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.

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

November 22, 2009

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

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.

PURPOSE OF THIS REPORT

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

   a. The retention of Foxbridge Development Group ("Foxbridge") on an interim basis as a consultant to the Receiver with the intention to retain Foxbridge under a formal engagement to assist in the request for proposal process (the "RFP Process") as previously outlined to this Honourable Court; and

   b. The Receiver and Monitor's comments with respect to a Notice of Motion brought by 1533021 Ontario Inc. ("153 Ontario") for an Order approving the sale of lands located at 679 Atherly Road, Orillia, Ontario (the "Orillia Property") and a declaration that the Orillia Property is not charged by the Debtor in Possession Financing ("DIP Financing").

RETENTION OF FOXBRIDGE DEVELOPMENT GROUP BY THE RECEIVER

10. The Receiver, through consultation with the Management Committee, has selected Foxbridge to assist in the structuring, implementation and management of a RFP Process, under the supervision of the Receiver. The RFP Process contemplates seeking interest from parties who are interested in purchasing or participating in the restructuring the various projects subject to these proceedings.

11. The Receiver is currently in the final stages of formalizing the engagement with Foxbridge (the "RFP Engagement Letter") and will be bringing the terms of this engagement before the Court to approve both the terms of the RFP Engagement Letter and the nature and scope of the RFP Process. In the meantime, the Receiver has agreed to retain Foxbridge as a consultant on day-to-day basis until such time as the RFP Engagement Letter has been executed and approved by this Honourable Court. Foxbridge has executed a confidentiality agreement with the Receiver which allowed the Receiver to provide Foxbridge access to the books and records in the Receiver's possession and to assist in preparation for the implementation RFP Process as well as assist in the evaluation of the offer received by 153 Ontario with respect to the Orillia Property.

12. The delay in retaining Foxbridge and implementing the RFP Process from that originally contemplated by the Monitor / Receiver was primarily a result of the uncertainty over the availability of the DIP Financing as discussed in previous reports of the Receiver and Monitor. Given the uncertainty as to the outcome of the various Court applications, it was determined that a full launching of the RFP Process should be deferred until clarity was received with respect to the DIP Financing. Upon the issuance of the reasons for judgment issued by the Court of Appeal on November 16, 2009, Echo proceeded to advance the DIP Financing and the Receiver proceeded to engage Foxbridge as a consultant. As discussed in the 7th Report, the proceeds of the DIP Financing remain held in trust by the Receiver's counsel pending further advice and direction from this Honourable Court.

13. The decision to retain Foxbridge as a consultant and to to assist in the intended RFP Process was based on a process completed by the Receiver and Management Committee whereby three real estate consultant firms were selected and requested to prepare and present their respective proposals to the Receiver and Management Committee.

14. Upon review of the proposals and presentations, the Receiver concluded that Foxbridge's qualifications best fit the needs and requirements of the Receiver. The Management Committee also voted in favour of retaining Foxbridge.

15. A summary of the background and qualifications of Foxbridge is provided below:

    a. Foxbridge is a real estate company and has acted as both a developer and advisory consultant. Foxbridge has developed both residential and commercial real estate throughout Western Canada and also acted as an advisory consultant to provide services in areas of feasibility, project analysis, development management and financial workouts of residential and commercial real estate;

    b. The two principals of Foxbridge, Doug Frey and David Murphy each have over 20 years of direct experience in real estate lending, finance, property valuation and acquisition, land development and have each held a directorship in a publicly traded corporation.

    c. Recent Foxbridge mandates have included;

        i. Lead consultant in project status review, cost over-run projection and subsequent $50 million refinance of a mixed use hotel and office development (2009 - Calgary, AB);

        ii. Completion of Island View Villas (2009 - Peachland, BC); and

        iii. Completion of the Strand Lakeside Resort (2008 / 2009 - Vernon, BC.

16. Further details with respect to the Foxbridge engagement will be provided in a subsequent Court Application with respect to approving the terms and conditions of the RFP Engagement Letter .

APPLICATION OF 1533021 ONTARIO INC. FOR THE SALE OF THE ORILLIA PROPERTY

17. An application has been brought before this Honourable Court seeking, *inter alia,* an Order approving the sale of the lands located at 679 Atherly Road, Orillia, Ontario, referred to as the Orillia Property.

18. The Receiver and Monitor consulted with Foxbridge with respect to the application of 153 Ontario for the sale of the Orillia Property. However, as discussed above, Foxbridge has had a limited opportunity to fully review the proposed sale of the Orillia Property in as much as Foxbridge was retained just last week.

Purchase and sale agreement

19. The purchase and sale agreement entered into by Chi Tran in trust and 153 Ontario under a Power of Sale dated October 29, 2009 (the "Chi Tran PSA") in the amount of $1,700,000 is for the purchase of the Orillia Property, described as 679 Atherley Road in the Town of Orillia, Ontario legally described as Plan 292 Lot 4 PT Lots 1 to 3 & 68 S/S. The Chi Tran PSA has a scheduled completion date of January 21, 2010.

20. The Chi Tran PSA contains a condition precedent that 153 Ontario must obtain the approval of the Court prior to 11:59 on the 24th day of November. Accordingly, the Receiver recognizes the urgency of this matter.

21. The Receiver notes that the Chi Tran PSA contains certain conditions for the benefit of the purchaser including certain due diligence matters (the "Conditions") to be completed by the purchaser including :

   a. The purchaser being satisfied that 106 condominium units can be constructed on the Orillia Property; and

b. The completion of a satisfactory phase 1 and phase 2 environmental studies.

22. The Chi Tran PSA indicates that the purchaser must provide written notice to the vendor that the Conditions are fulfilled by December 14, 2009, otherwise the Chi Tran PSA is null and void.

23. Based on a review of the Chi Tran PSA, there does not appear any provision to address the marina rights and foreshore lease that the Receiver understands to be owned by Orillia Investments Ltd. (collectively referred to as the "Water Rights") It is uncertain whether the Chi Tran PSA contemplates selling or assigning the Water Rights or whether this sale captures the potential related value of the Water Rights which includes the potential of the development of 92 boat slips.

24. The Receiver has been advised by Foxbridge that typically the Water Rights (which include a lease between Orillia Investments Ltd. and the Ontario Ministry of Natural Resources ("OMNR")) are assignable only to the owner of the adjacent lands, therefore it is important to understand how the Water Rights have been addressed in the Chi Tran PSA.

25. Furthermore, Foxbridge advises the value of the boat slips is realizable only through an assignment of the Water Rights and has no realizable value unless the assignment is specifically negotiated as an inherent component of the agreement of purchase of sale for the lands.

26. Foxbridge has advised the Receiver that although the listing included remarks surrounding the existence of the Water Rights, the marketing materials provided by 153 Ontario's real estate agent did not provide information with respect to the potential value or opportunity associated with the Water Rights, as discussed in further detail below.

Sales Process Conducted by 1533021 Ontario Inc.

27. The Receiver understands that the Orillia Property was originally listed on the Toronto MLS and Orillia MLS on March 11, 2009 and entered as a new listing on August 5,

2009 and September 28, 2009. The Receiver has been provided a copy of a Toronto Real Estate Board property detail listing for the Orillia Property (the "TREB Listing Sheet") from the listing agent. The listing refers to a contract date of September 28, 2009, under a Power of Sale mandate.

28. The list price for the Orillia Property on the TREB Listing Sheet was $1,888,000 and following the re-listing of the property on September 28, 2009, it appears that two offers were received for the property in the respective amounts of $1,600,000 and $1,700,000. Three offers were received on the property in the marketing period prior to September 28, 2009 but were either rejected or the conditions precedent were not waived for a variety of reasons including price and exceptionally long due diligence periods.

29. The Receiver acknowledges that the Orillia Property has been exposed to the market for a considerable period; however the concern is whether the property has been adequately and appropriately marketed to ensure maximum value has been obtained. A review of the marketing material used by 153 Ontario's agent indicates only limited and dated information on the assets being sold. The Receiver understands that the marketing material comprised a 6 page brochure, maps and survey of the property. In addition to this information, the affidavit of Gianfranco G. Piccin dated November 16, 2009 (the "Piccin Affidavit") stated that "Interested parties were also provided with an 80 page prospectus prepared by Group North International Inc., for one of the previous owners".

30. While the Receiver has not obtained a copy of the report referred to in the Piccin Affidavit, the Receiver is aware of a report prepared by Group North Inc. dated August, 2005 (the "Group North Report") that provided certain information relating to the development of the Orillia Property. The Group North Report appears to have been prepared on behalf of certain potential developers of the Orillia Property.

31. The Receiver is not certain whether the Group North Report is the same as referred to in the Piccin Affidavit. If the Group North Report is the same report referred to in the Piccin Affidavit, the Receiver's view is that the Group North Report does not provide

sufficient information to prospective purchases with respect to the opportunity associated with the Orillia Property given the following:

a. The Group North Report was prepared to solicit equity investors and development of the project on a joint venture basis; and

b. The report was prepared in August, 2005 and was not updated to reflect the current market conditions or that the property was being sold on an en bloc basis.

32. In summary, the Receiver's concerns are that the marketing information provided to prospective purchasers was not sufficiently detailed, timely or relevant to ensure that maximum value was obtained from the sale process. Furthermore, the Piccin Affidavit does not include any details as to the results of the marketing process including how many prospective purchasers executed confidentiality agreements, received the detailed information referred to in the Piccin Affidavit or toured the Orillia Property. The Receiver believes this information would be beneficial to assess the reasonableness of the marketing process.

Appraisals obtained by 1533021 Ontario Inc. and Orillia Investments Ltd.

33. 153 Ontario has provided information to support the proposed sale of the Orillia Property for $1.7 million, including, the Affidavit of Gianfranco G. Piccin sworn on August 10, 2009 that advises that an appraisal was obtained on or about March 12, 2009 for the property conducted by Dino Bottero, of D. Bottero & Associates Limited Property Valuation and Realty Consulting Services which sets out the value of the property at $1.7 million (the "Bottero Appraisal").

34. The Receiver notes that the Bottero Appraisal contains on page 3 an "Extraordinary Assumption" that states, *inter alia*, "the eastern portion of the Subject Property once supported a marina whose facilities appear to have been largely removed. The status of the remaining boat slips has not been fully ascertained. These are located on reportedly leased land. Terms of any such leasing arrangements have not been verified. In addition, the Subject's zoning is specific to residential uses. Given these

limitations, the contribution of the boat slips, if any, is not being addressed. The right is being reserved to amend, alter, or otherwise change our final estimate of Market Value should any Extraordinary Assumption contained or identified herein provide to be invalid."

35. In discussing "Exposure Time" on page 26 of the Bottero Appraisal, it is noted that 'as indicated previously, the boat slips which are located on a leased water lot are not being addressed. The terms and conditions of the reported lease in effect were not verified. The provision of docking facilities may impact positively upon further marketing of the potential residential product.'

36. An appraisal obtained by Orillia Investments Ltd. dated May 24, 2007 for the Orillia Property conducted by Indicom Appraisal Associates Inc. indicated the value of the Orillia Property at $3 million using a direct sales comparison approach (the "Indicom Appraisal").

37. While the Bottero Appraisal is newer than the Indicom Appraisal and therefore is likely to be more reflective of current market conditions the Receiver would highlight the potential value of the Water Rights as detailed on page 45 of the Indicom Appraisal which ascribes approximately $920,000 of the $3,000,000 appraised value of the property to the marina and related Water Rights, whereas the Bottero Appraisal specifically excludes the value of such rights, but indicates a value of $1.7 million . A copy of the Indicom Appraisal is attached at Appendix A to this report.

Current status of the Orillia Property (including the status of the Water Rights)

38. The Receiver has recently contacted the OMNR to determine the current status of the foreshore lease but has not yet received a response. The Receiver has also arranged for an agent of Foxbridge to attend the Orillia Property to view the property and the potential of the additional value of the Water Rights and it is anticipated that this visit will occur on Wednesday November 25, 2009.

39. Counsel to the Receiver has not yet had an opportunity to review the security held by 153 Ontario to ensure that it is valid and enforceable and whether correctly applies to both the land portion and the Water Rights.

40. The Receiver believes that additional time would allow it to resolve the above noted issues and questions.

Comments of the Receiver with respect to the sale of the Orillia Property

41. Based on the above analysis and comments provided to the Receiver from Foxbridge, additional time is required to ensure that adequate value is being obtained for the Orillia Property, including determining how the Chi Tran PSA deals with the Water Rights, assessing the overall marketing process completed to date and the appropriateness of the value being received for the Orillia Property.

42. Foxbridge has indicated to the Receiver that it expects that it will be able to complete its analysis in advance of the next scheduled Court application on December 4, 2009. As a result of reviewing preliminary information with respect to the Orillia Property, together with the fact that two offers were received within 35 days of the revised listing agreement, Foxbridge feels that there is a demonstrated market for this property. Therefore a further extension of 11 days is unlikely to materially prejudice the rights of 153 Ontario, specifically when considering the certain questions relating to the marketing process and purchase and sale agreement as set out above. Furthermore the Chi Tran PSA has certain conditions for the benefit of the purchaser that are required to be fulfilled by December 14, 2009.

APPLICATION OF 1533021 ONTARIO REGARDING DIP CHARGE

43. An application has been brought before this Honourable Court seeking, *inter alia*, an Order that the Orillia Property not be charged with debtor in possession financing.

44. The Receiver and Monitor would note that the assets of Orillia Investments Ltd. are subject to the debtor in possession financing through the granting of the DIP Orders by this Honourable Court.

45. Accordingly, the Receiver and Monitor would suggest that should this Honourable Court approve the sale of the Orillia Property as proposed by 153 Ontario, that the resulting funds should be paid into Court or held in trust by either the Receiver pending the determination of allocation.

RECOMMENDATION

46. The Receiver respectfully recommends that the approval of the 153 Ontario offer on the Orillia Property be deferred until December 4, 2009.

All of which is respectfully submitted this 22nd 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 A

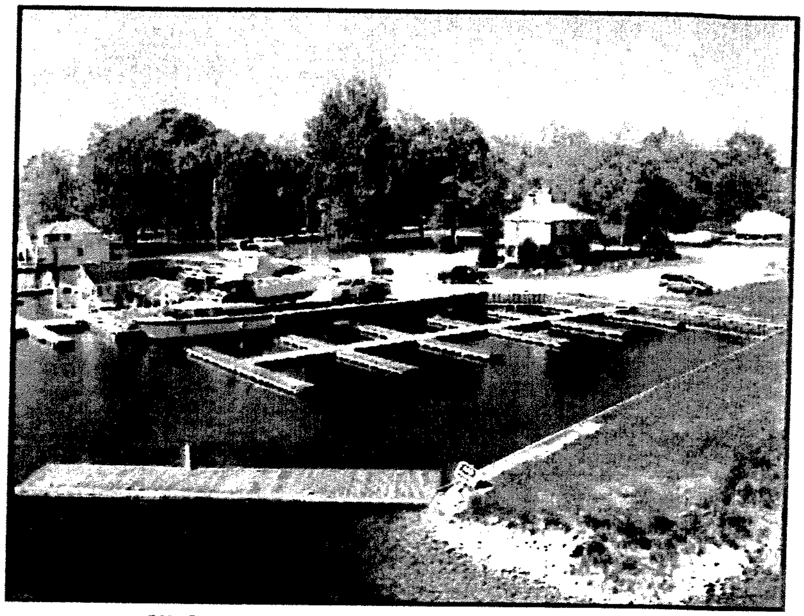
Orillia

SUMMARY APPRAISAL

AND

VALUATION REPORT

of



679 ATHERLEY ROAD
ORILLIA, ONTARIO

PREPARED FOR

Orillia Investments Ltd.
32 Hazelbury Drive
Box 1309
Nobleton, ON L0G 1N0

by

INDICOM APPRAISAL ASSOCIATES INC.
101-110 Dunlop Street East
Barrie, Ontario
L4M 1A5

INDICOM

INDICOM
APPRAISAL ASSOCIATES INC.

