Action No: 0901-11866

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

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

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

FIRST REPORT OF THE MONITOR

ERNST & YOUNG INC.

September 2, 2009

ERNST & YOUNG
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INTRODUCTION

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

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

3. The purpose of this first report of the Monitor (the "First Report") is to provide this Honourable Court with an update in respect of the following:

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

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

    c. The Applicant's forecast to actual variance of its cash flows for the period from August 10, 2009 to August 28, 2009;

    d. the Applicants request for an extension to the stay of proceedings; and

    e. the Monitor's recommendations.

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

TERMS OF REFERENCE

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

BACKGROUND

6. 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 affidavit of Cleone Couch dated September 2, 2009 (the "September 2nd Couch Affidavit"). 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.

NOTICE TO CREDITORS

7. The Monitor sent a copy of the Initial Order to all creditors per the books and records of the Applicants and also sent a notice to all investors per the Applicants books and records notifying them of the making of the Initial Order and advising that a copy of this Initial Order is available on the Monitor's website. The notice to investors also advised that if an investor was unable to obtain a copy of the Initial Order from the website that they could request a hard copy from the Monitor.

INVESTIGATION OF THE APPLICANTS

Background to the Investigation

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

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

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

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

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

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

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

Status of the Investigation

9. Since the granting of the Initial Order, a primary focus of the Monitor has been the commencement of the analysis required to complete the Investigation. The Monitor has gained an understanding of the overall flow of funds of the Applicants and has processed a considerable amount of information that has been received to date including banking records and other documents of the Applicants that is required to be reviewed to complete the Investigation.

10. Although the Monitor has received co-operation from the Applicants and its principals in assisting in the gathering of records and answering of questions relating to the Investigation, the Monitor is still in the process of obtaining certain books and records from the Applicants which are required to complete the Investigation. A complicating factor in the Applicants' ability to assemble the required books and records and related documents subsequent to the granting of the Initial Order is the recent relocation of Shire's office which has added additional time to Shire being able to locate the relevant records requested by the Monitor. In addition, at the time of the granting of the Initial Order, Shire was provided limited access to its previous office causing delays in removing certain of the required books and records from that location. Shire ultimately obtained access to the office to retrieve these books and records; however, this was only recently accomplished and the Monitor is still in the process of reviewing these records.

11. In addition to obtaining the needed books and records directly from the Applicants, the Monitor has corresponded with the Applicants' financial institutions to obtain certain additional books and records such as bank statements and returned cheques.

12. The Monitor has commenced its Investigation and expects to a report (the "Investigation Report") within the next thirty days. The Monitor has provided its preliminary comments below based on the results of the Investigation to date. The Monitor cautions that the comments below are preliminary comments and are subject to revision as more information is reviewed and analyzed by the Monitor in completing the Investigation.

Overview of raising of funds from Investors

13. The initial step in the Monitor's investigation was to discuss with the Applicants' management the overall structure as to how the Applicants raised funds and the flow of funds from the individual investors to the ultimate use of the funds. Based on discussions with management of Shire, the Monitor understands that the general business model and related flow of funds with respect to the Applicants' operations was to occur as follows:

a. Shire would locate a property suitable for development purposes and would implement a process of acquiring the property by entering into purchase and sale agreements and placing a deposit on the property;

b. Funds to complete the purchase of the property and the subsequent development would then be raised by Shire through an individual entity (referred to as a "Project Company") from private investors (the "Investors") pursuant to information circulars or offering memorandums;

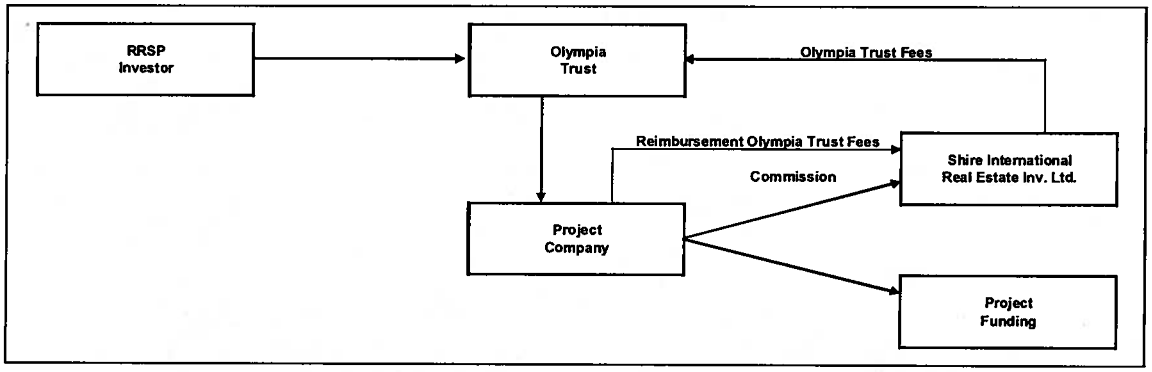
c. In exchange for advancing funds to the Project Company, the Investor would either receive:

