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.

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

November 19, 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. ("0675816"), and Bosun's Holdings Ltd. ("Bosun") as parties to these proceedings as a result of an

application by the Applicants. Finally, on October 8, 2009, this Honourable Court at the come-back hearing on the Initial Order extended the stay of proceedings to December 4, 2009 and granted an Order approving an increase in the amount of the debtor in possession financing ("DIP Financing") to be obtained by the Applicants up to a maximum amount of $2,500,000 with the stipulation that the Receiver shall only be permitted to draw sufficient funds to repay the existing DIP Facility and draw up to an additional $1,000,000 until further Order of this Court.

5. On November 4, 2009, Fisgard Capital Corporation ("Fisgard") applied before the Honourable Mr. Justice Wilkins for an Order vacating the CCAA proceedings in their entirety or, alternatively, for an order removing properties over which Fisgard holds mortgage security. Fisgard's application in this regard was argued and heard as a *de novo* application on the basis that Fisgard had commenced foreclosure proceedings in respect of its security and that counsel to Fisgard in the foreclosure proceedings had not been given notice of the October 8, 2009 application. The Monitor understands that Fisgard's Alberta counsel was served with the original material at the inception of the CCAA proceedings and for the October 8, 2009 application, while Fisgard's British Columbia counsel was not served.

6. Justice Wilkins denied the application to vacate the CCAA proceedings in their entirety, however His Lordship granted the relief sought by Fisgard as it pertained to removing Bosun's Holdings Ltd. and 0675816 from the scope of the CCAA proceedings, with the effect that the assets of these entities do not stand as security for any principal amounts advanced under the DIP Financing. Although, the Monitor understand that any amount available after paying Fisgard and the other secured charges against the property would still be available to unsecured creditors. The properties remain subject to the Receivership Order and the charges granted therein. The Receiver and Shire are considering seeking leave to appeal this ruling pending the outcome of current applications before this Honourable Court.

TERMS OF REFERENCE

7. In preparing this Seventh 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 Seventh Report.

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

BACKGROUND

9. 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.

PURPOSE OF THIS REPORT

10. The purpose of this Seventh Report of Ernst & Young Inc. jointly in its capacity as Monitor and Receiver (the "Seventh Report") is to advise this Honourable Court of the following:

   a. The recent discovery of an error in the table that was included at paragraph 58 of the Monitor's Third Report. The table provided a summary of the various properties of the individual Project Companies and Shire as compared to the third party secured mortgages and the funds raised from investors; and

b. To provide this Honourable Court with an update as to the recent Court Applications and other proceedings since the last report.

ERROR IN THE TABLE SUMMARIZING PROPERTIES ACQUIRED

11. The Third Report of the Monitor contained a table at paragraph 58 (the "Property Summary Table") that provided an illustration of the various properties of the individual Project Companies and Shire as compared to the third party secured mortgages (the "Mortgages") and the funds raised from investors. This table was also recreated at Paragraph 16 of the Supplement to the Third Report of the Monitor.

12. The Property Summary Table compared purchase price and/or appraised value with the Mortgage amounts to arrive at an estimate of equity inherent in each property being calculated as the difference between the purchase price / appraised value less the Mortgage amount.

13. As set out in the Third Report, where possible, the appraised value was used if the appraisal was available and relevant. The Monitor notes that the appraisals for some properties were completed on a set of hypothetical assumptions including completed construction which would not necessarily reflect the value of the undeveloped property. In these instances, or when an appraisal was not available, the Monitor resorted to using the purchase price at which the Shire Group acquired the property based on information available. In one instance, the Fort McMoney II property, the value of a recent conditional purchase and sale agreement was used as the purchase price / appraised value.

14. The Property Summary Table included in the Third Report indicated that the total purchase price / appraised value exceeded the Mortgages by approximately $16.7 million.