110 Dunlop Street E.
Barrie, ON L4M 1A5
Tel: (705) 737-2250
Fax: (705) 737-4739
Email: indicom@rogers.com

May 24, 2007

Orillia Investments Ltd.
32 Hazelbury Drive
Box 1309
Nobleton, ON L0G 1N0

Attn: Mr. Rene Bindi

RE: 679 Atherley Road
Orillia, Ontario

Dear Sir:

At your request, we have made an investigation and appraisal analysis of the above-described property as of May 11, 2007 for Mortgage Purposes. The property rights appraised in this report is the Fee Simple interest in the proposed development, assuming the title to be free and clear of all encumbrances.

As a result of our investigation, it is our considered and professional opinion the Subject property has an equitable market value of $3,200,000.00

THREE MILLION TWO HUNDRED THOUSAND DOLLARS

We trust the information provided meets with your approval, and thank you for considering our firm.

Respectfully submitted,

INDICOM APPRAISAL ASSOCIATES INC.

Robert E. Stewart, P.APP., AACI.
President

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EXHIBITS

PART I

INTRODUCTION

INDICOM

ANALYSIS AND CONCLUSIONS

Area and Neighbourhood Analysis

In real estate valuation, it is generally recognized property values are influenced by factors that can be broadly categorized as economic, governmental, social, and environmental. It is therefore necessary to evaluate the dynamics of these factors within a market to understand their effect on property value.

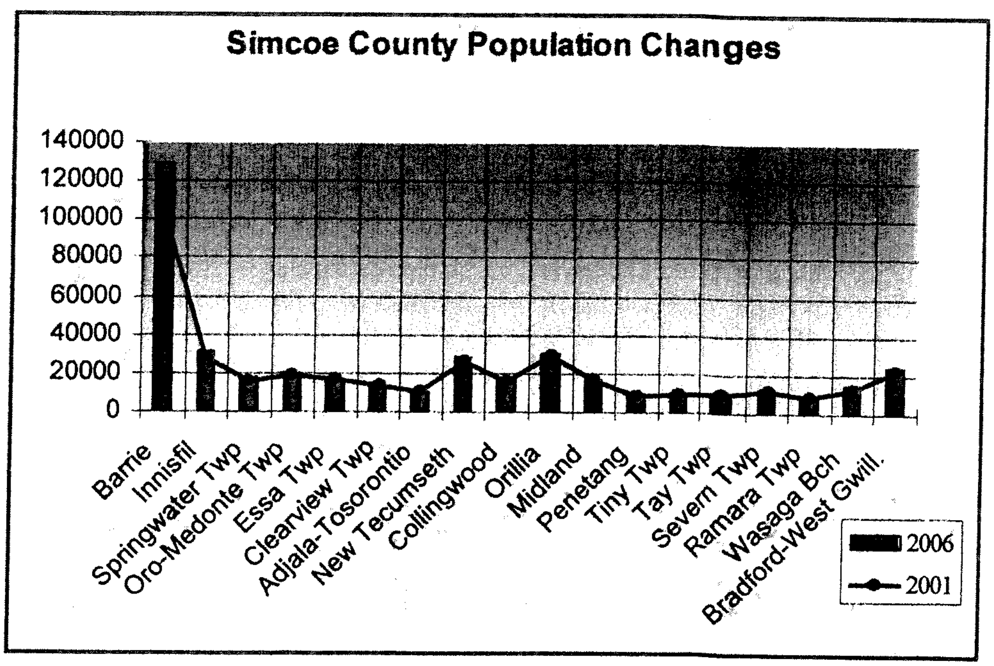
Simcoe County

Location

Located "*a little above Toronto*" and virtually in the centre of Ontario the average travel time to Toronto from within the County is one hour. The County is generally bounded to the northwest by Georgian Bay, and to the east by Lake Simcoe and consequently represents Ontario's gateway to the North and to Western Canada.

Population

The County of Simcoe, as a whole, has seen an increase of 12% since 2001, which includes the City of Barrie and the Town of Wasaga Beach, two of the fastest growing areas in the country. The City of Orillia currently includes 30,259 residents up from 29,121 in 2001. (Statistics Canada, Census 2006)



Area and Neighbourhood Analysis - Continued

Transportation

Transportation within Simcoe County includes an efficient #400 series Highway as well as several well maintained two lane highways, various railroad lines, public transportation systems (Barrie and Orillia), a regional airport and Lake Simcoe, which provides access to the Trent Severn Waterway and a wealth of lakes and communities.

Highway System

Highway #400 and its extension along divided Highway #11 provides a convenient link to Greater Toronto, Canada's largest business and financial centre, and from there the MacDonald-Cartier Freeway (#401) and the newly constructed (#407) allow quick and easy access to Eastern Canada and South-western Ontario. More than 50% of Canada's population is accessible by three of the largest highways in the Country.

Employment

Simcoe County has a large and diversified economic base, which includes manufacturing, transportation, education, high technology, tourism, and a military base. The largest single employer is Honda Manufacturing, which employs approximately 4,300 people and has helped to introduce Simcoe County into the modern world of high tech industry and world trade. The Military Base at Camp Borden also employs a large number of people on a varying scale and is an essential element in the County's economic structure. The Royal Victoria Hospital in Barrie employs in excess of 2,000 full time employees at this Regional facility. Public Sector employers in Orillia include OPP headquarters with 1,400 employees, Soldiers Memorial Hospital with 1,000 and the City of Orillia with 200 staff.

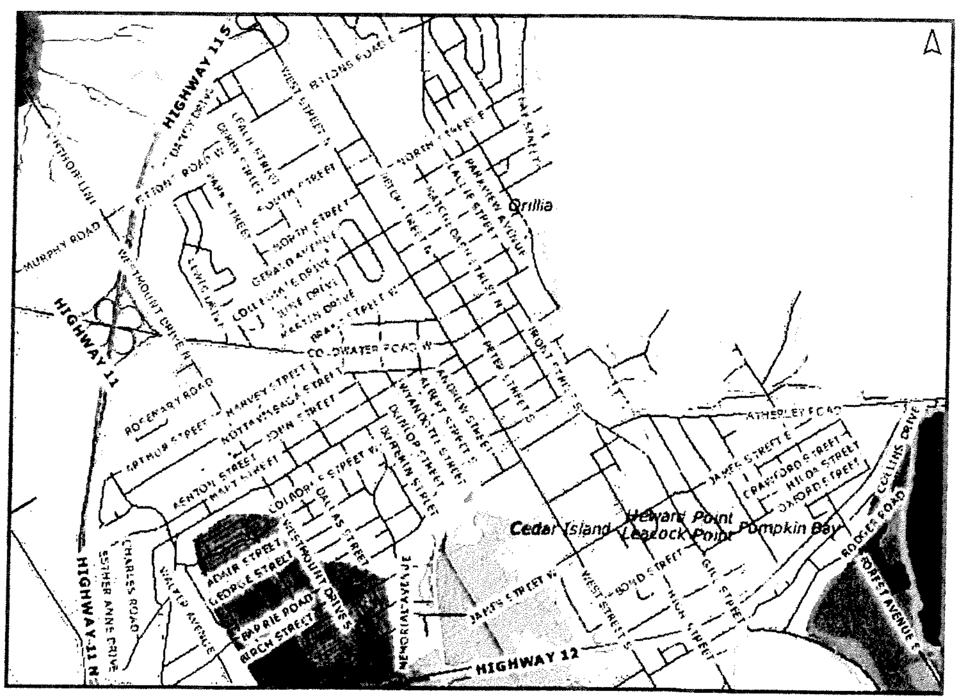
City of Orillia

The City of Orillia is located on the southwest shores of Lake Couchiching, just to the west of Atherley Narrows where Lake Couchiching and Lake Simcoe join. Access to the Orillia area is provided by two major north-south highways namely Highway #12 and #11. Orillia is also the port-of-call on the Trent Severn Waterway System, a 240-mile recreational waterway link between Lake Ontario and Georgian Bay.

Orillia is a popular tourist area for temporary docking of both sail and powerboats. Parks Canada estimates that the annual boat traffic through the Trent Severn Waterway is an estimated 250,000 boats. The City of Orillia and District Chamber of Commerce operates a 271-slip marina for transient boaters throughout the summer season. The tourist industry also benefits from the abundance of provincial and private campgrounds along with excellent fishing and swimming.

Further, the large Provincial Casino on the eastern shores of Lake Couchiching has brought even more tourists to the Orillia market. Three new hotels have been constructed in the City as a result of this attraction.

Being outside the commuter region for the Greater Toronto Area, the city has benefited from bringing people to the City of Orillia for work making the City an economic centre for North Simcoe. Many retirees also move from Toronto for the lifestyle offered by the City.



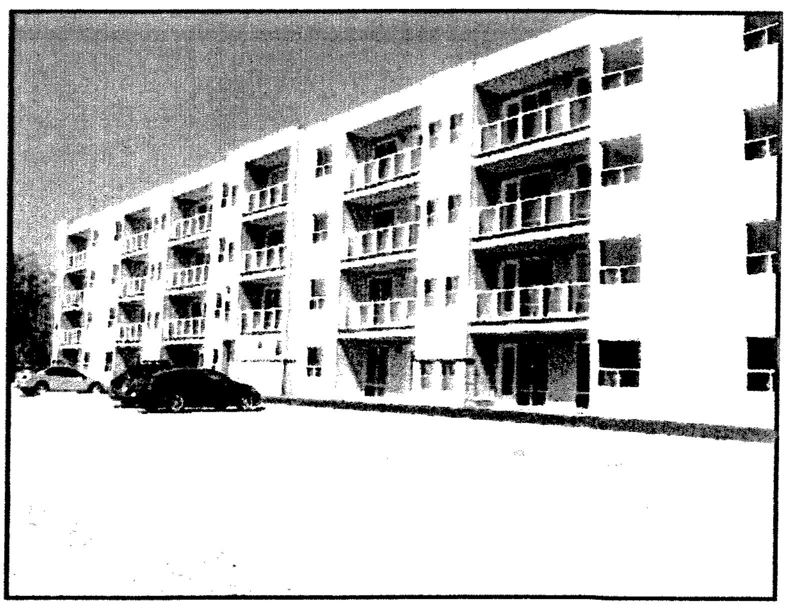
Area and Neighbourhood Analysis – Continued

Over the past seven years some 600 jobs were created due to the addition of approximately 500,000 sq. ft of retail space. Further retail development includes a 35,000 sq. ft Home Hardware Store at the intersection of West and King Street. The City also purchased 134 acres of land near West Ridge Boulevard for use as an industrial business park.

The downtown area has seen little development over the years, however is expected to be a prime area for new business with a proposal established to locate a multi million dollar recreational facility on a former industrial property along West Street

The issuing of building permits was up in 2006 with 19.9 million dollars in residential development, 6 million in commercial, 1.4 in industrial and 6.5 million in institutional. In 2005, 21 million dollars in institutional permits were issued due to the 10 million dollar contribution from Leisure World, which opened November 2006 offering 160 long term care standard or private beds.

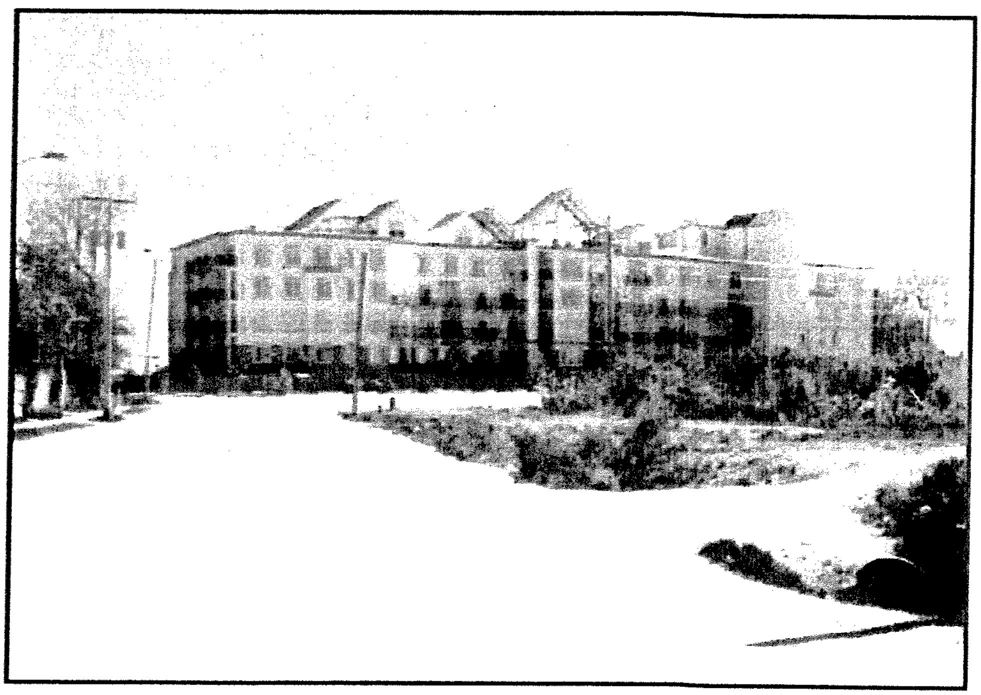
A residential development is underway on Barrie Road, which is to include three four storey apartment buildings with 60 units, of which 40 units will be affordable housing units. This development began with a land purchase in 1997 for $500,000.00. Approximately three to four other projects are proposed to include townhouse and condo complexes. The first phase of the Stoneridge subdivision has commenced by Charter Construction to include 100 townhouse units.



