Action No: 0901-11866

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE OF CALGARY

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF SHIRE INTERNATIONAL REAL ESTATE INVESTMENTS LTD., SHIRE CAPITAL LTD., HALAMA GARDENS LLC, SHIRE ASSET MANAGEMENT LTD., WINN RIVER RESORT LTD., FORT MCMONEY PROPERTIES II LTD., HALAMA GARDENS LTD, MAPLES AND WHITE SANDS INVESTMENTS LTD., FORT MCMONEY PROPERTIES LTD., CHEMAINUS PROPERTIES LTD., SKAHA LAKE DEVELOPMENT LTD., TSEHUM HARBOUR LTD., BEARSPAW AT 144TH AVENUE LTD., BEARSPAW AT 144TH EQUITIES LTD., BEARSPAW AT 144TH BONDS INC., TSEHUM HARBOUR EQUITIES LTD., TSEHUM HARBOUR BONDS LTD., AND ORILLIA INVESTMENTS LTD.

SECOND REPORT OF THE MONITOR

ERNST & YOUNG INC.

September 30, 2009

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INTRODUCTION

1. On August 10, 2009, Shire International Real Estate Investments Ltd. ("Shire International"), Shire Capital Ltd., Halama Gardens LLC, Shire Asset Management Ltd., Winn River Resort Ltd., Fort McMoney Properties II Ltd., Halama Gardens Ltd, Maples and White Sands Investments Ltd., Fort McMoney Properties Ltd., Chemainus Properties Ltd., Skaha Lake Development Ltd., Tsehum Harbour Ltd., Bearspaw at 144th Avenue Ltd., Bearspaw at 144th Equities Ltd., Bearspaw at 144th Bonds Inc., Tsehum Harbour Equities Ltd., Tsehum Harbour Bonds Ltd., and Orillia Investments Ltd. (collectively, "the Applicants" or "Shire") sought and obtained protection from their creditors under the Companies' Creditors Arrangement Act, R.S.C. 1985 c. C-36, as amended, (the "CCAA") pursuant to an order of this Honourable Court (the "Initial Order").

2. Subsequent to the Initial Order, the Alberta Securities Commission ("ASC") sought and obtained certain amendments to the Preliminary Initial Order clarifying terms of the Initial Order relating to the actions commenced by the ASC with respect to the interim cease trade order extension dated June 15, 2009. For the purposes of this report, the Initial Order together with the ASC amendments thereon will be referred to as the "Amended Initial Order".

3. Pursuant to the Initial Order, Ernst & Young Inc. was appointed monitor of the Applicants during these CCAA proceedings (the "Monitor").

4. The purpose of this second report of the Monitor (the "Second Report") is to provide this Honourable Court with a brief update in respect of the following:

    a. the progress of the Monitor's investigation into the financial affairs of the Applicants as set out in the Initial Order;

    b. the Applicants operational and restructuring efforts since the granting of the Initial Order;

    c. the Applicants' forecast to actual variance of its cash flows for the period from August 29, 2009 to September 25, 2009;

d. The Investit Application (defined below);

e. the Applicants' request for a brief extension to the stay of proceedings; and

f. the Monitor's recommendations.

5. Capitalized terms not defined in this Second Report are as defined in the Initial Order. All references to dollars in this Second Report are in Canadian currency unless otherwise noted.

TERMS OF REFERENCE

6. In preparing this Second Report, the Monitor has relied upon unaudited financial information, the Applicants records and discussions with management of the Applicants. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of such information contained in this report. Some of the information referred to in this report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Canadian Institute of Chartered Accountants ("CICA") Handbook has not been performed. Future oriented financial information relied upon in this report is based on management's assumptions regarding future events and actual results achieved will vary from this information and the variations may be material.

