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., ORILLIA INVESTMENTS LTD., 0726028 B.C. LTD., 0675816 B.C. LTD., AND BOSUN'S HOLDINGS LTD.

FIFTH REPORT OF ERNST & YOUNG INC.
IN ITS CAPACITY JOINTLY AS MONITOR AND RECEIVER

November 3, 2009

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INTRODUCTION

1. On August 10, 2009, Shire International Real Estate Investments Ltd. ("Shire"), 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 Group") 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 "Preliminary Initial Order").

2. Subsequent to the Preliminary Initial Order, the Alberta Securities Commission ("ASC") sought and obtained certain amendments to the Preliminary Initial Order clarifying terms 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 Preliminary Initial Order, together with the ASC amendments thereon will be referred to as the Initial Order.

3. Pursuant to the Initial Order, Ernst & Young Inc. was appointed monitor of the Applicants during these CCAA proceedings (the "Monitor"). The Initial Order authorized debtor in possession financing in the amount of $1,000,000 and granted a priority charge in respect of such debtor in possession financing.

4. On October 8, 2009, the Applicants sought and obtained an Order (the "Receivership Order") appointing Ernst & Young Inc. as Receiver (the "Receiver") of all of the Applicants' current and future assets, undertakings and property of every nature and kind whatsoever, and wherever situate. In addition, on October 8, 2009 this Honourable Court added 0726028 B.C. Ltd., 0675816 B.C. Ltd., and Bosun's Holdings Ltd. as parties to these proceedings as a result of an application by the

Applicants. Finally, on October 8, 2009, this Honourable Court granted an Order approving an increase in the amount of the debtor in possession financing ("DIP Financing") to be obtained by the Applicants to the amount of $2,500,000 with draws only being permitted to repay the existing DIP and additional draws not to exceed $1,000,000 until further Order of this Court.

5. The purpose of this Fifth Report of Ernst & Young Inc. jointly in its capacity as Monitor and Receiver (the "Fifth Report") is to provide this Honourable Court with an update as to:

   a. Update of the activities of the Receiver and Monitor since October 8, 2009;

   b. The status of certain appeals and motions that have been filed attempting to:

      i. Set aside the DIP Financing Order on the basis that notice was not provided to one of the affected Mortgages (Fisgaard); and

      ii. Stay the DIP Financing Order pending the application for leave to appeal (rescheduled to December 1, 2009)

   c. Concerns with respect to certain delays in receiving further funding of the DIP Facility as approved by this Honourable Court on October 8, 2009 due in part to the uncertainty caused by the above noted appeals; and also due to certain conditions precedents contained in the Echo Merchant Fund Ltd. commitment letter dated October 7, 2009 (the "Echo Commitment Letter"); and

   d. The affect that the lack of further DIP funding has on the Receiver's ability to discharge its duties as set out in the Receivership Order and on the Applicants ability to proceed with its restructuring efforts under the CCAA proceeding.

6. Capitalized terms not defined in this Fifth Report are as defined in the Initial Order or the previous reports of the Monitor. All references to dollars in this Fifth Report are in Canadian currency unless otherwise noted.

TERMS OF REFERENCE

7. In preparing this Fifth 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 Fifth Report.

BACKGROUND

8. 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") and the previous reports 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.

ORDER GRANTED BY THIS HONOURABLE COURT

9. On October 8, 2009, the Applicants sought and obtained an Order of this Honourable Court (the "October 8th Order") providing for, *inter alia*:

   a. An extension of the stay of proceedings in this action until December 8, 2009;

   b. Substitution of the DIP Lender from Kairos Funding Group Inc. to Echo Merchant Fund II Limited Group, by its general partner, Echo Merchant

Fund Ltd, such substitution operating *nunc pro tunc* to the date of the granting of the Initial Order;

c. Amendment of the DIP Facility from $1,000,000 to $2,500,000, with the stipulation that the Receiver shall only be permitted to draw sufficient funds to repay the existing DIP and an additional $1,000,000 until further Order; and

d. Appointing Ernst & Young Inc. as Receiver of the Applicants.

ACTIVITIES OF THE RECEIVER SINCE THE GRANTING OF THE RECEIVERSHIP ORDER

10. Following the granting of the Receivership Order on October 8, 2009, the Receiver has performed the following general activities;

a) Custody and control – the Receiver has attended to the premises of Shire as well as a third party storage facility to obtain the physical books and records of the Applicants which are being stored at the offices of the Receiver and are being made available to the Applicants as required. The Receiver also obtained a copy of the electronic books and records of the Applicants as the original versions are continued to be used by the Applicants in connection with the ongoing CCAA proceedings.

b) The Receiver is currently coordinating an office within the Receiver's premises to allow Shire management to operate from and has arranged for the mail to be redirected to the Receiver's office.

c) Employees and contractors – following consultation with the Management Committee, the Receiver informed four contractors that their services would no longer be required as they were primarily responsible for managing investor relations as well as assisting the Monitor in the completion of its Investigation. The majority of investor relations can be handled by a combination of the Receiver, the Monitor, the Management Committee along with the assistance of Ms. Cleone Couch. The Monitor has provided its initial report on its Investigation and is following up certain outstanding items with the assistance of Ms. Cleone Couch.

d) The Receiver terminated an office assistant / receptionist at the end of October following the completion of the Receiver's activities with respect to obtaining the books and records.

e) Review of specific assets of the Applicants – the Receiver has commenced its review of the various assets and properties which needs to be completed in conjunction with the proposed RFP Process.

