

Court No. 11 – 220857 / VA - 01

**IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE BANKRUPTCY OF
C3 AVENTURE LIMITEE / C3 LEISURE LIMITED
doing business as CANADA 3000 HOLIDAYS**

JUDICIAL TRUSTEE'S EIGHTH REPORT TO THE COURT

DECEMBER 6, 2005

1. Purpose of Report

This is the eighth report of PricewaterhouseCoopers Inc. (“PWC”) as Judicial Trustee of the Trust Accounts of C3 Aventure Limitee / C3 Leisure Limited doing business as Canada 3000 Holidays (“Leisure”).

All terms referenced in this Report are as defined in the Trust Administration Plan (the “Plan”) previously approved by the Supreme Court of British Columbia (“BC Court”) and the Superior Court of Ontario (“Ontario Court”).

The purpose of this report is to provide the Court with sufficient information to enable it to address the following directions sought by the Judicial Trustee:

- Permit the Judicial Trustee to pay 100% of the claims, without interest, of all proper beneficiaries, except VISA, of the “B.C. and Other” and “Ontario” trusts;
- Retain sufficient funds to pay all ‘cannot trace’ claims and complete the duties of the Judicial Trustee;
- Pay those funds which are surplus (estimated to be \$1.1 million) to the Receiver of C3 Leisure Limited.

2. Background

Royal Bank of Canada has concluded that it has sufficient security against corporate assets within the Canada 3000 Group to secure repayment of its indebtedness, including its VISA claims against those funds retained by the Judicial Trustee.

Accordingly, Royal Bank of Canada has advised that it is prepared to release its VISA claims against the remaining funds held by the Judicial Trustee on the basis that:

- All other proper claims in respect of those funds held by the Judicial Trustee are repaid in full and without interest; and
- The surplus funds in the possession of the Judicial Trustee are paid to the Receiver of C3 Leisure Limited and eventually remitted to Royal Bank of Canada against the debts owed to it.

The withdrawal of the remaining VISA claims leaves both the “B.C. and Other” and “Ontario” trusts solvent and the Judicial Trustee has sufficient funds to enable it to repay the full amount of all other claims, without interest.

3. Chronology of Events

To assist the Court, we summarize the major events in the chronology of this matter:

November 8, 2001

Airlines' grounds its planes.

November 9 to November 13, 2001

Leisure and Air Pax discontinue operations and the Quebec Regulator intervenes.

November 16, 2001

Leisure files an assignment in bankruptcy and PWC is appointed Trustee in Bankruptcy.

November 22, 2001

The BC Court appoints PWC as Judicial Trustee in respect of the Leisure's Trust Bank Accounts, including funds in Quebec.

December 5, 2001

The Ontario Court appoints PWC as Judicial Trustee of Ontario Trust Bank Account.

January 30, 2002

The BC Court issues an Order directing that PWC take no further action with respect to Bank of Montreal trust account #2786-1082-693 and that Quebec Claimants and the Quebec Regulator be excluded from Ticket Holder Claims Process.

May 10, 2002

Subject to clarification of the claim by the Quebec Claimants and the Quebec Regulator, to \$2.85 million of funds in the Judicial Trustee's possession, the Plan developed by the Judicial Trustee is approved by the BC Court and the Ontario Court.

November 2002

The B.C. and Ontario Courts authorize the payment of \$0.40 on the dollar of proven claims against both Trusts.

April 6, 2004

The B.C. and Ontario Courts authorize the Judicial Trustee to distribute a further \$0.10 on the dollar to proven claims against both Trusts.

Payments in respect of the VISA claims are held in Reserve. From the funds contributed to the Reserve, \$1 million is paid to the Estate of C3 Airlines Ltd. and \$572,000 is used to reimburse the Trusts in respect of the missing November 8, 2001 deposit. The Reserve account balance is presently \$9.5 million.

4. Claims and Trust Balances

A summary of the Proven Claims, excluding VISA and the reallocation of the Reserve Funds is appended as Exhibit 1.

The reallocation of the Reserve balance is done in proportion to the payments initially made to the Reserve fund from each of the “B.C. and Other” and “Ontario” trusts.