BACKGROUND

7. The business of the Applicants has been the financing, purchase and contracting for development of commercial, recreational and residential real estate in Alberta, British Columbia, Ontario, Hawaii, Belize and Mexico. A detailed background with respect to the Applicants is provided in the affidavit of Cleone Couch dated August 7, 2009 with respect to these proceedings (the "August 7th Couch Affidavit"), the affidavit of Cleone Couch dated September 2, 2009 (the "September 2nd Couch Affidavit") and

the previous report of the Monitor. These documents and other information regarding these CCAA proceedings, including the Initial Order, have been posted by the Monitor on its website at: www.ey.com/ca/Shire.

INVESTIGATION OF THE APPLICANTS

Background to the Investigation

8. The Initial Order empowers and directs the Monitor to review and investigate the financial and business affairs of the Applicants (the "Investigation"), with the Investigation including, *inter alia*;

   a. The funds raised and received by the Applicants in connection with the purchase, sale, development or financing of real estate investment projects;

   b. The identity of investors, for what purpose, investment or project they invested funds with the Applicants, the entity they invested with and at what rate of interest;

   c. The amount currently owing by the applicable Applicant to the investors, the identity of the debtor(s), the applicable interest rate accruing to the investors;

   d. whether any of the investors funds are secured against any property, and if so, the particulars of the security and the collateral;

   e. the use of the investors funds by the Applicants; and

   f. whether the investors funds were segregated and applied to specific investments or projects or were commingled.

Status of the Investigation

9. The Monitor continues its efforts towards reporting to this Honourable Court its findings in accordance with the Investigation as outlined above and expects to have a fulsome report to this Honourable Court prior to the expiry of the proposed extension to the Stay Period (October 8, 2009).

10. The Monitor understands that legal counsel to the Applicants continue preparation of the legal due diligence materials which is anticipated to be submitted to this Honourable Court concurrent with the Monitor's Investigation Report.

OPERATIONAL AND RESTRUCTURING EFFORTS

11. As discussed in further detail below, the main operational and restructuring efforts completed to date include:

    a. Continued discussions with various stakeholder groups with a focus on the formation of a stakeholder committee to oversee the future restructuring efforts;

    b. The Monitor has continued to make progress with its Investigation;

    c. The Applicants' counsel continues to make progress with the Legal Due Diligence Report;

    d. The Applicants, its counsel and the Monitor have commenced discussions regarding a process to request proposals and / or offers on the various projects of the Applicants (the "RFP Process"), with the details of the terms of the Proposal Process being approved at the next application before this Honourable Court which is scheduled for October 8, 2009; and

    e. The Applicants have obtained and are in the process of reviewing a conditional offer to purchase land owned beneficially by Fort McMoney II Properties Ltd.

Communication with creditors, investors and other stakeholders

12. As outlined in the First Report, the Monitor has established a website, www.ey.com/ca/shire, to provide investors and creditors with an update on the status of these proceedings. The website includes a copy of the Initial Order and will include copies of all the Court Orders and Reports of the Monitor filed with the Court related

to these proceedings. In addition, the Monitor has a dedicated phone line for queries from creditors and other stakeholders.

13. Shire has also sent a series of information updates with respect to these proceedings to investors and has continued an open dialogue with these investors.

14. The Monitor understands that the Applicants and its legal advisors have continued to be in contact with the majority of the secured creditors with respect to providing an update on the proceedings, understanding the concerns and positions of the secured creditors as well as generally opening lines of communications.

15. The Applicants, its legal advisors and the Monitor have continued to meet with representatives of the group of investors and/or shareholders who had launched the Class Action lawsuit and their legal counsel in order to provide an update on the CCAA proceedings and to provide clarification on various projects.

Stakeholder Committees

16. As outlined in the First Report of the Monitor, the Monitor believes it to be a logical step that, in conjunction with the completion of the Monitor's Investigation Report, that a committee be established to allow input from the relevant stakeholder groups. The Monitor believes that the establishment of the committees would not be fully effective until the completion of these reports as these reports will identify the relevant stakeholder groups by project/entity.

17. The Monitor understands that the Applicants, and their counsel, have approached representatives of certain stakeholder groups about their willingness to form creditor committees and what form the committees would take. These discussions are continuing and the Monitor understands that a formal committee structure is to be established subject to Court approval by October 8, 2009.