Barrie Road Development

Area and Neighbourhood Analysis – Continued

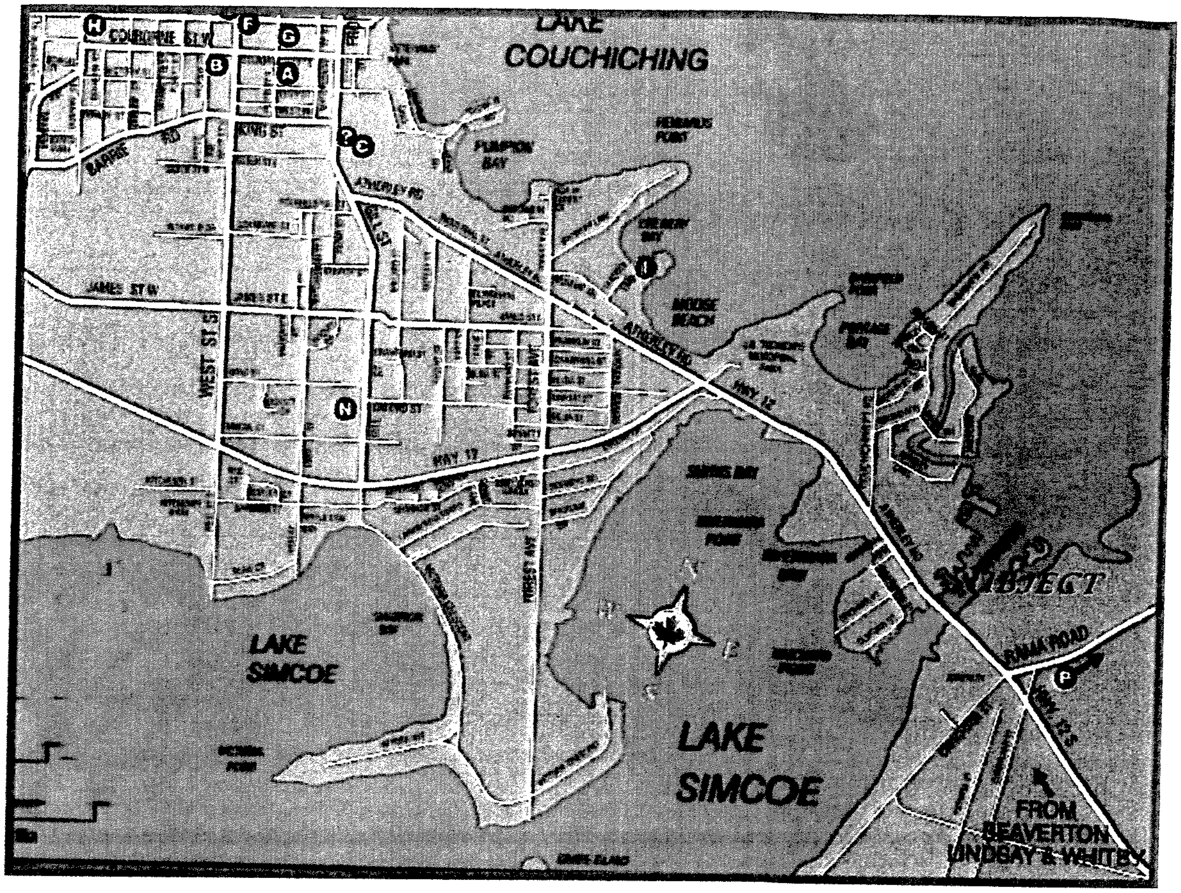
Provincially housing starts are down according to CMHC with single family dwellings especially in rural areas down considerably. Condominium Units in Toronto are up by 0.6 percentage points. The condominium market in Simcoe County has been slow to take advantage of the retirement market and several have had difficulty attracting buyers. Tiffin by the Bay in Midland was launched this year offering suites starting at $210,000.00 for 2 bedroom units and up to $880,000.00 for the Penthouse level. Marina slips are available for $25,000.00 for a 25 ft. slip and $52,000.00 for a 45 ft. slip. In Orillia, the Elgin Bay Condominium Development constructed 5 years ago, has five units still available with the one bedroom unit at $279,000.00 and the most expensive unit at $579,000.00. Boat slips are available at $22,000.00 each and surface parking is identified at $10,000.00 per space. The expectation for both of these properties to be sold out over the next five years is good, however, places like Barrie, Newmarket and Richmond Hill still offer strong competition at prices that will keep the market competitive over the foreseeable future.



Elgin Bay Condominium

Immediate Neighbourhood

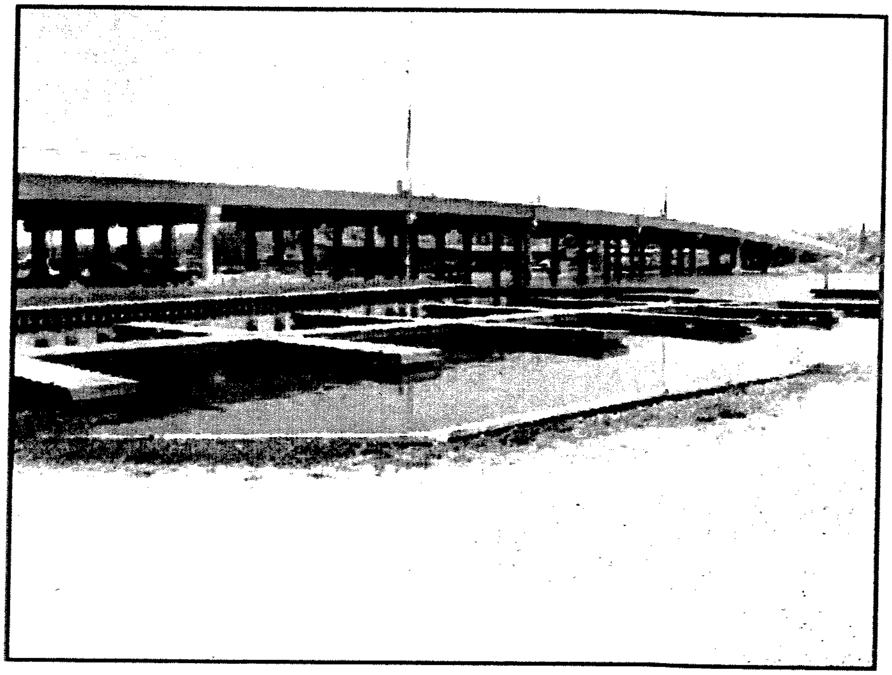
The Subject property is located in the Atherley Narrows, which joins Lake Simcoe and Lake Couchiching. Commercial marinas, an abandoned railway line and a Provincial Highway surround the property.



Atherley Narrows is known to be one of the busiest areas of the Trent Severn Waterways, providing the only link from Lake Simcoe to Georgian Bay destined boaters. Atherley in the early to mid part of the 20th century represented the focus of commercial and social activity in the immediate area. Situated at the "narrows" between Lake Simcoe and Lake Couchiching and across from the City of Orillia, Atherley developed as an independent recreational marine centre. With relatively recent developments in the land transportation system, and in particular with improvements to Highway #12, the socio-economic needs in the Community of Atherley are currently being satisfied almost entirely elsewhere, and the former commercial importance of Atherley has waned in favour of other development centres. The marinas, and recreational amenities remain strong influences in the immediate area of the narrows, however, developments elsewhere in Atherley are primarily village/resort residential in nature.

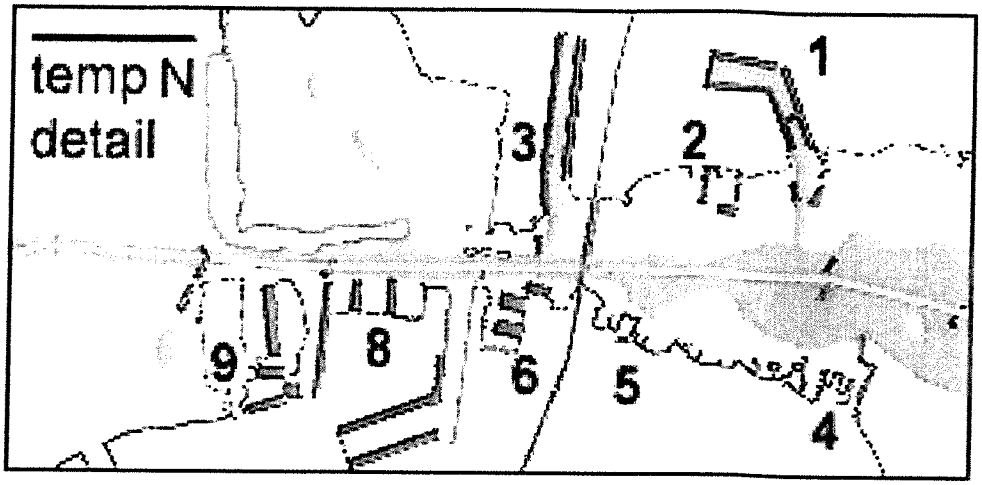
Immediate Neighbourhood – Continued

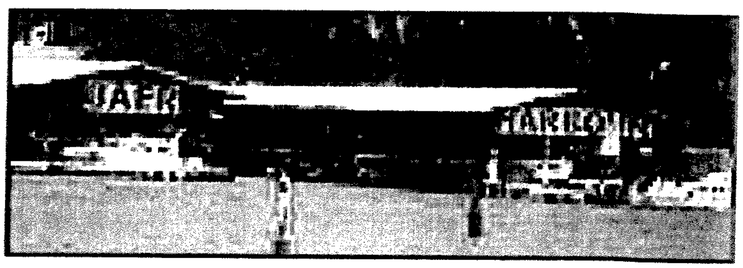
The bridge, commonly known, as the Atherley Narrows Bridge but is officially the Jake Gaudaur Bridge, has a clearance of 25 ft. In the narrows the channel is quite narrow having very shallow areas along the shore with depths of one and two feet. The channel opens to deeper water at to the NW of Atherley and the narrows.



View of the Bridge from the Subject Site

Immediate Neighbourhood – Continued





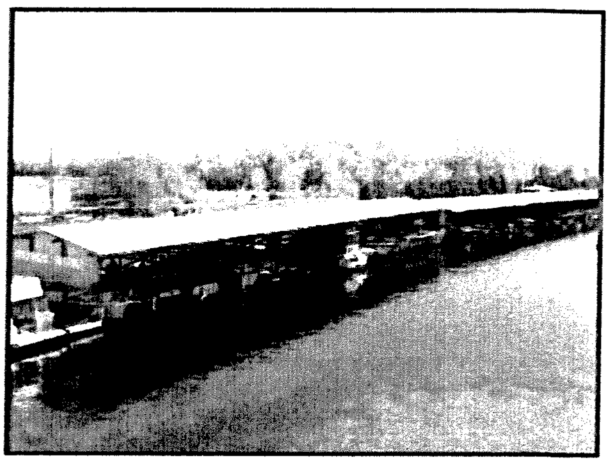
Baer Harbour Marina (Map 1)
27 Queen Street
Orillia, Ontario

You can spot the marina furthest south and on the east side of the channel. There is a red & white sign for this predominantly seasonal marina. The large covered slips surround a well-sheltered artificial bay. There is also a B & B, motel and hotel along with cottages.

Immediate Neighbourhood – Continued

Blue Beacon Marina (Map 2)
Atherley Narrows

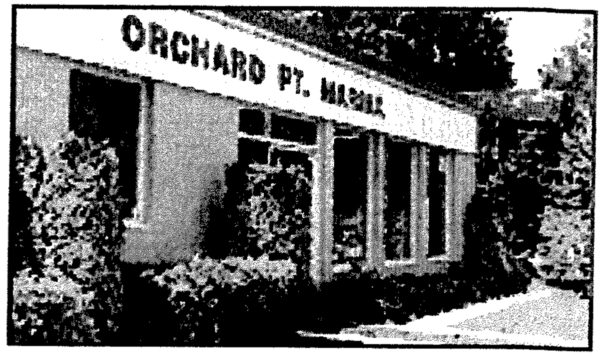
Blue Beacon has been a full-service family-owned and operated business since1965.They have 85 Docks and can be identified by the blue light house by the entrance and large blue & white signs. For those who do not own a boat Blue Beacon specialize in boat and snowmobile rentals. They have a store and sell Boats, Engines, Parts/Accessories, Trailers, Rentals: Fishing Boats, PWCs, Launching Ramp, 6-Ton Fork Lift for hauling boats.



Crothers Twin Lakes Marina Limited (Map 3)
674 Atherley Road, Box 205
Orillia, Ontario

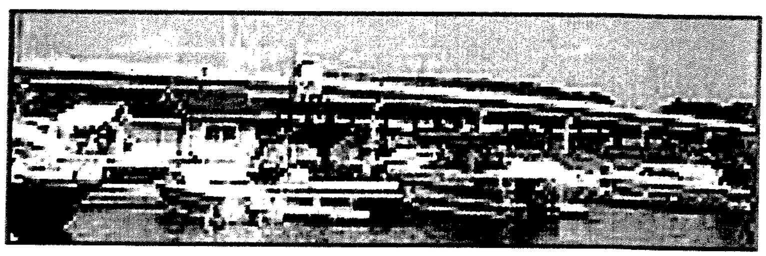
Immediately north of the bridge on the east side is Crothers Twin Lakes Marina Limited, which has a large basin with covered slips accommodating vessels up to 38'. They have 100 docks, inside storage and use a 8 Ton Fork Lift for hauling boats.

Immediate Neighbourhood – Continued



Orchard Point Marina Ltd. (Map 4)
63 Clifford Street
Orillia, Ontario

Orchard Point Marina has transient dock space for 6 to 8 boats. It is on the west shore closest to Lake Simcoe where you see yellow trimmed blue buildings easily from the channel. They have 42 docks, with a length 30' and 38 covered slips. This marina is being developed for condominium and townhouse units.



Marniers Pier Marina (Map 5)
Atherley Narrows
Atherley, Ontario

This is the Subject property that was originally a marina directly south of the bridge on the west side. It was utilized by Gord Souter as a house boat rental site complete with gas dock. It was a full-service family-owned and operated business since 1965.

Immediate Neighbourhood – Continued

Mariposa Landing Marina (Map 6)
430 Couchiching Point Road
Orillia, Ontario

Due north of the bridge on the west shore is Mariposa Landing Marina which was sold and is now operated as Crates Marina. Docking Info: 170 Boats, maximum length: 60' with 60 docks having shore power, 7' draft fuel services: pumpout repairs: boats sales rentals: 20-ton crane, showers, washrooms, laundromat

Hot Knots Landing (Map 9)
434 Couchiching Point Rd.
Orillia, Ontario

Hot Knots Landing Marina is located in the Narrows, between Lake Simcoe and Lake Couchiching. The setting here is cottage like marina complex and designed with every land-water convenience imaginable for boaters.

This is a top end facility with a pleasant atmosphere in pristine park like surroundings. They keep their facilities immaculate with a large "S" for Service. They get busy but staff do keep up with the traffic having up to eight dock attendants, with 12 hoses on duty seven days a week in season. For the time being we suggest that you check out their comprehensive web site for more details.

Immediate Neighbourhood – Continued

Leatherdale Marine (Map N/A)
699 Atherley Road
Orillia, Ontario

Leatherdale is a dry storage and repair facility with a small store located on land close behind Blue Beacon Marina.

There are no records maintained for the number of boats traveling through these narrows on an annual basis, however Lock 42, located at the north end of Lake Couchiching does maintain records of boat traffic enroute to and from Georgian Bay. It is believed that the majority of this traffic would travel to Orillia, Lake Simcoe and other Trent destinations. A high percentage of this traffic would use the Atherley Narrows. The dock at Orillia does not have fuel so those traveling through the Narrows often stop at one of the many marinas here to obtain fuel. The result is in the summer months considerable boat traffic can be seen from this vantage point

In 1999, 9,657 boats were reported to have used Lock 42, however, in 2000 the number dropped to 6,984 boaters. The drop was due to the Lock being closed for 36 days due to high water between May 19th and July 10th 2000. In 2006, 10,065 boats were reported to use Lock 42, up from 9,459 in 2004. Boat traffic in general has decreased in the Trent system as the higher cost of fuel and the change in economic prosperity throughout the 1990's has seen a significant 30% drop overall. However, the flow of local traffic between Lake Simcoe and Lake Couchiching contribute to making these narrows a very busy location throughout the boating season. The high volume of traffic in front of the Subject has some very specific influences on the Subject waterlot and associated upland. The waves created from the boats historically has created constant erosion concerns, uneven mooring for unprotected boat slips and silt build up in the area of the water lot. The congestion is a further concern in this neighbourhood as most traffic is concerned with proceeding through the narrows and getting into clear waterway from the boat traffic.

The upland property along the narrows is increasingly becoming attractive for condominium development and for higher density of development due to the high traffic volume and neighbourhood appeal. Residential condominiums have been introduced to the Orillia waterfront over the past ten years. Initially in the early 1990's demand was down, however, since 2001 there has been renewed interest in luxury condominiums.

