy fuels in Arctic and Antarctic waters. The broker also reported that he has also been in touch with certain other shipping companies operating in the Arctic and Antarctic as regards the purchase of the Ship, but nothing concrete has arisen from the broker's efforts to date.
- A Canadian adventure travel firm, also had expressed interest, but continued to reduce their offer price and no deal was struck.
- The Ship was viewed by a scrap buyer, who offered \$332.28 per lightship MT in late July, which amounts to approximately US\$1.5 million.

All potential sales depended on the Receiver being in a position to deliver the ship free from liens and encumbrances and duly certified for passenger operations (except for the scrap offer). This was problematic, and would require substantial funding to bridge the gap between a firm sale agreement and closing. The Ship remains on dry land at the yard in Las Palmas. The shipyard is owed approximately 1,187,768 EUROS (approximately CDN\$1.6 million) as at August 31, 2011.

Several seizure Orders have been issued by the Spanish Court, including the bunker supplier's claim.

The known Orders in addition to the shipyard are as follows:

Claimant	Main/Principal Amount Euros	Additional fees, interest, etc	Total Amount Claimed
Crew	171,247.85	25,000.00	196,247.85
Bunkering AS	52,916.23	17,000.00	69,916.23
Suisca SLU	31,032.15	9,309.64	40,341.79
Wilhelmsen Ship S.	19,728.76	5,000.00	24,728.76
<b>TOTAL</b>	<b>274,924.99</b>	<b>56,309.64</b>	<b>331,234.63</b>

This represents approximately CDN\$450,000.

In addition to the above, DNV (the Ship's Classification Society) made it clear that it would have to be paid in full before any certifications would be issued. DNV claims to be owed US\$216,548 for prior work. The crew would also have to be paid out of any sale proceeds, since they are entitled to a maritime lien that takes priority over all other claims. Assuming the Ship could be extracted from Las Palmas based on some combination of agreements with the creditors, payments and/or posting security, the plan was to organise a quick judicial sale through the Gibraltar Court. This process would have the benefit of clearing the title to the Ship and by all accounts could be accomplished much more quickly than a judicial sale through the Spanish Court system.

In order to get the ship to Gibraltar (approximately two days steam from Las Palmas), however, additional start-up costs have been estimated at 338,230 EUROS (approximately CDN\$460,000) as summarized in Schedule J.

The total of the above expenses amounts to approximately CDN\$2,510,000. This does not include additional fees payable to DNV to recertify the Ship.

Other relevant considerations include:

- Confirmation from the secured lenders that they are not willing to fund any further protective disbursements or bridge financing to cover any of the above – noted costs;
- The Receivership Order was issued in the Supreme Court of Nova Scotia and no application has been made to have the Order recognized in the Spanish Courts.
- The shipyard has a possessory lien and has indicated that they will be proceeding to a judicial sale in the Spanish Courts.

Based upon the above, the Receiver has concluded that there is little prospect of any significant return to creditors by continuing to actively pursue the sale of the Ship. The net proceeds are unlikely to exceed the amounts owed to the lien holders.

Therefore the Receiver has concluded that the Ship be abandoned to the Astican Shipyard and the Receiver shall assist the shipyard, if required, as regards any local judicial sale of the Ship.

## 6 Receipts and Disbursements

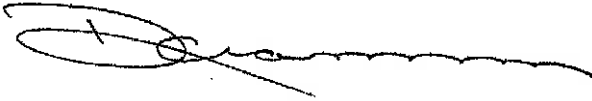
Attached as Exhibit I is an Interim Statement of Receipts and Disbursements to September 20, 2011. It includes statements for both the CDN\$ and the US\$ accounts.

**7 Recommendation and Direction**

Based upon the work to date carried out by the Receiver as noted in this Second Report to the Court, we recommend and request approval to complete the sale of the Property and chattels located at 55 Crane Lake Drive, Halifax, NS.

DATED at Halifax, Nova Scotia, this 27th day of September, 2011.

PricewaterhouseCoopers Inc.  
In its capacity as Court Appointed Receiver  
of Karlsen Shipping Company Limited

A handwritten signature in black ink, appearing to read "Derek Cramm", written over a horizontal line.