f) Management committee and RFP Process – the Receiver has chaired three meetings of the Management Committee as set out in the Receivership Order. These initial three meetings were held primarily to provide an overview of the advisory nature of the committee, obtain input from the Management Committee on certain administrative aspects, as well as to meet with potential real estate consultants in order to select and engage a consultant to assist with the design and implementation of the RFP Process. Three potential real estate consultancy firms made presentations to the Receiver and committee and one firm has been selected for engagement. As discussed below, given the delay in receipt of DIP Financing, this firm has not yet been retained.

g) Statutory mailing by the Receiver – As provided for in an Order of this Honourable Court on October 16, 2009 (the "Receivership Notice Order"), the Receiver completed its statutory mailing of the Receivership Notification to all creditors and investors. As noted in the Receivership Notice Order, the Receiver sent information containing the aggregate assets and liabilities of the Applicants to all creditors and included a notation that a copy of the detailed listing of assets and liabilities was available on the Receiver's website or would be mailed to the individual creditor upon making a request of the Receiver.

h) The Monitor continues to follow up certain outstanding matters with respect to its Investigation and intends to issue a supplemental report on its investigation in due course. An important aspect of the Investigation will be to address the various inter-company balances as such balances may affect future recovery analysis and stakeholder input.

APPEAL BEING SOUGHT OF THE OCTOBER 8TH ORDER

11. The Monitor and Receiver are aware of an application being brought before the Alberta Court of Appeal with respect to an appeal of the DIP Financing Order.

12. The Monitor and the Receiver believe that the various appeals and notice of motions regarding the continuation of these proceedings need to be resolved on an expedited basis to allow the Receiver to effectively continue with its duties and also for the Applicants to proceed with their restructuring efforts.

STATUS OF THE FUNDING OF THE DIP FACILITY

13. As outlined in the Third Report of the Monitor, the availability of the DIP Financing is imperative to enable the Applicants to continue with their restructuring initiatives and to allow the Receiver sufficient funds to discharge its duties as set out in the Receivership Order.

14. Since the granting of the Orders on October 8, 2009, no further DIP Financing has been provided and the only draw on the DIP Financing was at the inception of these proceedings. The Receiver advises that there are currently insufficient funds on hand to permit the Receiver to incur obligations on a go-forward basis without further DIP Financing. The outstanding fees owing to professionals significantly exceed the amount of the available retainers.

15. The DIP Financing provided under the DIP Facility with Kairos Funding Group Inc. ("Kairos") became due and payable on October 29, 2009, therefore Kairos retains

remedies under this agreement that would need to be resolved should any stay be granted with respect to the fulfilment of the DIP Financing Order.

16. The Receiver understands that as a result of the appeal being sought of the October 8th Order, the provider of the DIP Financing has been reluctant to fund the DIP Financing. Furthermore, the Receiver understands that counsel to Fisgaard Capital Corporation and Romspen Mortgage Company provided an email to the service list advising of their position that any further advances under the DIP Facility will be at the peril of the DIP lender.

17. In addition, the Receiver understands that the Echo Commitment Letter contains certain conditions precedent that cannot be met by the Applicants and therefore the ability to waive these conditions will be required prior to funding under the DIP Facility. The amendments are of a technical nature and do not alter the financial terms of the facility.

18. Specifically, the Receiver and the Applicants propose to implement a RFP Process which would see the various properties of the Applicants marketed to identify and solicit proposals from interested parties which may include a plan of arrangement or proposal with the stakeholders of specific projects, an outright sale of the property, a joint venture type arrangement or other options. The RFP Process, in conjunction with other analysis of the various properties would allow validation of each respective properties value, which would also address certain concerns expressed by various secured lenders of the Applicants.

19. The Receiver and Management Committee have met with real estate consultant advisory firms in order to select a firm and enter into an engagement for the assistance in implementing the RFP Process. A proposed advisor has been selected and the Receiver is currently negotiating terms of an agreement, however, without the availability of financing, the Applicants and its advisors are not in a position to retain this advisor and therefore cannot continue to fulfil their respective mandates.

20. Furthermore, other efforts to address certain legal ownership issues of the Applicants property and to determine market value cannot be proceeded with without further funding.

FORECAST TO COSTS INCURRED ANALYSIS

21. Disbursements detailed in the Shire Group forecast 12 week cash flow projection contained in the Third Monitors report were comprised largely of professional fees and DIP Financing related disbursements, with a forecast level of professional fees approximating $418,925 up to and including the week ended October 23, 2009. Although professional fees have been incurred but not paid during this period, the estimated amount owing to professionals for this period approximates $362,243 generating a positive variance of approximately $56,682

22. With the exception of professional fees as discussed above, the Monitor would note that there are no other material adverse changes to the cash flows of the Applicants during the three weeks ended October 23, 2009 with the exception of the delay in the receipt of DIP Financing and associated charges.

INTENT OF THE RECEIVER TO SEEK THE ADVICE AND DIRECTION

23. The Receiver is required to perform certain statutory and operational responsibilities upon the inception of an insolvency mandate which require suitable financing. The Receiver has continued to perform these obligations based on the availability of the DIP Financing as approved in the October 8th Order, however said financing has not yet been funded due to the issues as discussed above. The inability of the Receiver to access financing to meet the operating needs of the Applicants, including appropriate reserves to deal with emergent operating issues, would render the Receiver unable to perform its operational responsibilities as set out in the Receivership Order.

24. As an Officer of this Honourable Court, the Receiver will seek the advice and direction of this Court as to continuing the receivership mandate should additional funding not be available in a timely manner.

All of which is respectfully submitted this 3rd day of November 2009.

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

Deryck Helkaa, CA·CIRP
Senior Vice-President

Kevin Meyler, CA·CIRP
Vice President

Action No. 0901-11866 A.D. 2009

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FIFTH REPORT OF THE MONITOR

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