Immediate Neighbourhood – Continued

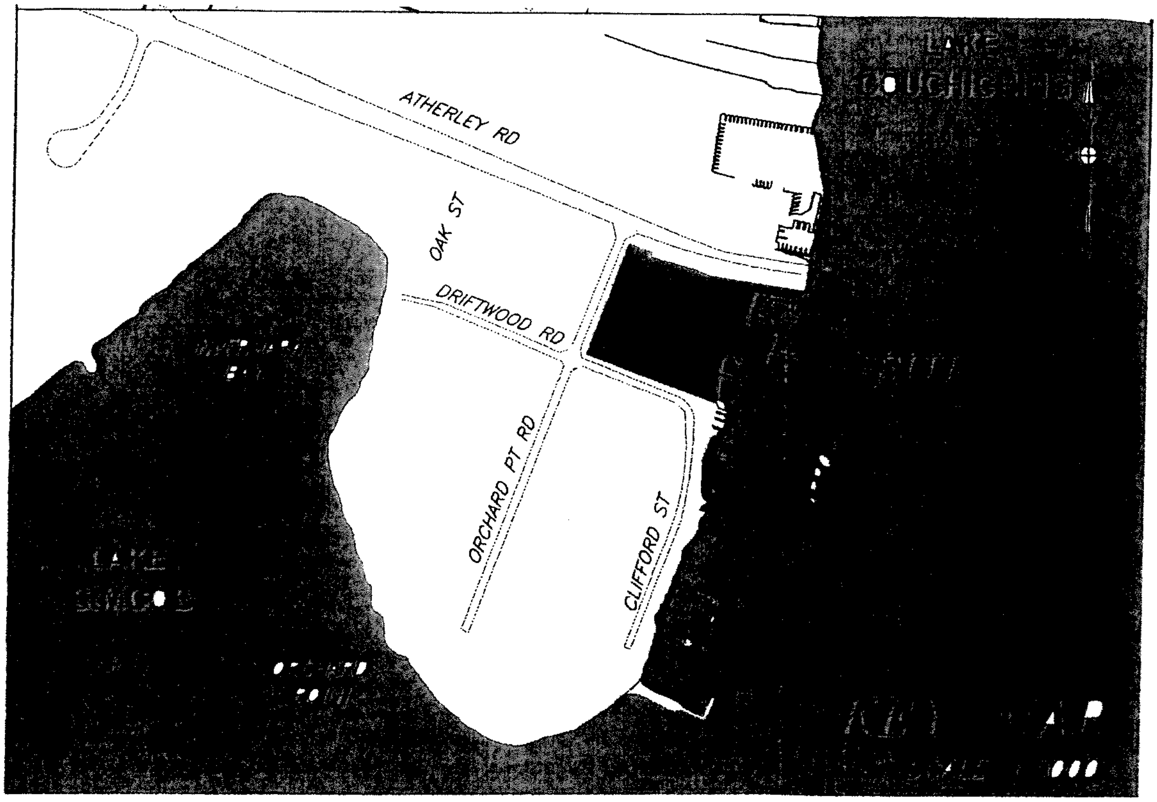
The successful development of gambling facilities "Casino Rama" located immediately to the north of Atherley has significantly increased tourist traffic throughout the entire region. Situated on the northeastern shore of Lake Simcoe, Atherley represents the gateway into Casino Rama for traffic from the east and the west. Vehicular traffic is focused directly on Atherley, with no alternative option. The Ministry of Transportation has constructed a more elaborate intersection at the junction of Creighton Street, Highway #12 and Rama Road leading to a widened roadway and bridge over the Narrows to facilitate traffic turning north to Casino Rama.

The 300-suite hotel complex at the Casino has effectively alleviated a room shortage in the area. Hotels and operators have experienced a drop in occupancy of more than 20% since the opening.

Conclusion

The City of Orillia is strategically situated to capitalize on its established role as a destination tourist site. The demographic and social-economic data presented reflects a modest rate of growth for the population of Orillia to 40,000 by 2012 compared with other urban centres in the Simcoe Region with a concentration of employment in the public sector (45%). To remain viable the City will have to increase its industrial base as currently taxes within the City have escalated to a point where commercial properties have found difficulty in remaining economically viable. There has, in the past five years, been an increase in commercial development, which is encouraging and there is also increased interest in condominium housing. The marinas in the Atherley area are showing signs of decline and to this extent have not maintained the client base of the 1980's. Casino Rama, however, should have a greater impact upon this area in the future as it expands to meet a growing demand for entertainment and accommodation. Development along the water's edge will continue to be attractive with industrial and marine operations being removed in favour of lifestyle residential development. We have concluded that the Subject has a prime location with great exposure to attract interest in the proposed development. The docking advantage is important to the overall value and should be an integral part of the package.

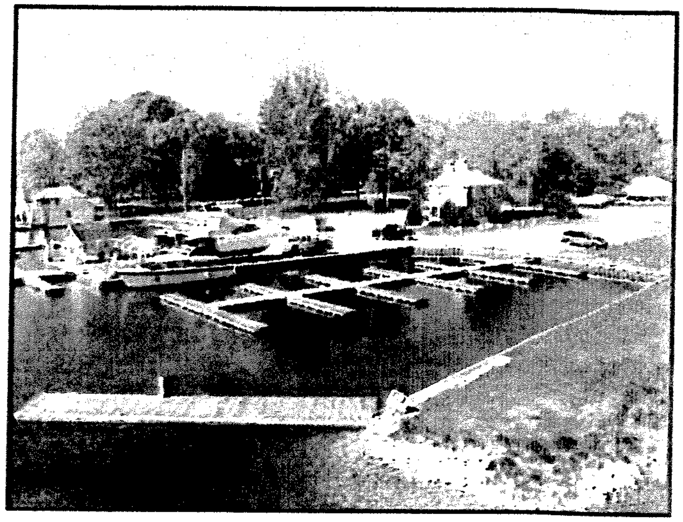
Site Description



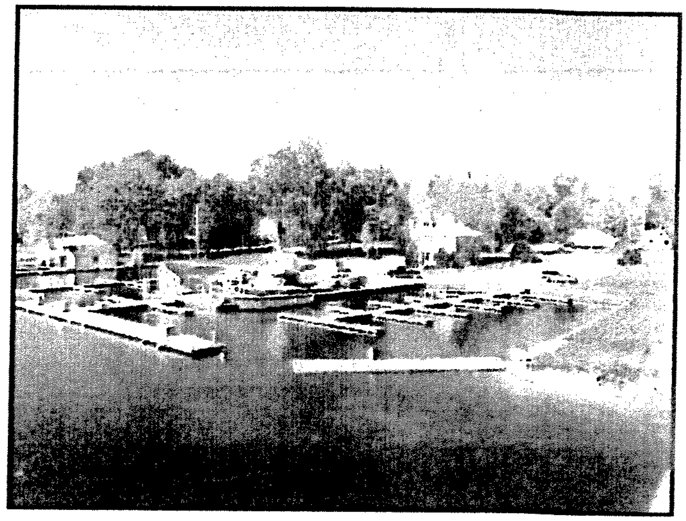
The upland consists of 4.2 acres as per existing sea walls. The waterlot includes part of the bed of the narrows between Lake Simcoe and Lake Couchiching in front of Part of Lots 1,2,3,4 and 68 South Side of Victoria Street and Lots 62 and 67 North Side of Creighton Street, registered Plan 292, City of Orillia. The total area of this development site is identified as being 4.2 acres. Full services are available to this site however draft plan approval has not been granted at the time of preparing this report. The 92 slips to be created would be theoretically on leased land from the Ministry of the Environment.

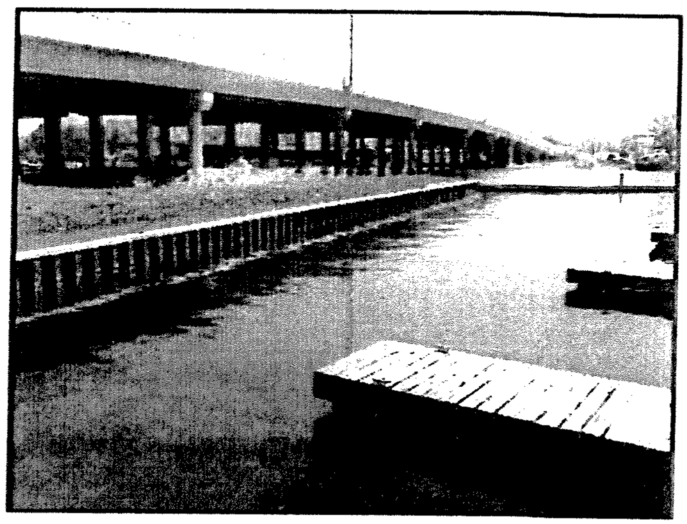
Site Description - Continued

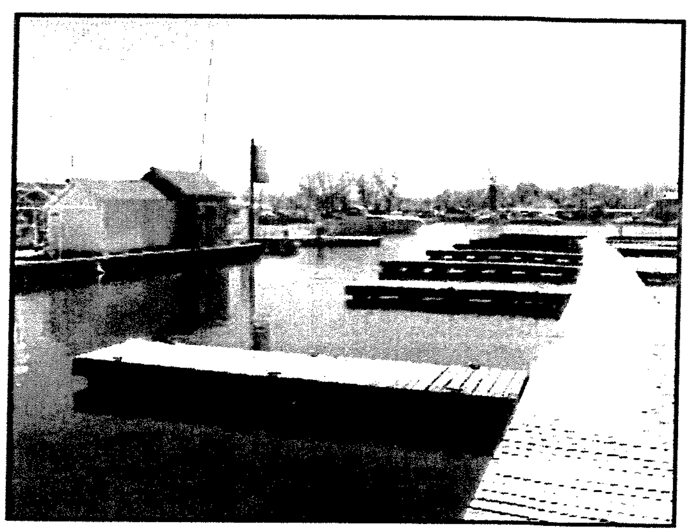
The property is still improved with three abandoned houses and affords docking as indicated in the following photographs;



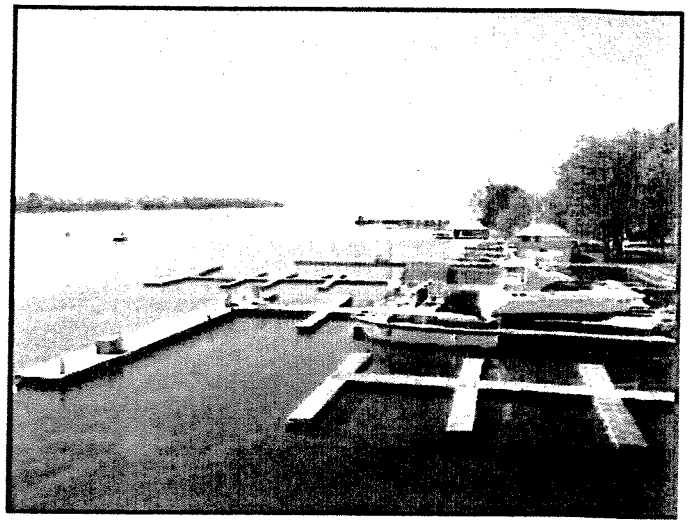
Site Description - Continued

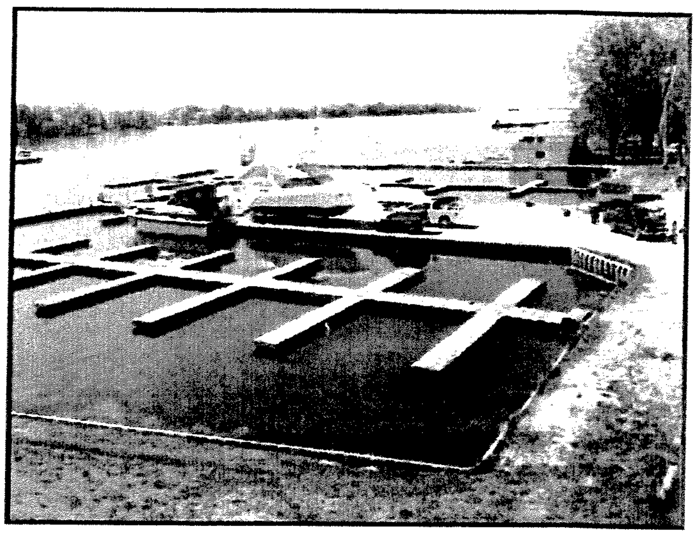


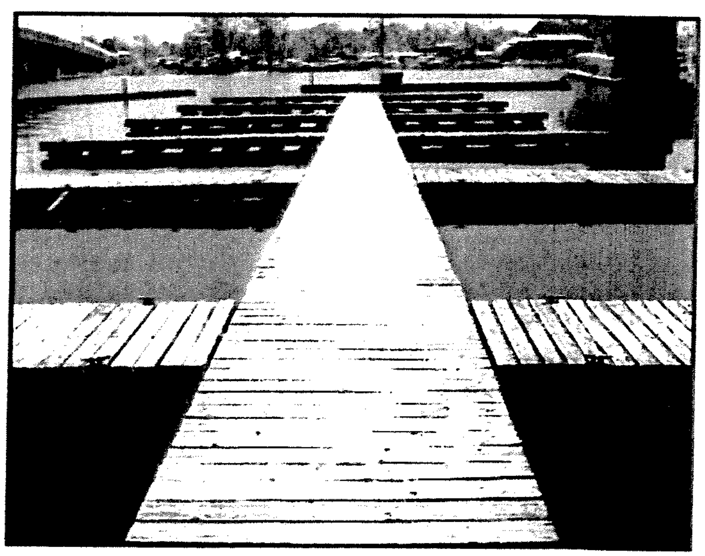




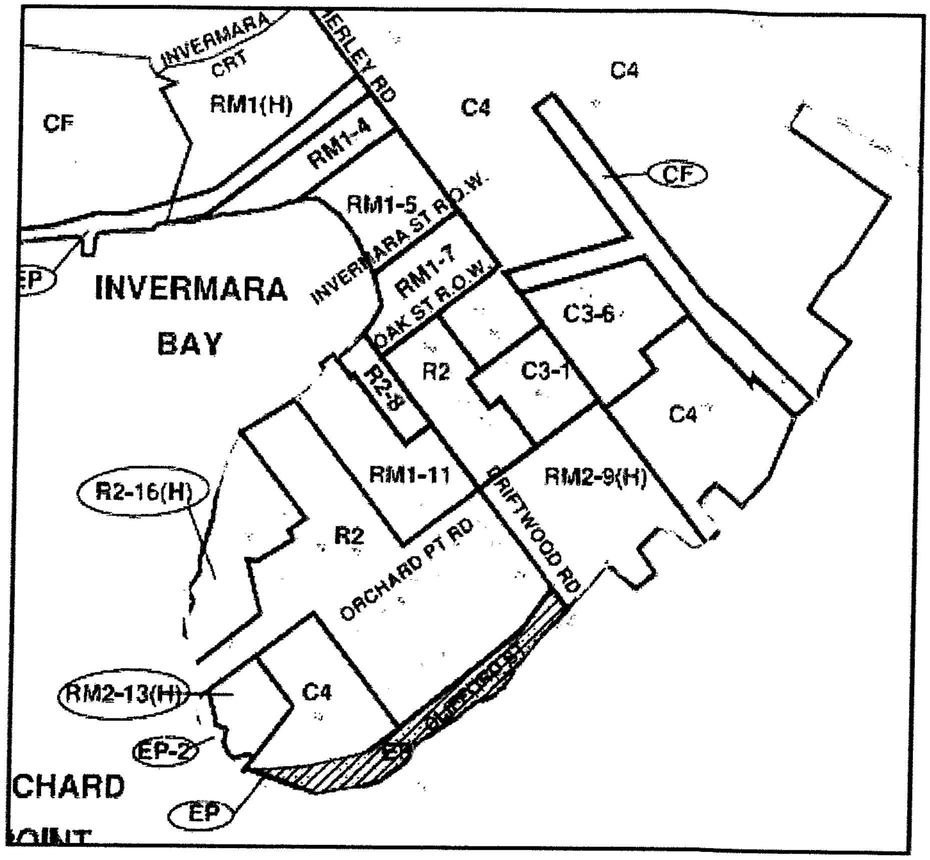
Site Description – Continued







Zoning



According to Zoning By-Law, as amended, for the City of Orillia, the Subject site is now zoned as RM2-9, which will permit one apartment building to be constructed with a combined total of 106 dwelling units. A discussion with Joe Calenda, Senior Planner for the City says a minor variance will be required to permit the proposed single structure presented as the structure to be built, however, 106 condo units would be permitted. The development of waterfront slips on leased land could be considered under a condominium plan, however, zoning is not in place to permit this use.