Derek Cramm, FCMA, FCIRP

# EXHIBIT 3



ASTILLEROS CANARIOS, S.A.  
 Avenida de las Petroliferas s/n.  
 35008 LAS PALMAS DE GRAN CANARIA  
 CANARY ISLANDS-SPAIN  
 E-mail: comercial@astican.es  
 Phone: + 928 46 32 66 - 928 47 98 00  
 ax: + 928 47 98 20 928 47 98 45



ACTURA/INVOICE N.º	FECHA/DATE
0396/2012	28/09/2012

(C. I. . A-35017060)

Buque Vessel	Bandera lag	Eslora L. o. a.	N.º
OLAR STAR	BARBADOS	86	9351

Armador / Owner	Cliente / Customer	Cuenta Cliente Client N.
KARLSEN SHI ING CO. LTD 55 CRANE LAKE DRIVE HALIFAX NOVA SCOTIA CANADA C.I.F. . . .:	ALLSWATER MARINE CONSULTANTS LTD 1111 BEDFORD HWY HALIFAX NOVA SCOTIA CANADA C.I.F. . . .:	4301 Código rep. Repair code 2628

Tarea n.º Item n.º	Descripcion / Description	EUROS
0031	DOCK LAY DAYS From: 01/09/2012 To: 30/09/2012 arking area lay days, No of days: 30	34,500.00
-----		
	TOTAL BASE IM ONIBLE .....	34,500.00
	I.G.I.C. .... .00 % Operación no sujeta a IGIC	0.00
	=====	=====
	TOTAL IM ORTE .....	34,500.00
	=====	=====

ORIGINAL



# EXHIBIT 4



Polar Star Mobilization 2012 Budget / Costs

DATE: 21/09/2012  
 Rev 0  
 Project: 12068  
 Doc # PM-002  
 Status: Incomplete

Yard / Subcontractor Costs

SFI	Item	Unit Count	# Off	Est Cost (euros)	Contingency	Status	Current Costs Est	% Complete	Caps to Date	EV	CFI	ECAC
	GENERAL AND SERVICES											
	Dockside	470.00 €	25	11,750.00 €		10% Unit	12,925.00 €	0%				
	Laydays	0.00 €	20	0.00 €		10% Unit	0.00 €	0%				
	Blocks Setup	2,045.00 €	0	0.00 €		0% Unit	0.00 €	0%				
	Block Moves - Kerl	335.00 €	0	0.00 €		15% Unit	0.00 €	0%				
	Block Moves - Side	285.00 €	0	0.00 €		15% Fixed	0.00 €	0%				
	Aux boats	870.00 €	0	0.00 €		0% Fixed	0.00 €	0%				
	Tugs / Pilots etc	1,900.00 €	1	1,900.00 €		0% Fixed	1,900.00 €	0%				
	Divers	280.00 €	0	0.00 €		0% Fixed	0.00 €	0%				
	Docking	2,900.00 €	0	0.00 €		0% Unit	0.00 €	0%				
	Valve Inspection			0.00 €		0% Fixed	0.00 €	0%				
	Power Connection	395.00 €	2	790.00 €		0% Fixed	790.00 €	0%				
	Power Supply	0.38 €	67500	33,250.00 €		10% Unit	36,575.00 €	0%				
	FW Connection	100.00 €	2	200.00 €		0% Fixed	200.00 €	0%				
	FW Supply	4.90 €	500	2,450.00 €		10% Unit	2,695.00 €	0%				
	Bottom Plugs	37.00 €	4	148.00 €		10% Unit	162.80 €	0%				
	Drainage scupper - Seachest	120.00 €	4	480.00 €		0% Unit	480.00 €	0%				
	Cooling Connection	100.00 €	2	200.00 €		0% Fixed	200.00 €	0%				
	Cooking supply	130.00 €	20	1,800.00 €		10% Unit	2,860.00 €	0%				
	Comp air connect	100.00 €	2	200.00 €		0% Fixed	200.00 €	0%				
	Comp Air Connect	130.00 €	20	2,600.00 €		0% Fixed	2,600.00 €	0%				
	Gangway	260.00 €	2	520.00 €		0% Fixed	520.00 €	0%				
	Fit line Connect	200.00 €	1	200.00 €		0% Fixed	200.00 €	0%				
	Firewatch - General	29.50 €	0	0.00 €		0% Unit	0.00 €	0%				
	Garbage disposal			4,290.00 €		10% Unit	4,719.00 €	0%				
	Fireline Pressure	120.00 €	45	5,400.00 €		10% Unit	5,940.00 €	0%				
	Sewage Container / day	130.00 €	30	3,900.00 €		10% Unit	4,290.00 €	0%				
	Sewage	200.00 €	30	6,000.00 €		10% Unit	6,600.00 €	0%				
	Crane	145.00 €	20	2,900.00 €		10% Unit	3,190.00 €	0%				
	ME Deflections - post docking	900.00 €	1	900.00 €		0% Fixed	900.00 €	0%				
	Coatings											
	Hull Wash	800.00 €	1	800.00 €		0% Fixed	800.00 €	0%				
	HP Wash (topside - 650m2)	715.00 €	1	715.00 €		0% Fixed	715.00 €	0%				
	HP Wash (Underside 1720 m2)	1,808.10 €	0	0.00 €		0% Fixed	0.00 €	0%				
	HP Wash Superstructure	1,500.00 €	1	1,500.00 €		10% Unit	1,650.00 €	0%				
	Blasting - Hull Touchup	17.00 €	100	1,700.00 €		10% Unit	1,870.00 €	0%				
	Touchup painting - Inerta (2 coats)	2.28 €	400	912.00 €		10% Unit	1,003.20 €	0%				
	Touchup painting - Antifouling (4 coats)	4.56 €	40	182.40 €		10% Unit	200.64 €	0%				
	Hull Coating Repairs - boottop	4.56 €	172	784.32 €		10% Unit	862.75 €	0%				
	Hull Coating Repairs - topside	4.56 €	100	456.00 €		10% Unit	501.60 €	0%				
	Waterline Tracing	600.00 €	1	600.00 €		10% Unit	660.00 €	0%				
	Disposal of Paint Cans	4.50 €	25	112.50 €		25% Unit	140.63 €	0%				