A summary of the Actual and Projected Receipts and Disbursements of the Judicial Trustee is attached as Exhibit 2 to this report.

The Judicial Trustee anticipates there will be continue to be claimants whom we are unable to locate (“Cannot Trace Claims”). While the Judicial Trustee intends to withhold sufficient amounts to repay these claimants, it will develop a plan for the resolution of these claims, which will enable the Judicial Trustee to finalize its accounts and be discharged following a further application to Court.

5. Conclusions

The withdrawal of the VISA claims leaves both Trusts in a surplus position if no interest accrues on the claimants balances. We are not aware of any contractual remedy to claimants that would give them that right.

Royal Bank of Canada will recover the indebtedness due to it, including the VISA claims, from the corporate assets within the Canada 3000 group over which it has security. These corporate assets would include an estimated \$1.1 million surplus from the Judicial Trustee.

It is arguable that those Companies whose corporate assets are used to satisfy the VISA claim indebtedness could have some right of subrogation to the position of VISA as against the Trusts. The Inspectors of each Bankruptcy Estate affected are being consulted and conversations to date indicate that within each Estate, the Inspectors will resolve to take no adversarial position to the directions sought herein and not claim any right of subrogation to the VISA claims as against the assets held by the Judicial Trustee.

This report is submitted in support of the Judicial Trustee's request for authorization to

- Permit the Judicial Trustee to pay 100% of the claims, without interest, of all proper beneficiaries, except VISA, of the "B.C. and Other" and "Ontario" trusts;
- Retain sufficient funds to pay all 'cannot trace' claims and complete the duties of the Judicial Trustee;
- Pay those funds which are surplus (estimated to be \$1.1 million) to the Receiver of C3 Leisure Limited.

All of which is respectfully submitted this 6th day of December 2005.

PRICEWATERHOUSECOOPERS INC.
JUDICIAL TRUSTEE

Redistribution of VISA Funds
IN THE MATTER OF THE BANKRUPTCY OF
C3 AVENTURE LIMITEE / C3 LEISURE LIMITED dba CANADA 3000 HOLIDAYS

Proven Claims / Beneficiaries, Excluding VISA

Effect of RBC
releasing its
claim against
the Trust
Fund

	Claims Against Ontario Trust Fund \$	Claims Against BC & Other Trust Fund \$	Total Claims Against Trust Funds \$
CLAIMS / BENEFICIARIES			
Proven Claims - August 25, 2005			
VISA	-	-	-
MasterCard			
AMEX	2,163,491	6,038,597	8,202,088
Diners' Club	800,664	1,608,525	2,409,189
Cash Paying - LMG Airmiles	112,983	245,054	358,037
Cash Paying	98,644	0	98,644
Cash Paying - Memberworks	2,478,153	3,733,407	6,211,560
Credit Card Amount of LMG Airmiles	89,263	214,508	303,769
Direct Claim by Card Holders - no credit issued	47,269	0	47,269
Cannot Trace - expunged April 06,2004 with right of claim	2,087,419	1,910,910	3,998,329
	47,490	72,346	119,836
	0	0	0
Total Proven Claims / Beneficiaries, After Elimination of VISA	7,925,376	13,823,345	21,748,721

Judicial Trustee's Estimated Cash Available for Distribution

	Ontario Trust Fund \$	BC & Other Trust Fund \$	Total Trust Funds \$
Actual Cash on Hand - August 25, 2005	1,909,370	476,871	2,386,241
Allocate Operating funds on hand	63,558	112,992	176,550
Allocate Operating costs and interest	(41,508)	(73,792)	(115,300)
Allocate return of balance held in VISA Reserve account	2,330,968	7,196,050	9,527,018
Cash Balance after re-allocation of reserve fund	4,262,388	7,712,121	11,974,509
Cash distributions to date	3,964,999	6,915,386	10,880,385
Notional Cash Available	8,227,387	14,627,507	22,854,894
Total Claims, excluding VISA	7,925,376	13,823,345	21,748,721
Surplus of Cash above Claims	302,011	804,162	1,106,173