Zoning - Continued

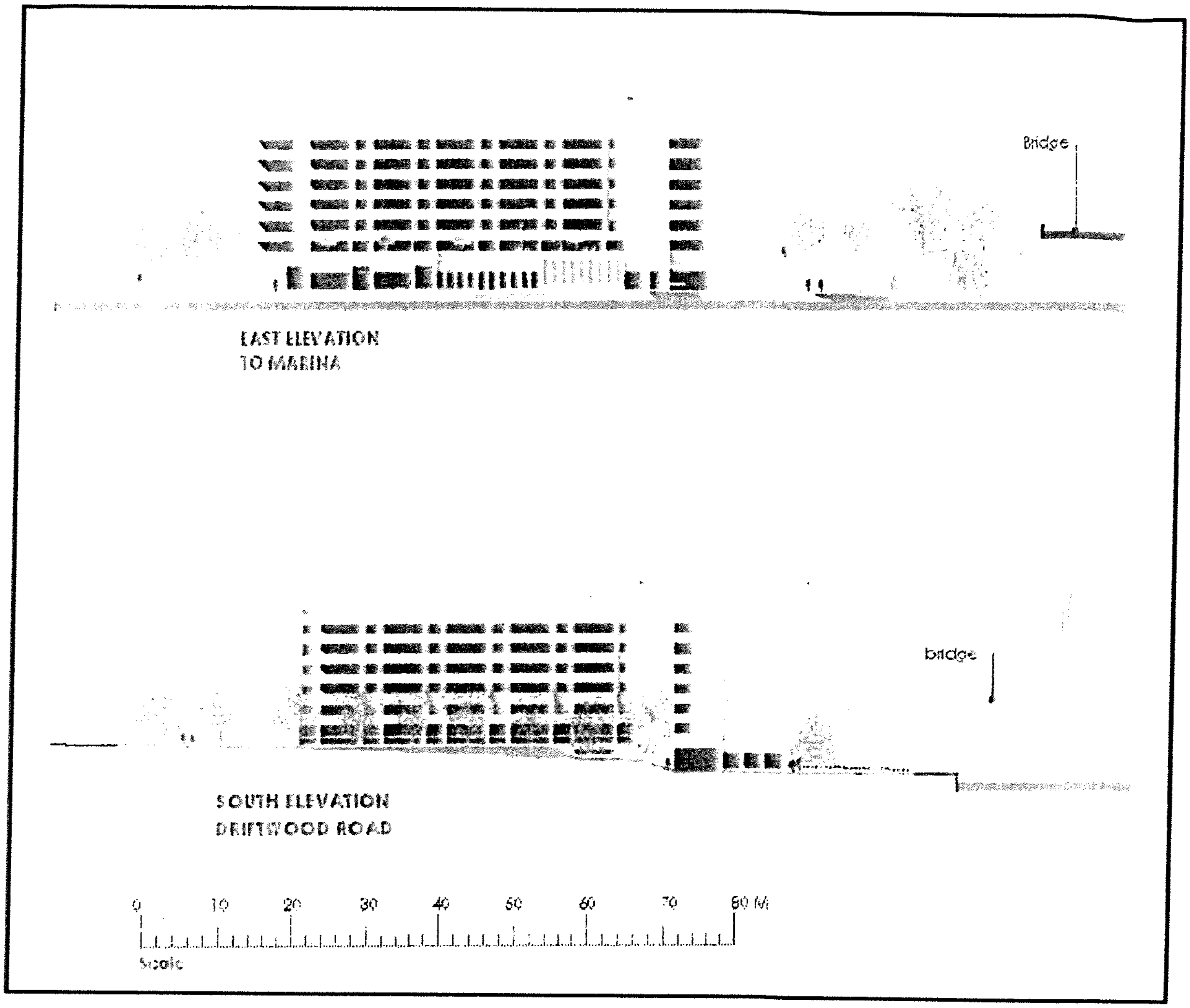
14.3.9	**SECOND DENSITY MULTIPLE RESIDENTIAL EXCEPTION NINE (RM2-9) ZONE**
14.3.9.1	Notwithstanding Sections 14.1.1 and 14.2.1, lands zoned "RM2-9" may only be used for three Apartment Dwellings containing a combined total of 106 dwelling units subject to the following exceptions:

(a)	West side setback (front yard) (min.)	7.5 m
(b)	East side water setback (rear yard) (min.)	22.5 m
(c)	North side setback (side yard) (min.)	10.0 m
(d)	South side setback (side yard) (min.)	7.5 m
(e)	Building Height (max.)	28.5 m
(f)	Lot Coverage (max.)	20%
(g)	The underground parking structure shall be set back 7.0 m from Orchard Point Road, 7.0 m from Driftwood Road, 20.0 m from the shoreline of the Atherley Narrows, and 0.5 m from Atherley Road.	

3.8	**HOLDING SYMBOL (H)**
3.8.1	Unless otherwise specified within the applicable zone provisions, where the zone symbol shown on a Schedule to this By-law is followed by the holding symbol "(H)", the use of lands, buildings and structures so zoned shall be limited to existing uses, a permitted temporary use and conservation or forestry uses exclusive of buildings or structures. At such time as the holding symbol is removed by amendment to this By-law, the land may be used in accordance with the applicable zone provisions.

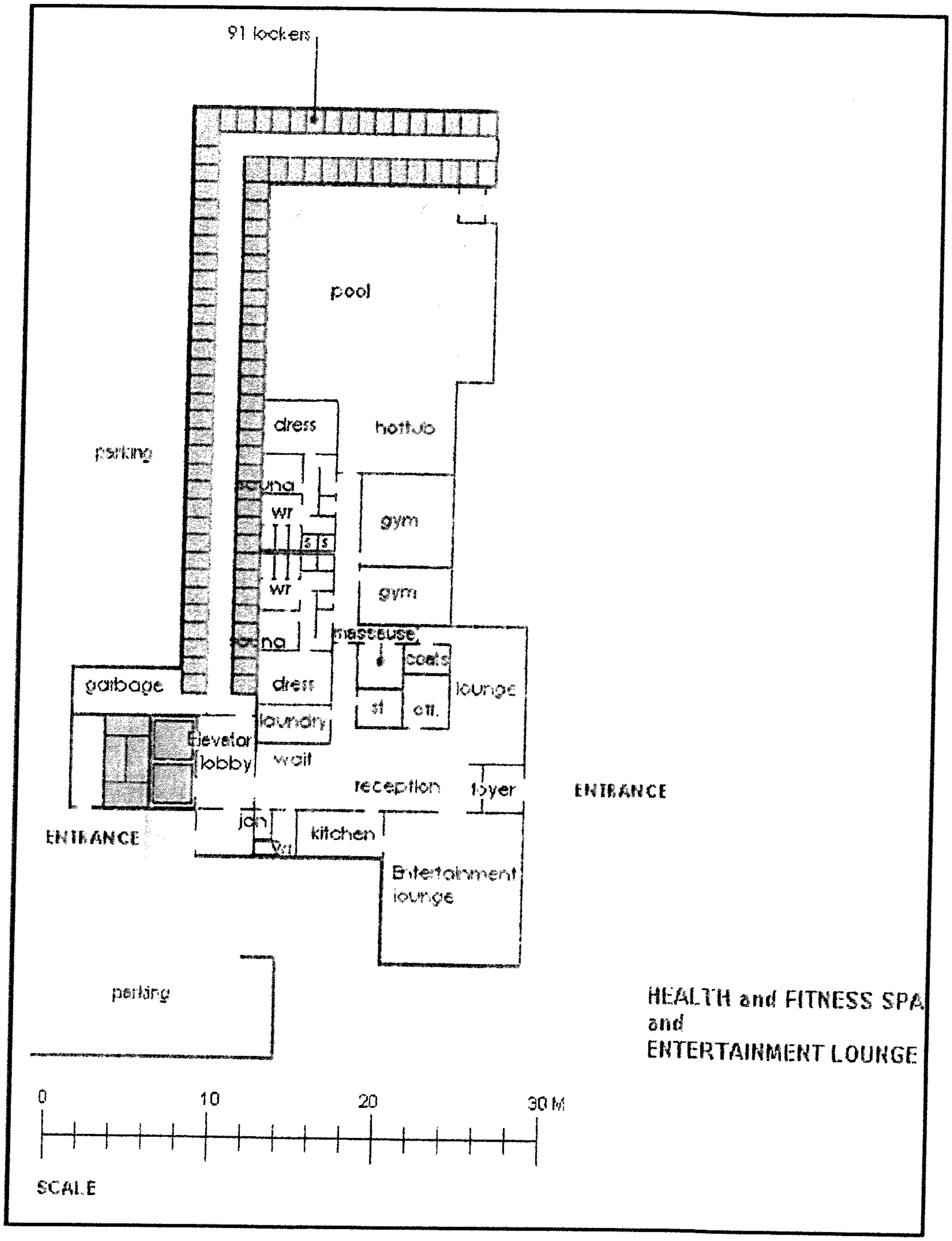
Description of Improvements

Exterior



Description of Improvements – Continued

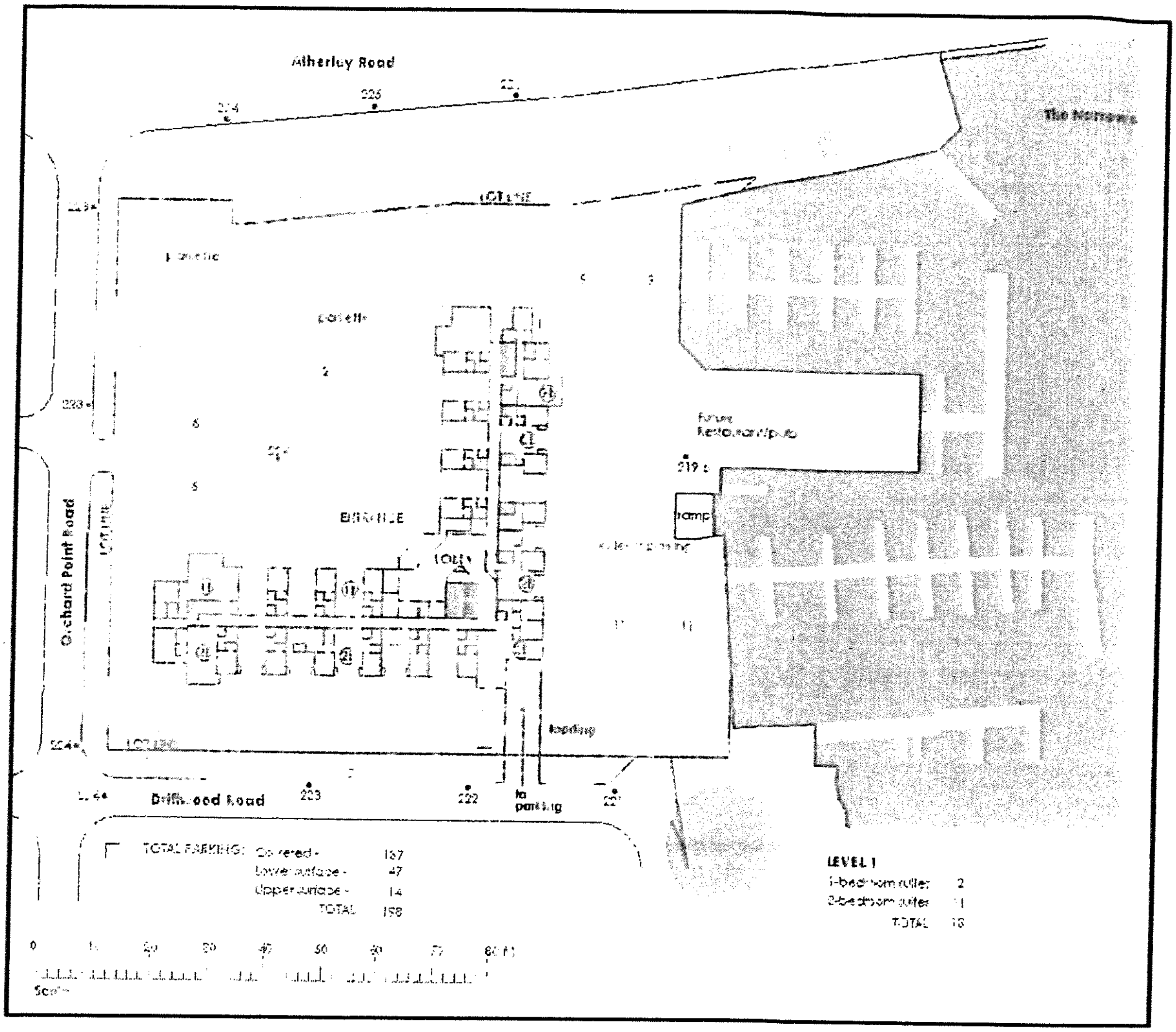
Lower Level



As shown above, the lower level will include the recreational facilities and storage lockers for the residents.