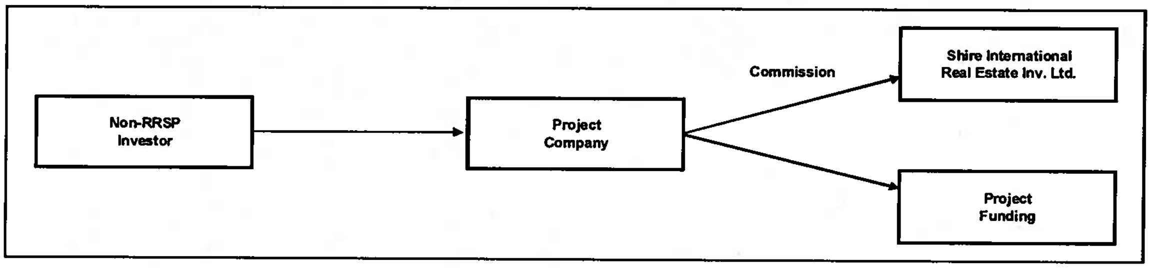
i. a non-voting share of the Project Company and an unsecured interest bearing bond payable upon the completion of the of the development; or

ii. a mortgage unit with the mortgage being registered against the Project Company's respective property or project with the mortgage being held by Olympia Trust on behalf of the individual Investors;

d. In exchange for raising the funds, Shire would receive a selling commission which typically equalled 10% of the funds raised. Shire would use a portion of its selling commissions earned to pay its own selling agents;

e. Shire typically offered two forms of investment opportunities, those that were RRSP eligible and those that were not RRSP eligible. The following chart provides an illustration of how the Applicants' advised the flow of funds were to occur for a typical Shire transaction under both an RRSP and non-RRSP:





f. As set out above, a RRSP Investor would advance funds to Olympia Trust who would hold the funds under trust conditions until the mortgage documents were registered and at which time it would release the funds to the Project Company. The Project Company would then pay the required commission to Shire. The remaining funds were to be used by the Project Company to fund development and other costs related to that Project Company's specific project as set out in the information circular or offering memorandum;

g. A non-RRSP Investor would advance their funds directly to the Project Company who would then issue the related share or bonds to the individual Investors. The Project Company would then use the funds raised to pay the related commissions and the remaining funds to fund future development and other costs related to the Project Company's specific Project as set out in the information circular or offering memorandum; and

h. In addition to the above sources of funds from Investors, certain Project Companies also sought and obtained third party or vendor take back mortgages which were used to acquire properties or provide funds for maintaining or developing the relevant project.

14. As set out in the August 7^{th} Couch Affidavit, there are a total of ten Project Companies. In addition to the assets and property owned by the individual Project Companies, Shire in its own name owned several other properties and options on properties (referred to as the "Shire Assets").

15. The Monitor's preliminary comments on the flow of funds based on its Analysis is discussed below and will be commented on further in its Investigation Report.

16. A listing of the individual Project Companies is attached as Appendix 1.

Ownership of the individual Project Companies and the Shire Assets

17. As noted above, Eyelogic Systems Inc. ("Eyelogic") is a 60% shareholder in certain of the Project Companies as indicated in Appendix 1. The Monitor understands that by having Eyelogic, a public company, hold controlling interests certain of the Project Companies, the *Income Tax Act* allows the issuance of debt securities that are eligible for deferred plans, such as RRSP investments. The Monitor understands that Eyelogic earns a net management fee from each private company based on the amount of deferred capital raised.

18. As discussed above, the Monitor understands (subject to the legal due diligence being conducted by the Applicant's legal counsel) that Shire owns an interest in certain properties including:

a. Winn River Resort;

b. OK Falls RV Park;

c. 4628/4630 – 16th Avenue NW, Calgary, AB; and

d. A 50% Interest in properties referred to as Killarney Infills, Marda Loop Lots and Marquis Ranche.