Item	Unit Costs	n Off	Est Cost (euro)	Contingency	Stipps	Current Costs €	% Complete	Cost to Date	EV	CPI	ECAC
Bow Thruster Motor Cleaning	1,000.00 €	1	1,000.00 €	15%	Est	1,150.00 €	0%				
Motor / Gen Cleaning - Motor #2	4,500.00 €		4,500.00 €	15%	Est	5,175.00 €	0%				
Motor / Gen Cleaning - Motor #4	4,500.00 €		4,500.00 €	15%	Est	5,175.00 €	0%				
Propulsion Motor Cleaning (2)	9,000.00 €	2	9,000.00 €	15%	Est	10,350.00 €	0%				
Aux Generator Cleaning (4)	2,000.00 €	4	8,000.00 €	15%	Est	10,100.00 €	0%				
Switchboard Cleaning and Overhaul	8,000.00 €		8,000.00 €	15%	Est	9,200.00 €	0%				
Breaker Overhaul and Testing	1,200.00 €	8	9,600.00 €	15%	Est	11,040.00 €	0%				
Megger Tests	4,000.00 €	1	4,000.00 €	15%	Est	4,600.00 €	0%				
Safety Systems											
Lifeboats and davits Overhaul	4,975.00 €	2	9,950.00 €	10%	Quote	10,945.00 €	0%				
Lifeboat Wires	1,000.00 €	2	2,000.00 €	15%	Est	2,300.00 €	0%				
Liferaf: Davit Overhaul / testing	1,800.00 €	2	3,600.00 €	15%	Est	4,140.00 €	0%				
Liferaf: Wires and Hooks	1,200.00 €	2	2,400.00 €	15%	Est	2,760.00 €	0%				
Liferaf and Hydro Releases	500.00 €	4	2,000.00 €	15%	Est	2,300.00 €	0%				
Liferaf Lights	200.00 €	12	2,400.00 €	15%	Est	2,760.00 €	0%				
CO2 System	4,000.00 €	1	4,000.00 €	15%	Est	4,600.00 €	0%				
Fireman's Outfit - Service	300.00 €	12	3,600.00 €	15%	Est	4,140.00 €	0%				
WT Door Repairs	600.00 €	6	3,600.00 €	15%	Est	4,140.00 €	0%				
Hydrants and Hoses	1,500.00 €		1,500.00 €	15%	Est	1,725.00 €	0%				
Weathertight Doors and Windows Seals	300.00 €		300.00 €	15%	Est	345.00 €	0%				
Hotel											
Hotel / furnishings / linins Cleanup	10,000.00 €	1	10,000.00 €	25%	Est	12,500.00 €	0%				
Pest Control / De-rating	3,000.00 €	1	3,000.00 €	25%	Est	3,750.00 €	0%				
Galley Cleanup and repairs	3,000.00 €	1	3,000.00 €	25%	Est	3,750.00 €	0%				
HVAC System - Cleanup	4,600.00 €	1	4,600.00 €	25%	Est	5,000.00 €	0%				
Unforeseen (15%)			147,753.18 €			147,753.18 €	0%				
Total			766,708.40 €			864,691.80 €	0%				