Description of Improvements – Continued

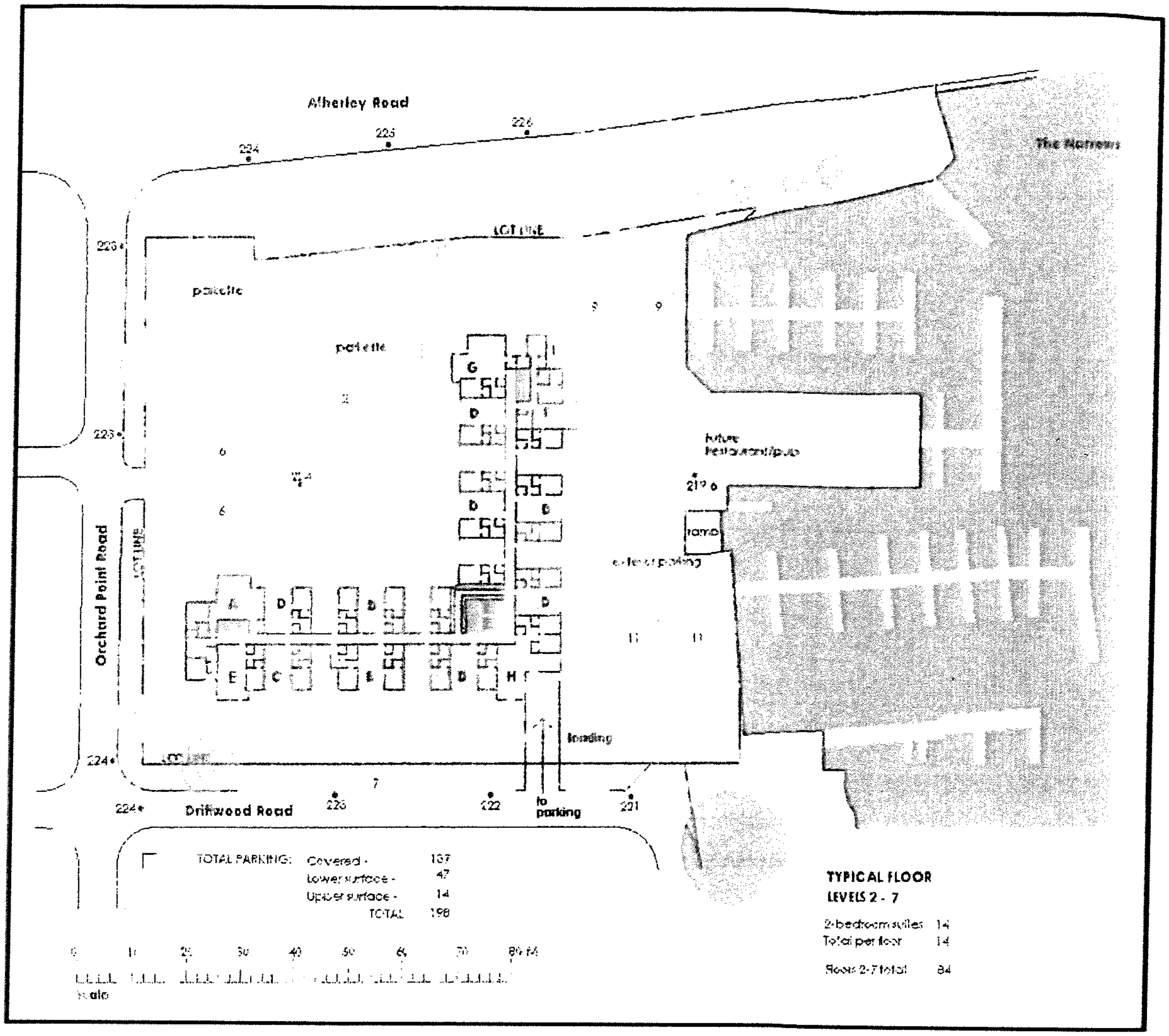
Main Floor Lobby



The main floor offers the only one bedroom suites in the building with only two available. The remaining suites on this floor all have two bedrooms.

Description of Improvements – Continued

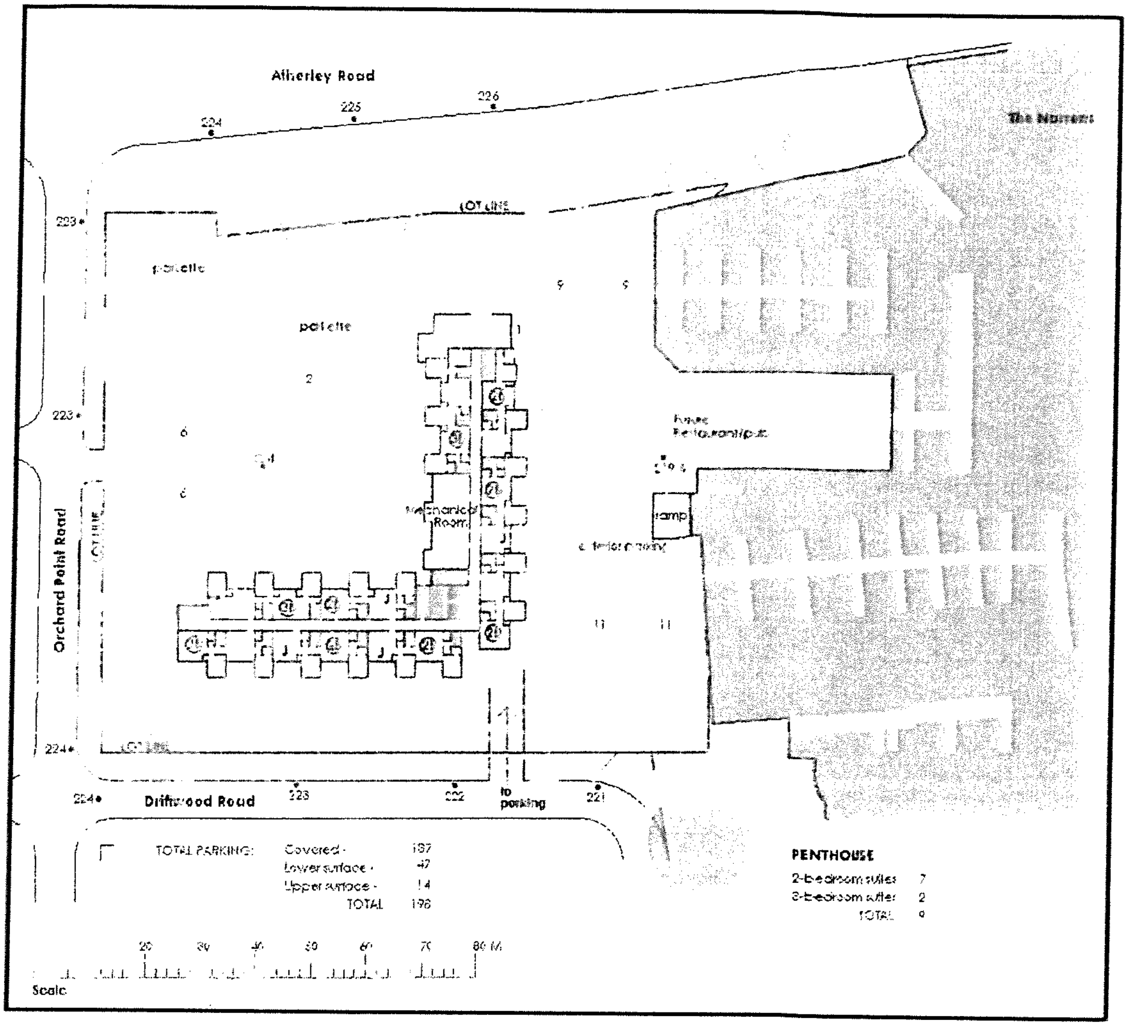
Second to Seventh Floor



Only two bedroom suites with balconies are offered on Floors Two to Seven. Various floor plans are offered with four styles of layouts for the two bedroom apartment and five different models for the two bedroom with a den.

Description of Improvements – Continued

Penthouse Floor



Seven two-bedrooms suites are offered on the penthouse floor as well as two three-bedrooms units both with different floor plans.

Upon completion, the Subject condominium will offer a total of 106 units with access to a private storage locker and the use of the private indoor pool, hot tub, sauna and entertainment lounge.

Included with the condominium complex are 92 boat slips that can be purchased with a condominium unit.

Highest and Best Use

The concept of Highest and Best Use recognizes land patterns can change over a period of time and the optimum use of a site is determined by need or demand at any given time. The basic concept of value is based on probable future cash flows. Thus, any probable activities in the foreseeable future, which may affect the Subject's value, must be considered in the determination of the highest and best use. However, for an alternative use to be considered as a higher and better use than the existing use, that use must not only be probable and in the foreseeable future, but must be strong enough to affect the present market value of the Subject. This proposed land use for 106 dwelling units as provided on the above site plan, was approved by Planning and appears to offer a use that will provide the highest and best use of the site. A component in the development includes 92 boat slips, which will be offered to the condominium owners under separate title. With access from Driftwood Road and from Orchard Point Road, the development appears to be well sited to the environment. We have concluded that the development as indicated would provide the highest and best use of the site.

The property was formerly operated as a marina with two residential dwellings on site. The information available suggests the marina was not a viable land use and had not been for several years. The land use in the immediate neighbourhood consisted of mostly marina use with some cottage properties. Development in the neighbourhood included proposals as follows:

King Street & Cedar Island Rd.	- 306 apts and 230 townhomes
354 Atherley Rd. Panoramic Point	- 96 condo Units
19 Orchard Point	- 24 Townhomes
80 Orchard Point	- 20 unit condominium
141 Atherley Rd.	- 37 unit condominium
Subject	- 106 unit condominium

In the later part of the 1980's Orillia saw several sites acquired for development that did not materialize. The demand for privately owned apartment sites fell dramatically due to the over-supply created by the non-profit housing starts. One such site on Gill Road in the City with an approved 88-unit apartment building was offered for sale November 27, 1997 in the amount of $295,000.00. The receiver subsequently sold it on November 17, 1999 for $225,000.00 or at $4,891.00 per unit. The purchaser subsequently built a condominium. It appears that since 2000 there has been renewed interest in condominium development and the Subject will be one of several proposed for sale in the Orillia market over the next five years.

It is concluded that the highest and best use of the property is as planned with 106 residential condominium units and 92 boat slips.

Development Synopsis

This high vehicular traffic area associated with tourist activity plus major congestion related to the gaming casino east of the "Narrows" bridge is in a rapid transition phase leading to more intense forms of tourist and commercial/retail facilities. Marinas and other lakefront recreational and tourist applications, all of which are compounded by other traffic on this road (Highway #12 Trans Canada Highway), dominate the area. In conclusion, the economic viability of sites in this sector is uncertain, with the major question being the timing and character of development.

The second major area of development is represented in Sector #2 to the northwest of the central core area. High-density development in this area is currently on "developer hold". This area tending from average to above average in appeal is dominated currently with single-family residential developments. The major developer concerned with these sites is also the largest builder and developer in the region. This area reflecting positive residential development trends caters to the entry level housing market and the younger and growing family. This sector is superior to the Subject in terms of the overall level of appeal and complimentary residential developments and supporting institutional and retail shopping facilities.

Located in the commercial core of the City is a warehouse/loft conversion representing a potential of 66 loft apartments. This development is proceeding cautiously and is at the interior demolition phase of construction. Marketing efforts are not active for this development and a development agreement has not been signed with the City. This site is similar in terms of the Subject's location.

There is obvious potential associated with the City and the Subject property due to the recreational amenities available. Retirement in a condominium appears to be a growing trend with many new proposals creating competition for quality units. The inclusion of boat slips will offer a desirable amenity, however, due to competition price will remain a definite factor in the marketing of 106 units.

PART IV

VALUATION ANALYSIS

VALUATION ANALYSIS

Land Valuation

Land Valuation Methods

Land is valued as if vacant and available for use. In estimating the value, four basic methods are available, namely: The Direct Comparison Approach, The Abstraction Method, The Development Method, and the Land Residual Method.

Land valued by the *Abstraction Method* includes application of ratios between land and improvements. The principle of contribution maintains both land and improvements contribute to the value of the property. Subtracting the building value from the sale price of the property concludes a value. The accuracy of this method declines as the improvements depreciate.

The Land Development Method is mainly utilized for undeveloped urban parcels. A hypothetical subdivision is projected, and related development costs are deducted from estimated gross sales, leaving a balance, indicating value of the property to the owner. Profits for development are then deducted and the resulting figure is discounted to reflect any time lag in the marketing of the lots. The resultant figure is that price which the developer would pay for the land. This approach has been used to its best advantage in this appraisal.

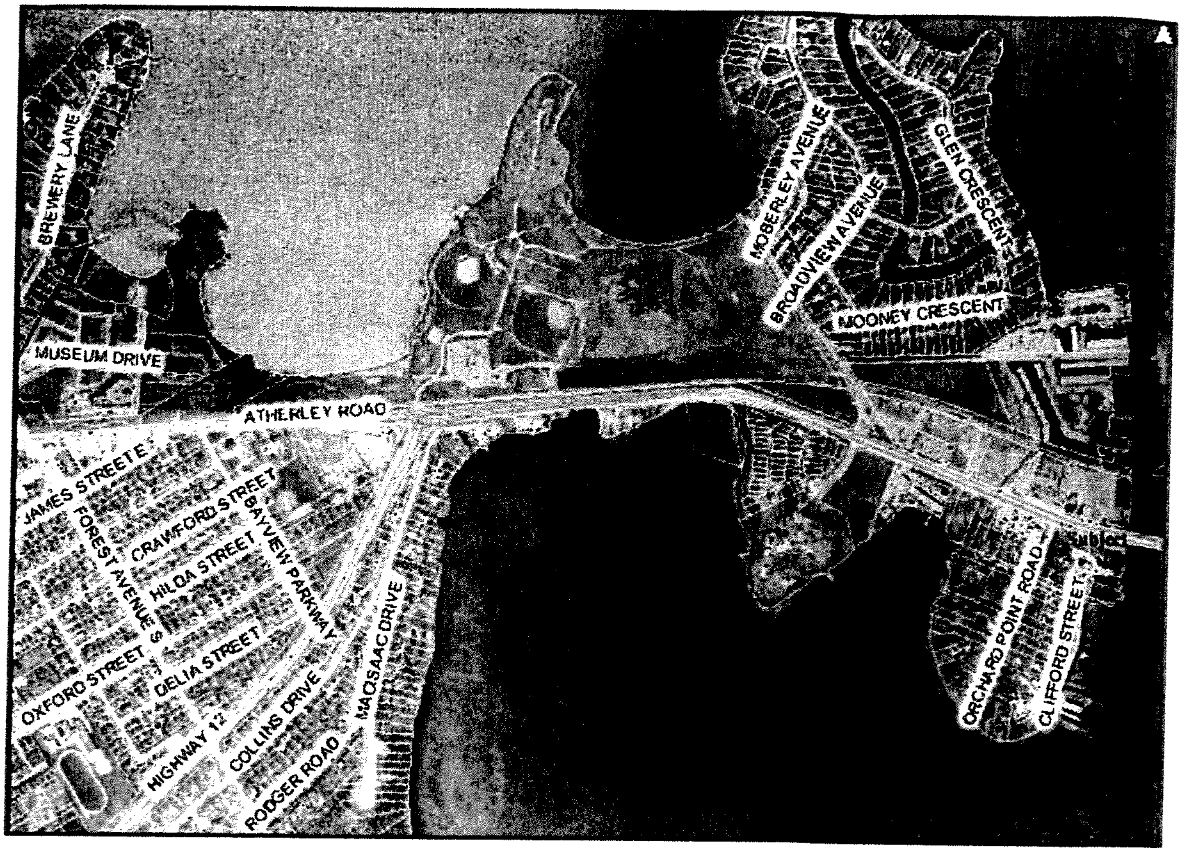
The Land Residual Method is based on the productivity of the site under its highest and best use. This method applies concurrently with the principle of surplus productivity, which says that land has the last claim on income and labour co-ordination but capital must be paid first.

The Direct Comparison Approach provides a basis for value through a process of adjustments for differences between comparable sales and the Subject property. In this method, similar land recently sold or offered for sale is analyzed and comparisons are made for variations in such factors as time, location, size, motivation, corner influence, zoning, and prospective use. This is the most commonly used approach to value as it reflects typical buyer and seller reactions.

From the four basic methods of evaluating a site the Direct Comparison Approach and the Development approach to value have been selected as the best methods of valuation for the Subject land.