Request for Proposal Process

18. The Applicant's believe that the restructuring of the collective entities would best be served by implementing a RFP Process. Through this RFP Process, the Applicants

would plan to seek and obtain request for proposals for each specific project company identifying proposals that may include the following;

a. An outright purchase of the specific property; or

b. A plan to develop the property in conjunction with the specific Applicant.

19. The Monitor understands that a real estate consultant is being considered to assist in the RFP Process should the process ultimately approved by this Honourable Court.

20. The Monitor anticipates that the RFP Process would be implemented according to the following timelines;

a. Development of property description package and distribution of request for proposal package – by October 31, 2009;

b. Deadline for receipt of proposals by November 30, 2009;

c. Evaluation of proposals and recommendation to this Honourable Court by December 15, 2009.

Future Restructuring Steps

21. The Monitor believes certain steps need to be completed in the near term to allow for the restructuring efforts to continue in an efficient manner, including:

a. Monitoring the Applicants' receipts and disbursements, business and dealings with the Project Companies to ensure that sufficient funds exists (discussed in further details below);

b. Finalize the Monitor's Investigation into the financial affairs of the Applicants;

c. Continuing communication with its various stakeholder groups including the formation of a stakeholder committee;

d. Seek and obtaining additional DIP financing or selling unencumbered assets in order to fund the ongoing restructuring activities; and

e. Refine and implement the RFP Process as outlined above.

FINANCIAL PERFORMANCE SINCE THE INITIAL ORDER

Forecast to Actual Cash Flow Variance

22. A variance analysis of the Applicants actual receipts and disbursements for the period August 10th, 2009 to September 25, 2009 (the "Second Report Reporting Period") as against the cash flow projections which were annexed to the August 7th Couch Affidavit (the "Initial Order Forecast") is set out below.

	A	B	
	Actual For the seven weeks ending September 25, 2009	Forecast For the seven weeks ending September 25, 2009	Variance Positive (Negative)
			a-b
Receipts / DIP Financing			
DIP Financing and Principal Injections	900,000	900,000	-
Other receipts - Shire Intl	35,476	-	35,476
Other receipts - Net receipts - Sorrento Inn	5,873	2,000	3,873
Other receipts - Net receipts - OK Falls RV Park	2,163	3,000	(837)
Total Sources of Cash	**943,513**	**905,000**	**38,513**
Disbursements			
Mortgage Payments	-	-	-
Property Taxes	-	-	-
Salary and Contractor Fees			-
- Salary and contractor amounts	(81,792)	(79,750)	(2,042)
- Employee expense reimbursement	(12,000)	(12,000)	-
- Source deduction arrears	-	(18,000)	18,000
- Contract accountant fees	-	(12,000)	12,000
Rent	(3,150)	(38,000)	34,850
Other	(41,973)	(9,000)	(32,973)
DIP Financing Expenses	(34,764)	(25,000)	(9,764)
Contingency	-	(35,000)	35,000
Restructuring Expenses	(639,329)	(551,750)	(87,579)
Total Uses of Cash	**(813,009)**	**(780,500)**	**(32,509)**
Net change in cash	**130,504**	**124,500**	**6,004**
Opening cash August 10, 2009	40,170	-	40,170
Ending cash September 25, 2009	170,674	124,500	46,174

23. The positive variance in the change in opening cash of $40,170 from cash flow projections is as a result of the Initial Order Forecast assuming zero cash when the Applicants filed and obtained CCAA protection on August 10, 2009.

24. The Applicants' net cash receipts during the Reporting Period totaled approximately $943,513 as compared to $905,000 as set out in the Initial Order Forecast.