Direct Costs - Docking

Item	Unit Costs	n Off	Est Cost (euro)	Contingency	Stipps	Current Costs €	% Complete	Cost to Date	EV	CPI	ECAC
Fire Systems Survey	2,752.55 €	1	2,753 €	20%	Est	3,303.07 €	0%				
Liferaf: Swap	5,352.17 €	1	5,252 €	5%	Est	5,514.78 €	0%				
Class - DNV Surveys	50,000.00 €	1	50,000 €	5%	Est	52,500.00 €	0%				
BBMA Survey	10,000.00 €	1	10,000 €	5%	Est	10,500.00 €	0%				
Bottom Paint and Maintenance Paint	12,000.00 €	1	12,000 €	5%	Est	12,600.00 €	0%				
Pump Seals / Bearings etc	6,500.00 €	1	6,500 €	5%	Est	6,825.00 €	0%				
Toilet System Parts	3,000.00 €	1	3,000 €	5%	Est	3,150.00 €	0%				
Pyrotechnics	1,723.00 €	1	1,723 €	5%	Est	1,809.15 €	0%				
Lifejacket Lights	4,100.00 €	1	4,100 €	5%	Est	4,305.00 €	0%				
Sart Battery	648.00 €	1	648 €	5%	Est	680.40 €	0%				
BA Pressure Test	1,080.00 €	1	1,080 €	5%	Est	1,134.00 €	0%				
Air quality test for BA Compressor	1,449.28 €	1	1,449 €	5%	Est	1,521.74 €	0%				
GMDSS Batteries	1,100.00 €	1	1,100 €	5%	Est	1,155.00 €	0%				
EPIRB Hydrostatic Release	120.00 €	1	120 €	5%	Est	126.00 €	0%				
AE Engine Conrod Bearings	4,248.00 €	1	4,248 €	5%	Est	4,460.40 €	0%				
ME 3 x New Skirt	17,888.00 €	1	17,888 €	5%	Est	18,782.40 €	0%				
ME Rec 1 x Crown & 3 x Skirt	12,400.00 €	1	12,400 €	5%	Est	13,020.00 €	0%				