C3 Leisure Limited / C3 Aventure Limitee dba Canada 3000 Holidays

Judicial Trustee's Budgeted Net Realizations

As of August 25, 2005

	Actuals to 25-Aug-05 (\$)	Budget Sep-05 (\$)	Budget Oct-05 (\$)	Budget Nov-05 (\$)	Budget Dec-05 (\$)	Total Budget (\$)	Total Estimate (\$)	Previous Estimate (\$)	Difference (\$)
Opening Cash Position	24,108,584	-	-	-	-	24,108,584	24,108,584	24,108,584	-
Cash Receipts									
Prepaid Recoveries	1,000,001	-	-	-	-	-	1,000,001	1,000,001	-
Bond claims recovered	748,770	-	-	-	-	-	748,770	748,770	-
Hotel deposits & prepaids recovered	571,917	-	-	-	-	-	571,917	571,917	-
Payment by RBC regarding missing Nov 8/01 deposit	611,969	-	-	-	-	-	611,969	611,969	-
Sale of travel vouchers	33,838	-	-	-	-	-	33,838	33,838	-
Sale of other assets	1,976	-	-	-	-	-	1,976	1,976	-
Sundry	28	-	-	-	-	-	28	28	-
Collection of trade commission clawback	179,235	-	-	-	-	-	179,235	179,235	-
GST refunds	-	-	-	-	-	-	-	-	-
Total Prepaid Recoveries	3,147,730	-	-	-	-	-	3,147,730	3,144,405	3,325
Interest income	910,324	4,500	4,500	4,500	4,500	18,000	928,324	895,259	33,065
Total Cash Receipts	4,058,055	4,500	4,500	4,500	4,500	18,000	4,076,055	4,039,664	36,391
Cash Disbursements									
PwC Disbursements	1,277,198	16,500	3,000	40,000	20,000	79,500	1,356,698	1,352,922	3,776
Leisure Professional Fees	1,404,813	-	-	-	-	-	1,404,813	1,404,813	0
Leases	68,081	-	-	-	-	-	68,081	68,081	0
Legal Fees	612,065	-	-	25,000	25,000	50,000	662,065	657,217	4,848
Computer / Contract Labour	120,674	-	1,000	-	-	1,000	121,674	121,448	226
Not GST	179,254	-	-	-	-	-	179,254	175,998	3,256
Rent/Utilities	178,252	-	-	-	-	-	178,252	178,252	0
Telephone	104,612	100	100	100	100	400	105,012	104,902	110
Miscellaneous (includes storage, R & M, and moving)	45,799	500	500	500	500	2,000	47,799	46,016	1,783
Bank Charges	1,582	-	-	-	-	-	1,582	1,582	0
Stationery / Postage/ Disbursements / Office Expense	79,573	100	100	100	100	400	79,973	77,365	2,607
Delivery Expense -General	-	-	-	-	-	-	-	-	0
Insurance	-	-	-	-	-	-	-	-	0
Cushion	-	-	-	-	-	-	-	-	0
Total Cash Disbursements	4,071,903	17,200	4,700	65,700	45,700	133,300	4,205,203	4,188,597	16,605
Net Position Change	(13,848)	(12,700)	(200)	(61,200)	(41,200)	(116,300)	(129,148)	(148,933)	19,785
Cash on Hand - Opening	24,108,584	24,094,736	24,082,036	24,081,836	24,020,636	24,094,736	24,108,584	24,108,584	-
Judicial Trustee's Notional Cash Available, End of Period	24,094,736	24,082,036	24,081,836	24,020,636	23,979,436	23,979,436	23,979,436	23,959,651	19,785

Represented by:	
JT Operating account balance	176,550.29
BC & Other Trust account balance	476,871.10
Ontario Trust account balance	1,909,370.01
Distributed to BC and Other beneficiaries	6,915,385.96
Distributed to Ontario beneficiaries	3,964,999.35
Paid to Reserve in respect of VISA claims	10,651,559.39
	24,094,735.10

RESERVE FUND BALANCE	
Contributed in respect of VISA claims	10,651,559.39
Interest earned on Reserve Funds	447,395.65
Less:	
Payment to C3A Trustee	(1,000,000.00)
Payment of Nov 8 'missing deposit' back to Trusts	(571,916.81)
Bank charges	(20.00)
Balance held in Reserve Account	9,527,018.23