Disbursements totaled approximately $813,009 as compared to $780,500 as set out in the Initial Order Forecast. The significant variances are discussed below:

a. Source deduction arrears – Positive variance of $18,000 as a result of timing difference in the payment of source deduction arrears. The Monitor would note that payment of source deductions for pre-filing amounts is no longer expected prior to any distribution through a claims process as a result of the Stay of Proceedings in effect.

b. Rent – Positive variance of $34,850 is mainly as a result of the Applicants' terminating their lease at their former offices at 808 – 4th Avenue and relocating to a temporary workspace with a month to month lease term for $1,575;

c. Other - Negative variance is mainly due to a garnishment of $35,398 which the Company and its legal counsel are in the process of resolving;

d. DIP financing expenses - Negative variance of $9,764 as a result of August interest payment for DIP financing that was not included in the forecast.

e. Restructuring expenses - The primary reason for this variance is higher than anticipated professional fees due to unforeseen time and expenditures related to due diligence on property ownership matters and costs of locating and examining documents with respect to the Monitor's Investigation. The Monitor would note that this variance is not expected to reverse in subsequent weeks due to the time and expenditures in completing the legal due diligence and Investigation; and

f. Other receipts – Shire International - The positive variance is due to a $25,000 loan repayment, $945 in rental income, both not in Initial Order Forecast, and a deposit of $9,453 related to a bank error that is expected to reverse.

25. Based on the anticipated cash receipts and disbursements for the week ended October 9, 2009, which are primarily professional fees and therefore, the Monitor expects that

the Applicants will have the ability to manage disbursements sufficiently to sustain operations for the period up to an including the stay extension period of October 8, 2009.

26. The Monitor understands that the Applicants are currently finalizing an extension or replacement of the current DIP facility which will result in an increase in the DIP facility in order to fund future costs associated with these proceedings including implementing the RFP Process. The Monitor understands that revision to the DIP Facility will be put before this Court for approval prior to October 8, 2009, including revised cash flow forecasts that contemplate the RFP Process.

APPLICATION BY INVESTIT FINANCIAL INC.

27. Investit Financial Inc. ("Investit"), who the Monitor understands holds a mortgage against the property known as Bearspaw at 144th Avenue, has filed a further application in this proceeding to:

   a. Set aside the Stay of Proceed to allow Investit to continue with their foreclosure action; and

   b. Remove the property known as Bearspaw at 144th Avenue from the charge supporting the DIP facility, *nunc pro tunc* or alternatively effectively September 4, 2008 or October 2, 2009.

28. The Monitor understands from materials filed by Investit that the amount outstanding on the mortgage is approximately $7,379,308 and that Investit has filed materials before this court indicating a market value of $7.365 million and a forced sale value of $5,900,000 (the "Investit Values").

29. The Investit Values are different from the appraised values recently obtained by Applicants which indicate a market value as at September 30, 2009 of $8.9 million.

30. Under the circumstances, given that the Applicants propose to bring a sales process contemplated by the RFP Process for approval by the Court on October 8, 2009, to the

extent that this matter is not resolved, the Monitor suggests that this matter be determined at the next application.

APPLICANTS'S REQUEST FOR AN EXTENSION TO THE STAY PERIOD

31. Pursuant to the stay extension granted by this Honourable Court on September 4, 2009, the Applicants' Stay Period continues until and including October 2, 2009. Shire is seeking an extension of the Stay Period until, and including October 8 2009.

32. An extension to the Stay Period is necessary to allow for the following:

    a. The Monitor to file a fulsome report detailing the results of the Investigation;

    b. Finalizing revisions to the DIP facility;

    c. Finalization of the stakeholder committees and charter of responsibilities; and

    d. Finalization of the RFP Process.

RECOMMENDATION AND SUMMARY OF NEXT STEPS

33. In the Monitor's view, the Applicants are acting in good faith and with due diligence. The Monitor is of the view that the extension of the Stay Period is appropriate in the circumstances and therefore recommends that the Applicant's request for an extension of the Stay Period be granted to, and including, October 8th, 2009.

All of which is respectfully submitted this 30th day of September 2009.

ERNST & YOUNG INC.
in its capacity as Court Appointed Monitor
of Shire International Real Estate Investments Ltd. et. al

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