AE Piston Rings	8,851.00 €	1	8,851.00 €	5%	Est	9,233.55 €	0%	
AE Misc Items	4,000.00 €	1	4,000.00 €	5%	Est	4,200.00 €	0%	
ME Liner O-Rings	356.60 €	1	357.00 €	5%	Est	374.43 €	0%	
ME O-Rings / Joint Rings	12,283.00 €	1	12,283.00 €	5%	Est	12,897.15 €	0%	
ME Fuel Injectors	2,000.00 €	1	2,000.00 €	5%	Est	2,100.00 €	0%	
ME Piston Rings	4,000.00 €	1	4,000.00 €	5%	Est	4,200.00 €	0%	
VDR Capsule	8,695.65 €	1	8,695.65 €	5%	Est	9,130.43 €	0%	
VDR ups batteries	1,449.28 €	1	1,449.28 €	5%	Est	1,521.74 €	0%	
4 Rec Piston Crowns	8,581.00 €	1	8,581.00 €	5%	Est	9,010.05 €	0%	
Stern Tube Oil	2,000.00 €	1	2,000.00 €	5%	Est	2,100.00 €	0%	
SW/PW Pump Seals	3,200.00 €	1	3,200.00 €	5%	Est	3,360.00 €	0%	
LO sep parts	633.00 €	0	0.00 €	5%	Est	0.00 €	0%	
Check Lo and FO for Use	1,000.00 €	1	1,000.00 €	5%	Est	1,200.00 €	0%	
New Cederval Seals - Service	8,000.00 €	1	8,000.00 €	15%	Est	9,200.00 €	0%	
Cederval Service Eng	8,000.00 €	1	8,000.00 €	15%	Est	9,200.00 €	0%	
Agent	8,000.00 €	1	8,000.00 €	15%	Est	9,200.00 €	0%	
Crew Costs	160,788.46 €	1	160,788.46 €	10%	Est	176,867.31 €	0%	
Provisions / Expenses	36,000.00 €	1	36,000.00 €	10%	Est	39,600.00 €	0%	
General suppliers / Cleaning / Carpet Covers	3,000.00 €	1	3,000.00 €	10%	Est	3,300.00 €	0%	
Shipping Misc	10,000.00 €	1	10,000.00 €	10%	Est	11,000.00 €	0%	
Travel	20,615.38 €	1	20,615.38 €	20%	Est	24,738.46 €	0%	
Total	412,098.99 €		411,465.99 €			411,465.99 €		

TOTAL Est Costs	€	1,276,157.79
Cost in Dollars	\$	1,659,005.13

# EXHIBIT 5

## ASSET SALE AGREEMENT

THIS AGREEMENT made the     day of October, 2012;

BETWEEN:

**3264741 NOVA SCOTIA LIMITED**

(the "Purchaser")

- and-

**GRANT THORNTON LIMITED**, in its capacity as the receiver and manager of the assets, property and undertakings of **KARLSEN SHIPPING COMPANY LIMITED** (the "Company")

(the "Vendor")

WHEREAS:

- A.           The Vendor was appointed as the substituted receiver of the assets, property and undertakings of the Company by Order of the Supreme Court of Nova Scotia dated September 14, 2012;
- B.           The Purchaser wishes to purchase certain of the assets of the Company upon the terms and condition hereinafter set forth in this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the respective covenants, agreements, representations, warranties and indemnities of the parties herein contained and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by each party), the parties agree as follows:

## ARTICLE 1 INTERPRETATION

### 1.1 Defined Terms

Wherever used in this Agreement, unless the context otherwise requires, the following words and terms will have the indicated meanings and grammatical variations of such words and terms will have corresponding meanings:

1. "Closing" means the completion of this Agreement;
2. "Court" means the Supreme Court of Nova Scotia;
3. "Closing Date" means no later than 10 days following Court Approval, or such other date as the Vendor and the Purchaser may agree to in writing;
4. "Court Approval" has the meaning as set out in paragraph 6.2;
5. "ETA" means Part IX of the *Excise Tax Act* (Canada), as amended from time to time;
6. "Purchased Assets" means the Motor Vessel "Polar Star".

### 1.2 Entire Agreement

This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether written or oral, including, without limitation, any letter of intent preceding this Agreement. There are no conditions, covenants, agreements, representations, warranties or other provisions, express or implied, collateral, statutory or otherwise, relating to the subject matter hereof except as herein provided.

### 1.3 Time of Essence

Time shall be of the essence of this Agreement.

### 1.4 Successors and Assigns

This Agreement shall enure to the benefit of and shall be binding on the parties hereto, their respective heirs, executors, legal personal representatives, successors and permitted assigns, as the case may be. No party may assign any of its rights or obligations hereunder



without the prior written consent of the other parties, notwithstanding which the Purchaser may elect to have its designee purchase the Purchased Assets.

#### 1.5 Severability

If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such determination shall not impair or affect the validity, legality or enforceability of the remaining provisions hereof, and each provision is hereby declared to be separate, severable and distinct.