Estimate of Land Value – Continued

Sale One



Address	354 Atherley Road, Orillia
Vendor	Brewery Bay Inc.
Purchaser	Springhill Development Inc
Sale price	$1,400,000.00
Date of sale	September 3, 2003
Lot size	4.43 acres
MLS / Instrument #	SC148075

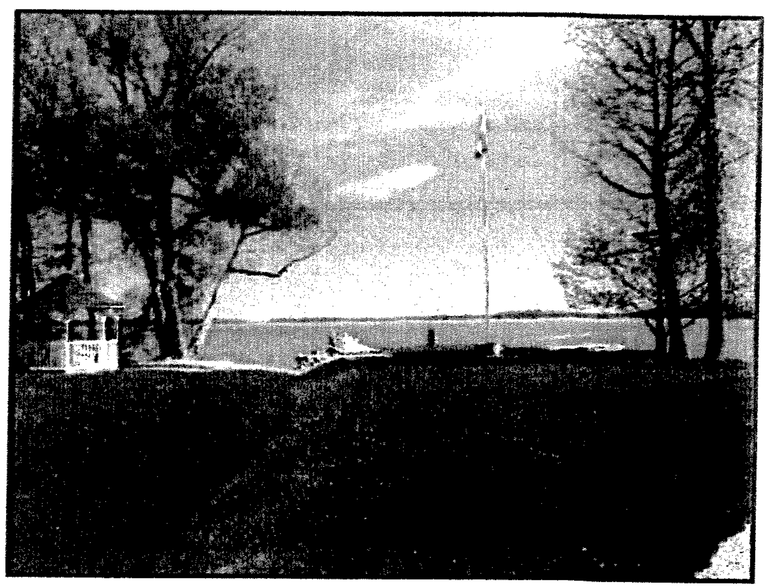
Comments:

This property was offered for sale in 2000 with a plan to develop a large condominium project similar to that proposed with the Subject. The location is closer to the downtown area and the abandoned railway line was converted as a walking path. The development is now known as Panoramic Point. The featured lobby and common elements include a lounge complete with fireplace, fully equipped kitchen, indoor swimming pool, whirlpool, sauna and exercise room. Private underground parking is available for each suite. A maximum of 98 condominium suites are to be constructed.

Estimate of Land Value – Continued

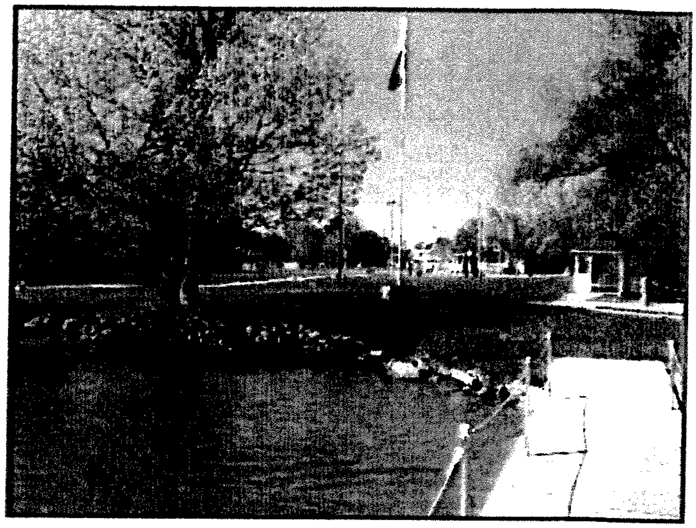
Sale One - Continued

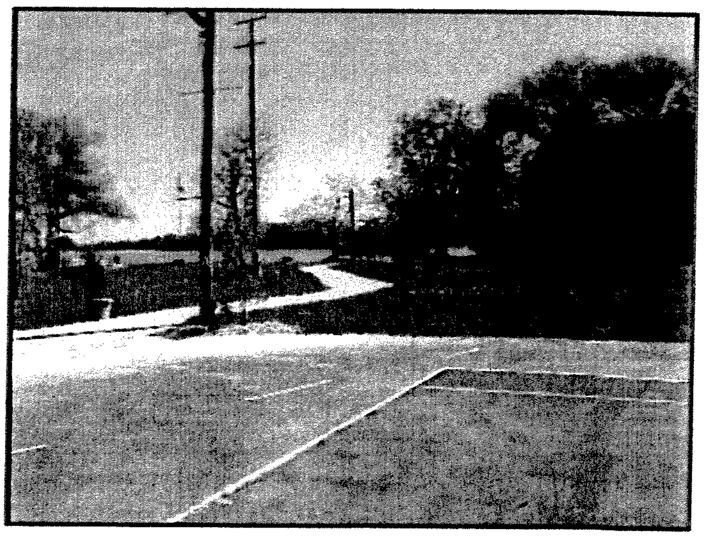
Each unit will have six appliances with the one bedroom at 744 sq. ft. being the least expensive at $199,900.00 and the two bedroom with den being 1,041 sq. ft. at $320,900.00. The most expensive unit is the penthouse listed as 1,734 sq. ft. for $584,900.00. Construction is to begin in 2007 with presales identified to be almost 40%, however, verification could not be made. This development is similar to the Subject in land area and location. As a dated sale it would require a time adjustment of 20% but is also inferior with regard to the opportunity for the inclusion of a boat slip. We have reviewed other developments that include boat slips and it appears that a value for this asset is in the range of $20,000.00 to $25,000.00 per slip. Including the 92 boat slips associated with the Subject at a modest $20,000.00 each would increase the end value by an estimated $1,840,000.00. Although most of these slips are currently in place some repair and maintenance would be expected as well as the inclusion of shore power and water. To accommodate these costs we have applied $10,000.00 per slip leaving a current value in place of $920,000.00. Therefore in comparison the Subject would be valued at $1,680,000.00 for the development land and $920,000.00 for the boat lips, indicating a value of $2,600,000.00.

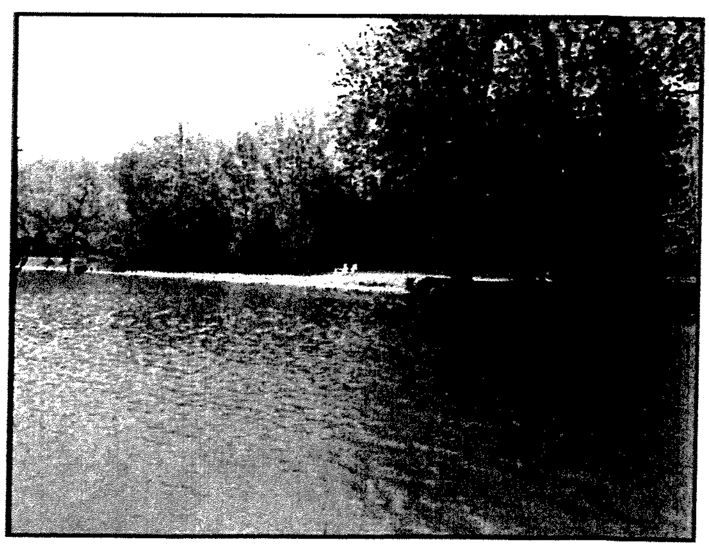


Estimate of Land Value – Continued

Sale One – Continued







Estimate of Land Value - Continued

Sale Two

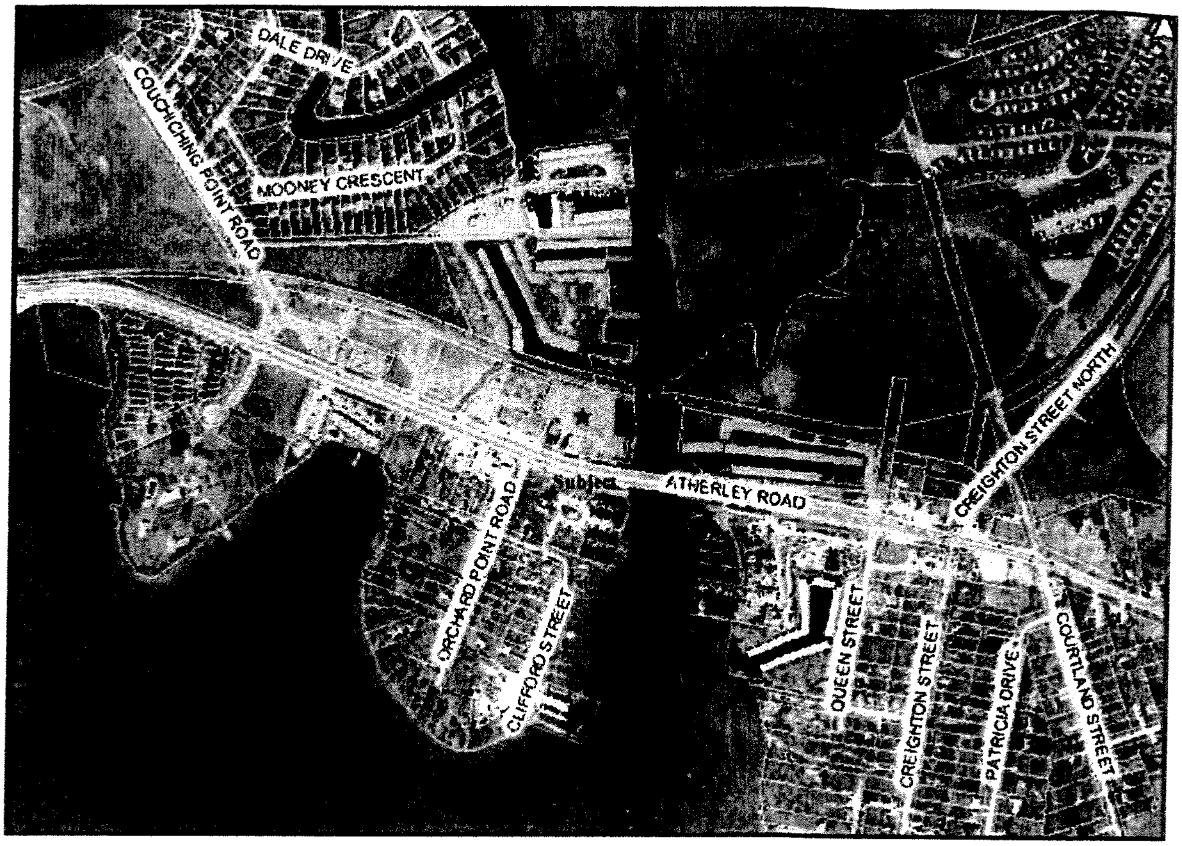
Address	19 Orchard Point Road, Orillia
Vendor	7288 Ontario Inc.
Purchaser	2085082 Ontario Inc.
Sale price	$1,200,000.00
Date of sale	October 31, 2005
Lot size	2.12 acres
MLS / Instrument #	SC382288

Comments:

This site is close to the Subject and was approved for 24 townhomes. They were advertised for sale in October 2006 and report five sales to date. With 1,685 sq. ft. units offered at $350,900.00 each. The site is not as desirable as the Subject, lacks dockage. However at $566,000.00 per acre the Subject would be valued at $2,377,000.00 plus $920,000.00 for the marina slips or in the amount of $3,297,000.00.

Estimate of Land Value – Continued

Sale Three



Address	674 Atherley Road, Orillia
Vendor	Crothers Twin Lake Marina
Purchaser	Crate's Lake Country Boats Inc.
Sale price	$635,000.00.
Date of sale	September 25, 2006
Lot size	3.26 acres
MLS / Instrument #	SC482287

Comments:

This is an interesting sale as it lies directly across Highway #12 on the same side as the Subject. It is basically a marina and was not proposed for development. It indicated a value for the slips at $10,000.00 each, which, would suggest the Subject to have a similar value for the dockage only at $920,000.00.

Estimate of Land Value - Continued

Sale Four

Address	697 Atherley Road, Orillia
Vendor	By the Lakes Development Inc. Inc.
Purchaser	Orillia Investments Ltd.
Sale price	$2,970,000.00
Date of sale	August 31, 2006
Lot size	4.2 acres plus 92 boat slips
MLS / Instrument #	SC474132

Comments:

This is the sale of the Subject property to the current owners. It offers a direct comparison and has been viewed as being a strong indication to current value.

Conclusion

Location	Acres	Sale Date	Sale Price	Comparison
354 Atherley	4.43	09/03	$1,400,000.00	$2,600,000.00
19 Orchard Pt.	2.12	10/05	$1,200,000.00	$3,297,000.00
674 Atherley	3.26	09/06	$ 635,000.00	$ 920,000.00
697 Atherley	4.20	08/06	$2,970,000.00	$2,970,000.00

The sales show support for the purchase price and assist in breaking down the current value between development land and the marina land with the following division.

Development land	- $2,050,000.00
Marina	- $ 920,000.00
Total value "as is"	**- $2,970,000.00**
Rounded to	**$3,000,000.00**

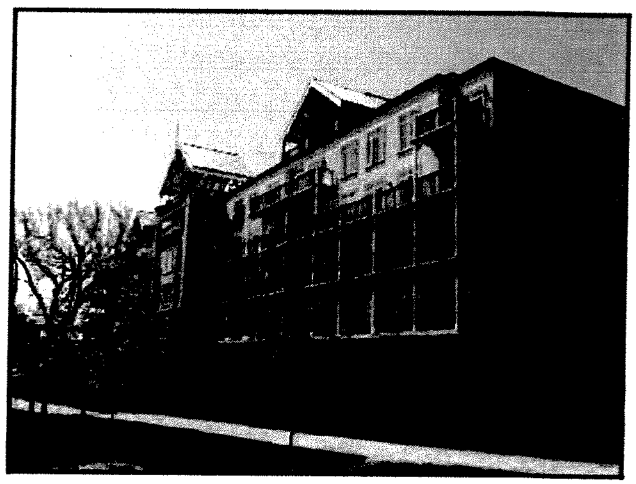
The Development Approach to Value

Development Potential

The current owners have a development plan in place that will see two and three bedroom suites created in a multi-storey building. Schedule A in the addenda of this report identifies the developer's projected costs and profits. As part of our appraisal assignment, we have researched the current market for units in Simcoe County and made some projections based upon the findings from our investigation.

Gross Sales Estimate

Currently a property located at 140 Cedar Island Road on Lake Couchiching has been constructed and offered for sale. Access is inferior to the Subject, however, it is located closer to the downtown core of the City. A large waterfront park is available in close proximity, however, a skateboard park is located adjacent to this development.



Gross Sales Estimate - Continued

Currently the property has several units still available along with boat lips at $20,000.00 to $25,000.00 each. Additional parking spaces are also available outside at $15,000.00 each. These units are identified as follows;

Unit	Size	Rooms	Baths	Boat slip	Parking	List Price	$ per sq. ft
202	918 sq. ft	4	1	Yes	1	$279,000	$303.92
312	1090 sq. ft	5	2	No	1	$289,900	$265.96
314	1652 sq. ft	6	2.1	Yes	1	$379,900	$229.96
105	1650 sq. ft	6	2	Yes	1	$359,900	$218.12
208	1587 sq. ft	5	2	No	3	$369,000	$232.51
301	1602 sq. ft	5	2	No	2	$375,000	$234.08
409	1882 sq. ft	6	3	Yes	1	$479,900	$255.00
408	1710 sq. ft	5	2	Yes	1	$494,500	$289.18
102	2001 sq. ft	5	3	Yes	1	$579,000	$289.36

This development has been marketed over the past seven years with 54 units in total. Aggressive marketing over this period has not completely sold out all units as five still remain and are priced under $300.00 per sq. ft. all of which include the boat slip as an incentive.

Another development similar to the Subject is being created in Midland. It includes 92 units in the first of two towers with 32% of the units sold in the first six months according to the agent. The square footage of the units vary greatly from 882 sq. ft. to a large 2,348 sq. ft. penthouse. Prices are from $230.00 per sq. ft. to as high as $325.00 per sq. ft. and includes one parking space a Recreation Centre, indoor pool, hot tub, sauna, steam room and exercise room. There is an outdoor tennis court, pool and boat slip available for $23,000.00 while parking stalls were identified at $15,000.00.

The projected sale price of $300.00 to $310.00 per sq. ft. of space places the Subject in the upper end of the range for units in competition. We have considered the development to be well designed and located with potential to rival competitive units such as Panoramic Point where one and two bedroom units are planned for under $300.00 per sq. ft. and only the penthouse at 1,734 sq. ft. is identified at $332.00 per sq. ft. The following breakdown is envisioned for the Subject.