Error found in the Property Summary Table

15. Investit Financial Inc. ("Investit") requested access to data and documents in the Monitor's possession to assist Investit in determining whether it would tender an

alternative DIP proposal. Accordingly, the Monitor entered into a Confidentiality Agreement with Investit on November 12, 2009 in order to provide Investit and its representatives ("Investit's Representatives") confidential information to evaluate potentially providing DIP Financing.

16. The Monitor created a data room and provided access to Investit's Representative under the Confidentiality Agreement on November 13, 2009. Questions were subsequently asked by Investit's Representatives as a result of their due diligence process. In the process of providing information under this process and following up on queries raised by Investit's Representatives, it was determined by the Receiver on November 16, 2009 that there was an error in the Property Summary Table. The purchase price / appraised value for Fort McMoney in the Property Summary Table was $7,000,000 with a notation that Fort McMoney market value as at September 9, 2008 determined by Mr. Tony Omura appraisal dated October 10, 2008 (the "October 10 Omura Appraisal"). It has now been determined that the referenced October 10 Omura Appraisal relates to the Fort McMoney II Property and not the Fort McMoney Property. The correct appraisal value for Fort McMoney should have been $3,400,000 as per an appraisal dated April 21, 2006 as prepared by Mr. Tony Omura.

17. The resulting correction on the Property Summary Table would be that the total Purchase Price / Appraised Value would be adjusted to $41.024 million (from $44.624 million) and the total purchase price less Mortgages would be adjusted to approximately $13.1 million (from $16.7 million).

18. Upon the discovery of the error, the Monitor discussed with its counsel and the Applicants' counsel with the conclusion that it was appropriate to disclose, on a timely basis, the nature and quantum of above noted error.

REVISED PROPERTY SUMMARY TABLE

19. As advised by counsel during the course of the application on October 8th, there are differing views as to perceived value inherent in the Property Summary Table. As such, the Receiver has provided for illustrative purposes an amended property

summary table (the "Amended Property Summary Table"), attached as Appendix 1, incorporating the following amendments:

a. An adjustment for the error in the Fort McMoney purchase price / appraised value of Fort McMoney to $3.4 million as discussed above, thereby reducing the excess of purchase price less Mortgage on this property to $1.5 million; and

b. To reflect the concern of 1533021 Ontario Inc. ("153 Ontario"), the first mortgage holder registered against the Orillia property, that no equity remains in the Orillia property, an adjustment of purchase price / appraised value of Orillia to equal the third party mortgage of $1.9 million, thereby reducing the excess of purchase price less mortgages to $0.

20. The Receiver understands that 153 Ontario has had the Orillia property listed for sale since about March 2009 and has recently received an offer on the property for $1.7 million. 153 Ontario has advised that it believes the marketing process has been reasonable and that this offer should be accepted as it has been the best offer received to date from the forced sales process. The Receiver and the Applicants are currently reviewing the offer and related supporting marketing materials and intend to continue discussions with 153 Ontario. Given the recent offer received by 153 Ontario, the estimated value attributed to the Orillia project in the Revised Property Summary Table has been reduced from the purchase price of $2.9 million to the offer price of $1.7 million in order to illustrate the affect of the $1.7 million offer on the overall values.

21. Based on the above adjustments to the purchase price / appraised value, the total adjusted purchase price / appraised value less Mortgages approximates $12.1 million.

22. The Amended Property Summary Table indicates that there remains apparent equity in the Applicants' assets after considering the above noted adjustments to the assumptions noted in the Property Summary Table set out in the Third Report.

Accordingly, the Monitor continues to believe that the DIP Financing is not unduly prejudicial to the creditors of the Applicants.

COURT APPLICATION UPDATE

23. On November 13, 2009, an Application was brought before the Court of Appeal of Alberta by Investit and Romspen Mortgage Corporation ("Romspen") seeking a stay of the Orders granted in these proceedings that authorized the extension of DIP Financing and the appointment of a Receiver. The Court of Appeal Application was heard on November 13, 2009 and the application for the stay was dismissed by the Court of Appeal on November 16, 2009.