#### 1.6 Amendments and Waivers

No amendment or waiver of any provision of this Agreement shall be binding on any party unless consented to in writing by such party. No waiver of any provision of this Agreement shall constitute a waiver of any other provision nor shall any waiver constitute a continuing waiver unless otherwise provided.

## ARTICLE 2 ASSETS UNDER SALE

#### 2.1 Agreement to Sell and Purchase

The Vendor agrees to sell, assign and transfer to the Purchaser, and the Purchaser agrees to take and purchase at the Closing Date, all of the Vendor's right, title and interest in the Purchased Assets, subject to the terms and conditions of this Agreement.

#### 2.2 Indemnity

As a condition hereof the Purchaser irrevocably agrees to indemnify the Vendor fully for any liability, legal fees, disbursements and any other expenses, and shall hold harmless and hereby agrees to defend the vendor and its insurers, against any action which may be taken by any third party as a result of the Purchaser taking ownership and possession of the Purchased Assets.

#### 2.3 No Representations

The Vendor makes no representations or warranties to the Purchaser, and sells only in its capacity as receiver, without any personal liability whatsoever, the sale being on an "as is, where is" basis.

### ARTICLE 3 PURCHASE PRICE

#### 3.1 Purchase Price

The purchase price payable to the Vendor for the Purchased Assets (the "Purchase Price") shall be Two Hundred Thousand Dollars (\$200,000.00).

#### 3.2 Payment of Purchase Price

The Purchase Price shall be paid in the following manner:

- (a) by a credit in the amount of One Hundred and Fifty Thousand Dollars (\$150,000.00) against the amount due from the Company to the Purchaser (the same being a portion of the secured debt with respect to which the receiver was appointed, to be allocated against said debt at the discretion of the Purchaser);
- (b) by certified cheque, money order or bank draft in the amount of Fifty Thousand Dollars (\$50,000.00) at the closing.

#### 3.3 Harmonized Sales Tax Exemption

To the extent same is necessary, and subject to the Purchaser and the Vendor confirming at the time of Closing that they are each registered for purposes of HST, the Vendor and the Purchaser will jointly execute in prescribed form, and the Purchaser will file within the required time, an election under Subsection 167(1) of the ETA to eliminate the requirement for payment of tax pursuant to the ETA with respect to the purchase and sale of the Purchased Assets hereunder.

### ARTICLE 4 CONDITIONS PRECEDENT

#### 4.1 Court Authorization

This Agreement shall have no force or effect unless or until same is approved by the Court.

## ARTICLE 5 COVENANTS

### 5.1 Court Application

The Vendor shall, immediately upon the execution of this Agreement, make application to the Court for Court Approval. The Vendor shall use its best efforts to provide the Court with all necessary documents, forms, consents and other information the Court may require in order to obtain Court Approval as expeditiously as possible.

### 5.2 Access to Assets and Records

The Vendor shall forthwith make available to the Purchaser and its authorized representatives and provide copies thereof of all title documents, contracts, and all other documents, information and data relating to the Purchased Assets at the Purchaser's expense.

## ARTICLE 6 CONDITIONS OF CLOSING

### 6.1 Conditions of Closing in Favour of the Purchaser

Completion of the acquisition of the Purchased Assets by the Purchaser is subject to fulfillment and satisfaction of the following conditions, which are for the exclusive benefit of the Purchaser, and which are to be performed or fulfilled or satisfied at or prior to the Time of Closing Date, or by such earlier date as may be indicated.

### 6.2 Court Approval.

The Court shall have ratified, approved and confirmed this Agreement and shall specifically approve the sale of the Purchased Assets to the Purchaser, the contents of the Agreement, and shall have declared that upon payment of the Purchase Price, the Purchaser has good, valid and marketable title to the Purchased Assets, that the Purchased Assets are sold without any warranty or representations as to condition or location etc., and that the transactions contemplated in this Agreement shall be binding on any trustee in bankruptcy that may be appointed in respect of the Company and shall not be void or voidable, and shall not be deemed to be a transfer for under value, a settlement, fraudulent preference, assignment, fraudulent conveyance or other reviewable transaction under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 or any other applicable federal or provincial law or regulation, and the order setting out such ratification, approval and confirmation shall be final and satisfactory to the Purchaser in every respect (the "Court Approval").