Gross Sales Estimate - Continued

Level	Type	Area	# of Units	Price/sq. ft	Cost	Sale Price	Total Sales
1	B	1124 sq. ft	1	$260.00	$292,240	$309,774	
	C	1101 sq. ft	1	$260.00	$286,260	$303,435	
	D	1483 sq. ft	5	$270.00	$400,410	$2,122,173	
	H	1393 sq. ft	1	$270.00	$376,110	$398,676	
	M	1282 sq. ft	1	$260.00	$333,320	$353,319	
	N	1277 sq. ft	1	$260.00	$332,020	$351,941	
	P	1330 sq. ft	1	$270.00	$359,100	$380,646	
	Q	1470 sq. ft	1	$270.00	$396,900	$420,714	
	R	742 sq. ft	1	$270.00	$200,340	$212,360	
Total			13				$4,853,038
2	A	1455 sq. ft	1	$280.00	$407,400	$431,844	
	B	1124 sq. ft	1	$270.00	$303,480	$321,688	
	C	1101 sq. ft	1	$270.00	$297,270	$315,106	
	D	1483 sq. ft	7	$280.00	$415,240	$3,081,080	
	E	1187 sq. ft	1	$270.00	$320,490	$339,719	
	F	1200 sq. ft	1	$270.00	$324,000	$343,440	
	G	1470 sq. ft	1	$280.00	$411,600	$436,296	
	H	1393 sq. ft	1	$270.00	$376,110	$398,676	
Total			14				$5,667,849
3	A	1455 sq. ft	1	$280.00	$407,400	$431,844	
	B	1124 sq. ft	1	$280.00	$314,720	$333,603	
	C	1101 sq. ft	1	$280.00	$308,280	$326,776	
	D	1483 sq. ft	7	$280.00	$415,240	$3,081,080	
	E	1187 sq. ft	1	$280.00	$332,360	$352,301	
	F	1200 sq. ft	1	$280.00	$336,000	$356,160	
	G	1470 sq. ft	1	$280.00	$411,600	$436,296	
	H	1393 sq. ft	1	$280.00	$390,040	$413,442	
Total			14				$5,731,502
4	A	1455 sq. ft	1	$290.00	$421,950	$447,267	
	B	1124 sq. ft	1	$290.00	$325,960	$345,517	
	C	1101 sq. ft	1	$290.00	$319,290	$338,447	
	D	1483 sq. ft	7	$290.00	$430,070	$3,191,119	
	E	1187 sq. ft	1	$290.00	$344,230	$364,883	
	F	1200 sq. ft	1	$290.00	$348,000	$368,880	
	G	1470 sq. ft	1	$290.00	$426,300	$451,878	
	H	1393 sq. ft	1	$290.00	$403,970	$428,208	
Total			14				$5,936,199
5	A	1455 sq. ft	1	$290.00	$421,950	$447,267	
	B	1124 sq. ft	1	$290.00	$325,960	$345,517	
	C	1101 sq. ft	1	$290.00	$319,290	$338,447	
	D	1483 sq. ft	7	$290.00	$430,070	$3,191,119	
	E	1187 sq. ft	1	$290.00	$344,230	$364,883	
	F	1200 sq. ft	1	$290.00	$348,000	$368,880	
	G	1470 sq. ft	1	$290.00	$426,300	$451,878	
	H	1393 sq. ft	1	$290.00	$403,970	$428,208	
Total			14				$5,936,199

6	A	1455 sq. ft	1	$300.00	$436,500	$462,690	
	B	1124 sq. ft	1	$300.00	$337,200	$357,432	
	C	1101 sq. ft	1	$300.00	$330,300	$350,118	
	D	1483 sq. ft	7	$300.00	$444,900	$3,301,158	
	E	1187 sq. ft	1	$300.00	$356,100	$377,466	
	F	1200 sq. ft	1	$300.00	$360,000	$381,600	
	G	1470 sq. ft	1	$300.00	$441,000	$467,460	
	H	1393 sq. ft	1	$300.00	$417,900	$442,974	
Total			14				$6,140,898
7	A	1455 sq. ft	1	$300.00	$436,500	$462,690	
	B	1124 sq. ft	1	$300.00	$337,200	$357,432	
	C	1101 sq. ft	1	$300.00	$330,300	$350,118	
	D	1483 sq. ft	7	$300.00	$444,900	$3,301,158	
	E	1187 sq. ft	1	$300.00	$356,100	$377,466	
	F	1200 sq. ft	1	$300.00	$360,000	$381,600	
	G	1470 sq. ft	1	$300.00	$441,000	$467,460	
	H	1393 sq. ft	1	$300.00	$417,900	$442,974	
Total			14				$6,140,898
P/H	J	1247 sq. ft	6	$310.00	$386,570	$2,458,585	
	K	1231 sq. ft	1	$310.00	$381,610	$404,506	
	L	1569 sq. ft	2	$310.00	$486,390	$1,031,146	
Total			9				$3,894,237
Total units			106				$44,300,820
Boat Dock sales			92		$20,000	$1,950,400	$1,950,400
Parking stall sales			41		$15,000	$641,900	$641,900
Total Sales Overall							**$46,893,120**

The sales are discounted @ 6% to reflect the two year construction period and the three year marketing period as follows:

30 units in 2 yrs	= $13,271,637 x 0.942595	= $12,509,778.	
30 units in 3 yrs	= $13,271,637 x 0.888487	= $11,791,676.	
30 units in 4 yrs	= $13,271,637 x 0.837484	= $11,114,783	
16 units in 5 yrs	= $ 7,078,207 x 0.789409	= $ 5,587,600	
Discounted gross sales		= $41,003,837	$41,003,837

Estimated Cost of Sales

Marketing Period

Condominium Sales in the Orillia marketplace have not been introduced in large numbers in the past ten years and for those that did venture into the market some buyer resistance was found as was evident with the Elgin Bay development. This absorption of units will face a further test as an estimated 470 units including the Subject come on the market in the next five-year period. This number will more than triple the previous availability and will cause some marketing difficulties for those not priced to attract investors. Our gross sales estimate has placed the Subject into a good value position and coupled with the location we conclude that following construction the units will be sold out over a three-year period. The approvals and construction time line should not take more that two years from this date and a total time frame would be May 2012.

Marketing Costs

Typically in the Orillia Market the selling agent will receive 2% of the sale price for this opportunity. We have included costs based upon this amount and although some developers prefer to have an in-house marketing staff with site trailer and promotional items, we have considered the cost to be also at 2% of gross sales.

Soft Costs

Costs as identified by the developer with the exception of management, financing and marketing but including municipal and miscellaneous costs have been accepted as presented in Schedule B by the Developer.

Building Construction Costs

We have relied upon both the developer's costs and utilized the Means Building Cost Guide to identify the costs of construction for this project. The Developer has projected a total cost of $153.45 per sq. ft. while Means indicated $153.30 without appliances. This figure was indicated by the developer at $318,000.00 or at $3,000.00 each unit which would be reasonable. As the developer is knowledgeable in this industry we have concluded prices for construction to be reasonably applied at $29,000,000.

Estimated Cost of Sales

Developer's Overhead and Profit

The last item in the development approach to value is the incentive for the developer to take on the project. It is typical for a project of this type to have a 10% profit margin and we have applied it directly to the cost.

The value indicated by the application of this approach is summarized as follows;

Discounted gross sales	= $41,003,837	$41,003,837
Marketing Cost @ 2% of sales	=$ 820,076	
Soft Costs	=$ 1,630,000	
Municipal cost	=$ 1,550,000	
Insurance and Taxes	=$ 97,000	
Developer's overhead and profit 10%	=$ 4,689,312	
Building Cost Construction	=$29,000,000	
	$37,786,388	$37,786,388
Present worth estimate		**$3,217,449**
Rounded to		**$3,200,000**

Reconciliation and Final Estimate of Value

The values indicated by the application of both approaches are as follows:

Direct sales Comparison Approach	$ 3,000,000.00
Development Approach	$ 3,200,000.00

The conclusions from the separately applied approaches are relatively close and supportive. The Direct Sales Comparison Approach provided some reasonable comparison and with the sale of the Subject to the current owner it has reflected the actions of the market place. It, however, could be considered as a conservative estimate when the potential associated to the development is applied. For the purpose of this appraisal we see strength in the Development Approach and would therefore justify a conclusion based upon this evidence.

Therefore as of May 11, 2007 we have concluded value at $3,200,000.00.

THREE MILLION TWO HUNDRED THOUSAND DOLLARS

Schedule A

[illegible]

COST SUMMARY		
LAND	[illegible]	
CONSTRUCTION	[illegible]	
SOFT COSTS	[illegible]	
[illegible]	[illegible]	
[illegible]	[illegible]	
[illegible]	[illegible]	
TOTAL PROJECT COST	[illegible]	[illegible]
[illegible] EQUITY		
[illegible]	[illegible]	
[illegible]	[illegible]	
[illegible]	[illegible]	
GROSS SALES [illegible]		[illegible]
GST [illegible]		[illegible]
[illegible]		[illegible]
[illegible]		[illegible]
TOTAL PROFIT		[illegible]
PROFIT		[illegible]
[illegible]	[illegible]	[illegible]

Schedule B

[illegible]		
[illegible]		
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	46,188,207
[illegible]	[illegible]	2,145,440
[illegible]	[illegible]	2,145,440
TOTAL SALES RECEIPTS		[illegible]
[illegible]		[illegible]

ASSUMPTIONS AND LIMITING CONDITIONS

1. This report has been prepared at the request of Mr. Rene Bindi for the purpose of providing an estimate of market value for Mortgage Purposes of 679 Atherley Road, Orillia, Ontario. It is not reasonable for any other person other than those whom this report is addressed to rely upon this appraisal without first obtaining written authorization from the Client and the author of this report. This report has been prepared on the assumption that no other person will rely on it for any other purpose and all liability to all such persons is denied.

2. The object of this appraisal is for an estimated market value of the real estate for Mortgage Purposes, and for no other use.

3. The estimate of value contained in this report is founded upon a thorough and diligent examination and analysis of information gathered and obtained from numerous sources. Certain information has been accepted at face value; especially if there is no reason to doubt its accuracy. Other empirical data required interpretive analysis pursuant to the objective of this appraisal. Certain inquiries were outside the scope of the mandate. For these reasons, analysis, opinions and conclusions obtained in this report are subject to the following assumptions and limiting conditions.

4.

4-1 It is assumed that the title to the real estate herein appraised is good and marketable and that sale of the property would be permitted.

4-2 No responsibility is assumed for legal matters, questions of survey, opinions of title, hidden or unapparent conditions of the property, soil or sub-soil conditions, engineering or other technical matters which might render this property more or less valuable that as stated herein. If it came to our attention as the result of our investigation and analysis, that certain problems may exist, a cautionary note has been entered in the body of this report.

4-3 The legal description of the property and the area of the site were provided to the appraiser. Further, the plans and sketches contained in this report are included solely to aid the recipient in visualizing the location of the property, the configuration and boundaries of the site and the relative position of the improvements on the said lands.

4-4

We have not verified title to or liabilities against the property appraised. Our appraisal assumes that title is good and marketable, that encumbrances have no material effect on the interest being appraised and that there are no pledges, charges, liens or special assessments outstanding against the property other than as stated and described herein.

4-5 It is assumed there are no outstanding liabilities except as expressly noted herein, pursuant to any contract or agreement with a municipal or other government authority, pursuant to any contract or agreement pertaining to the ownership and operation of the real estate or pursuant to any lease or agreement to lease, which may affect the stated value or salability of the Subject property or any portion thereof.

4-6 It is assumed that, save and except for encumbrances as may be permitted there are no easements, rights-of-way, building restrictions or other restrictions so affecting the site as to prevent or adversely affect the operation of the property or so as to materially and adversely affects its market value.

4-7 It is assumed that there is no action, suit, proceeding or investigation pending or threatened against the real estate of affecting titular owners of the property, at law or in equity, or before or by, any federal, provincial or municipal department, commission board, bureau, agency or instrumentality which may adversely influence the value of the real estate herein appraised.

5. Because market conditions, including economic, social and political factors, change rapidly and, on occasion, without notice or warning, the estimate of market value expressed herein, as of the effective date of this appraisal, cannot necessarily be relied upon as of any other date without subsequent advice of the author of this report.

6. It is assumed that my analysis, opinions and conclusions were developed, and this report has been prepared, in conformity with the Canadian Uniform Standards of Professional Appraisal Practice.

7. As of the date of this report, the undersigned has fulfilled the requirements of the Appraisal Institute of Canada Mandatory Recertification Program for designated members.

8. The value expressed herein is in Canadian dollars.

9. This report is only valid if it bears the original signature of the author. The appraiser will not accept liability for reliance on photocopied reports and photocopying a report is an offence under the Copyright act, R. S. C. 1985, C-42.

10. It is assumed that all relative zoning information provided by the respective authorities is reliable and that the highest and best use is as the proposed use.

QUALIFICATIONS OF APPRAISER

- Five years Civil Engineering
- Five Years Real Estate Sales in York County
- Five Years Real Estate Appraisal in ten provinces, the North West Territories and in the United States
- Chief Appraiser and President of INDICOM APPRAISAL ASSOCIATES since 1975
- Associate Editor, Saylor Publications, Construction Cost Services

P.APP

Having complied with the mandatory re-certification program by the Appraisal Institute of Canada is re-certified until the year 2007

AACI

Accredited Appraiser Canadian Institute, designating fully accredited membership and indicating a wide range of competence in Real Estate Appraisal.

1973	-	Awarded Real Estate Institute designation as Fellow FRI
1974	-	Completed Boeckh Valuation Commercial Cost Estimating Course
1976	-	Awarded Appraisal Institute of Canada designation CRA
1977	-	Certified by National Association of Review Appraisers as RRA
1980	-	Chapter Chair of the Real Estate Institute Huronia Chapter
1982	-	Awarded the Appraisal Institute of Canada AACI
1986	-	Director Ontario Association Appraisal Institute of Canada
1987	-	Appointed Chief Appraiser for Town of Innisfil
1988	-	Chairman Huronia Chapter of the Appraisal Institute of Canada
1992	-	Admissions Chairman Ontario Association of Appraisal Institute, Huronia Chapter
1993	-	Barrie Rotary Real Estate Appraisal Classification
1997	-	Ontario Association Appraisal Institute Public Relations
2003	-	Course Developer for University of BC Diploma Program for Urban Land Economics
2004	-	Chairperson for OAAIC Public Relations Committee
2004	-	University of BC Tutor for AACI Accreditation Program
2005	-	Member of the City of Barrie Economic Development Committee
2005	-	Appointed Chief Appraiser for the Township of Oro-Medonte
2006	-	University of BC Tutor for CRA Accreditation Program

CERTIFICATE OF THE APPRAISER

I hereby certify:

To the best of our knowledge and belief, the statements of fact, upon which the analysis and opinions and conclusions expressed in this report are based, are true and correct; that limiting conditions affecting analysis, opinions and conclusions it contains; that, this report has been made in conformity with and is subject to rules of professional ethics of the Appraisal Institute of Canada. We have no present or contemplated future interest in the property appraised, nor any personal interest or bias on the subject matter or the parties involved in the appraisal. All factors affecting value of the Subject property were considered. Neither compensation nor the offer of employment has influenced our value of $3,200,000.00 as of May 11, 2007 for 679 Atherley Road, Orillia, Ontario. No person or persons other than those acknowledged below prepared the analysis, conclusions and opinions concerning the real estate set forth in this report.

I personally inspected the property
on May 11, 2007

Robert Stewart, AACI, P.App
President

Action No. 0901-11866 A.D. 2009

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

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT,* R.S.C. 1985, c. C-35, AS AMENDED

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.

EIGHTH REPORT OF THE MONITOR

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Barristers & Solicitors
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