RESTRUCTURING UPDATE

24. In addition to the various court applications dealing with these proceedings as set out above, the Receiver provides the following brief update to this Honourable Court:

    a. The Monitor and Receiver continue to respond to numerous questions from investors and continue to update the analysis and Investigation as set out in the Monitor's Third Report;

    b. The Receiver, in consultation with the Management Committee, has selected a real estate advisor to assist in the request for proposal process previously outlined to this Honourable Court;

    c. The Receiver has held several meetings with the proposed real estate advisor in order to commence the implementation of a marketing/proposal process;

    d. Upon dismissal of the stay of proceedings by the Court of Appeal, Echo repaid the DIP Financing owing to Kairos Funding Group Inc. in the approximate amount of $0.92 million;

    e. Echo advanced the remaining funds of approximately $0.92 million to the Receiver's legal counsel (the "Remaining DIP Loan Proceeds"); and

f. Upon determining the error in the Property Summary Table, the Receiver advises that the Remaining DIP Loan Proceeds remain in its counsel's trust account pending hearing the position of Echo and seeking further advice and directions from this Honourable Court.

ADVICE AND DIRECTION

25. The Receiver intends to seek advice and direction from this Honourable Court in connection with the error in the Property Summary Table.

All of which is respectfully submitted this 19th 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

APPENDIX 1

Appendix 1 - Amended Property Summary Table

Project	Project analysis: Per Third Report: Purchase price/appraised value	Third party mortgages	Mortgage Units	Purchase price / appraised values less mortgages	Adjustments	Adjusted purchase price / appraised values less mortgages	Notes
	a	b	c	a + b + c			
Project Companies							
Bearspaw	9,000,000	(8,100,000)	-	900,000	-	900,000	
Chemainus	780,000	-	-	780,000		780,000	
Ft McMoney	7,000,000	(1,900,000)	-	5,100,000	(3,600,000)	1,500,000	(a)
Ft McMoney II	9,600,000	-	(6,490,000)	3,110,000		3,110,000	
Halama Gardens	-	-	-	-		-	
Hawaii Fund	-	-	-	-		-	
Orillia	2,900,000	(1,900,000)	-	1,000,000	(1,000,000)	-	(b)
Shire Capital	-	-	-	-		-	
Skaha Lake	2,500,000		-	2,500,000		2,500,000	
Tsehum Harbour	3,500,000	(2,900,000)	-	600,000		600,000	
MWS	3,000,000	-	(11,024,900)				(c)
Total Project Companies	38,280,000	(14,800,000)	(17,514,900)	13,990,000	(4,600,000)	9,390,000	
Shire Assets							
Winn River Resort	2,200,000	(600,000)	-	1,600,000		1,600,000	
Kincardin	-	-	-	-		-	
16th Avenue NW Properties	-	-	-	-		-	
Nuevo Vallarta (Mexico Office)	367,000	-	-	367,000		367,000	
OK Falls	742,000	-	-	742,000		742,000	
Killarney Infills	435,000	(435,000)	-	-		-	
Marda Loop Lots	2,600,000	(2,600,000)	-	-		-	
Marquis Ranche Lot	-	-	-	-		-	
Options	-	-	-	-		-	
Total Shire Assets	6,344,000	(3,635,000)	-	2,709,000	-	2,709,000	
Total Shire Group	44,624,000	(18,435,000)	(17,514,900)	16,699,000	(4,600,000)	12,099,000	

(a) Appraised value adjusted to $3.4 million as per appraisal dated April 21, 2006 for Fort McMoney
(b) Appraised value adjusted to equal third party mortgages for illustrative purposes only.
(c) Purchase price less mortgage deficiency not reflected in table totals for purchase price less mortgages

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AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT 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.

SEVENTH REPORT OF THE MONITOR

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