### 6.3 Covenants.

All of the terms, covenants and conditions of this Agreement to be complied with or performed by the Vendor at or before the Closing Date shall have been complied with or performed.

### 6.4 No Adverse Change.

For the period since the date of this Agreement to the Closing Date, there shall have been no material adverse change in the condition of the Purchased Assets except as may have resulted from the Transaction.

### 6.5 Transfer of Purchased Assets.

All necessary steps and proceedings shall have been taken to permit the Purchased Assets to be transferred to and registered in the name of the Purchaser.

If any of the conditions contained in this Section 6 have not been performed or fulfilled at or prior to the Closing Date to the satisfaction of the Purchaser, the Purchaser may, by notice to the Vendor, terminate this Agreement and the obligations of the Vendor and the Purchaser under this Agreement shall terminate.

## ARTICLE 7 CLOSING DATE AND TRANSFER OF POSSESSION

### 7.1 Manner of Closing

Completion of the purchase and sale of the Purchased Assets will take place at the Closing Date, and shall be completed by delivery of documents required for closing by courier and payment of funds required on closing.

### 7.2 Transfer of Purchased Assets

At the Time of Closing the Vendor shall deliver or cause to be delivered to the Purchaser the following:

- (a) Certified copy of the Court order approving the sale together with the Receiver's Certificate;
- (b) such deeds, assignments, bills of sale, conveyances, and other documents as the Purchaser's solicitors may reasonably require for the purpose of vesting in the Purchaser good title to the Purchased Assets;

- (c) Such other documentation as may be required to complete the transaction.

## ARTICLE 8 MISCELLANEOUS

### 8.1 Notices

Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be delivered in person, transmitted by telecopy or similar means of recorded electronic communication addressed as follows:

If to the Vendor:

Hill Law  
Suite 201, 287 Lacewood Drive  
Halifax, NS B3M 3Y7

Attention: Tim Hill  
thill@hill-law.ca  
Fax: (902)457-6000

If to the Purchaser:

RBC Law Inc.  
PO Box 25 CRO  
Halifax, NS B3J 2L4

Attention Blois Colpitts  
rbc@rbclaw.ca  
Fax: (902) 431-3001

Any such notice or other communication shall be deemed to have been given and received on the day on which it was delivered or transmitted.

### 8.2 Counterparts & Electronic Signatures

This Agreement may be executed in counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument. Signatures affixed to or reproduced upon any document or transmitted upon same, by any electronic, telephonic or other technological means, shall constitute original signatures for the purposes of this Agreement, and bind the signatory as if the same were originals.

ARTICLE 9  
ACCEPTANCE

9.1 Acceptance

This Agreement shall be open for acceptance by the Vendor until 3:00 PM on Wednesday, October 17, 2012.

IN WITNESS WHEREOF the parties have properly executed this Agreement the day and year first above written.

SIGNED, SEALED AND DELIVERED in  
the presence of:

Witness

3264741 NOVA SCOTIA LIMITED

Per: 

GRANT THORNTON LIMITED, in its  
capacity as the receiver and manager of  
the assets, property and undertakings of  
the Company

Witness

Per: \_\_\_\_\_

Robert C. Hunt, CA, CRRP

ARTICLE 9  
ACCEPTANCE

9.1 Acceptance

This Agreement shall be open for acceptance by the Vendor until 3:00 PM on Wednesday, October 17, 2012.

IN WITNESS WHEREOF the parties have properly executed this Agreement the day and year first above written.

SIGNED, SEALED AND DELIVERED in  
the presence of:

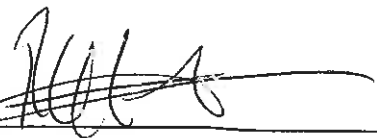
3264741 NOVA SCOTIA LIMITED

Per: \_\_\_\_\_  
Steven Lockyer, Chairman

\_\_\_\_\_  
Witness

GRANT THORNTON LIMITED, in its  
capacity as the receiver and manager of  
the assets, property and undertakings of  
the Company

  
\_\_\_\_\_  
Witness

Per:   
\_\_\_\_\_  
Robert C. Hunt, CA, CIRP