19. Shire has advised that the Shire Assets were purchased with funds earned from its commission and from other sources; however, the Monitor's Investigation will attempt to address whether funds from the Project Companies were used to acquire or advanced to the Shire Assets.

Summary of Funds Raised from Investors

20. The table below summarizes the funds raised by Shire and the individual Project Companies based on a database maintained by the Applicants. The Monitor notes that this information has not been audited or otherwise reviewed or verified as the Investigation of the Monitor is not yet complete. The Monitor is assessing the most cost efficient manner in reviewing Investor information and anticipates corroborating this investor database in the Investigation through a reconciliation of the receipts into Shire bank accounts.

	Investors	Total Investment Funds Raised	Roll Overs	Cash	RRSP	TFSA
Halama Gardens	60	$ 2,251,609	$ 34,965	$ 881,118	$ 1,333,266	$ -
Orillia	18	402,100	12,000	119,880	269,830	-
Ft. McMoney I	375	10,860,258	3,097,855	3,985,680	3,768,927	-
Skaha Lake	101	9,397,243	973,650	5,434,960	2,989,607	-
Chemainus	340	7,269,800	698,500	2,462,090	4,109,210	-
Bearspaw at 144th Ave.	1047	20,278,100	38,800	7,958,034	12,273,300	-
Ft. McMoney II	258	6,490,000	-	4,066,800	2,423,200	-
Maples and White Sands	428	11,024,900	-	11,024,900	-	-
Tsehum Harbor	278	4,614,349	-	1,548,100	3,046,249	20,000
Hawaii Fund	153	2,037,000	640,500	405,000	846,500	145,000
Total	3058	$ 74,625,359	$ 5,496,270	$ 37,886,562	$ 31,060,090	$ 165,000

21. The table above indicates that the Applicants currently have over 3,000 Investors with total investments of approximately $74.6 million consisting of:

a. $5.5 million in "roll overs" (as defined and discussed below) which consist of Investors who were transferred to the specific Project Company;

b. Cash Investors of approximately $37.9 million comprising Investors who elected to invest in either a mortgage unit or non-voting unit outside their RRSP;

c. $31.1 million of Investors who acquired mortgage or non-voting units through their respective RRSP; and

d. $165,000 of Investors who elected to invest in a non-voting unit through their tax free savings account ("TFSA").

22. The Monitor cautions that the above table is based on Shire's internal database and the information contained therein has not yet been independently verified by the Monitor. The considerable number of individual Investors and the number of Project Companies increases the required analysis with respect to the Monitor's Investigation and the overall restructuring efforts.

Monitor's preliminary comments on its Investigation

23. Through a review of the documentation provided thus far and discussion with Management of the Applicants and legal advisors to the Applicants, the Monitor has identified a number of items that will require further analysis in connection with its Investigation. A brief discussion of these initial areas of the Investigation can be found below.

Bank accounts

24. Based on the Monitor's preliminary analysis of the books and records, it appears that each Project Company maintained a separate bank account (the "Project Bank Account") and one bank account was maintained for Shire International (the "Shire Bank Account"). In general, the Monitor understands that investor funds flowed into the Project Bank Accounts either directly (Non-RRSP Investor) or through Olympia Trust (RRSP Investor). Accordingly, the funds from Investors who agreed to invest in Project "A" were deposited into the separate bank account of Project "A".

25. The Monitor notes that not all the books and records have been reviewed and further analysis is required to determine whether there was commingling of Investors' funds between projects or bank accounts.

Payment of overhead expenses and year-end allocation of expenses

26. Expenses considered overhead expenses that are incurred by Shire International on behalf of the Project Companies, such as advertising, office expenditures, legal costs ("Shire Overhead") were disbursed from the Shire Bank Account on a regular basis. At year-end, management attempted to pro-rate the individual overhead accounts to each Property Company for which it was raising funds, based on the amount of financing raised during the year as the basis for allocation.

27. The Monitor understands that costs that were directly attributable to a specific project or Project Company were at times disbursed from the Shire Bank Account with a corresponding inter-company entry recorded by the relevant Project Company to which the expenditure relates.

28. Management advised that it transferred funds from the various Project Bank Accounts into the Shire Bank Account on an "as-needed" basis to fund the payments being made by Shire International with the transfer being recorded as an inter-company transfer in the financial statements of the Project Company.

29. The process of transferring funds on an 'as needed' basis from certain Project Company Accounts to Shire International and allocated the expenses at year end will result in further inter-company balances unless the amount of funds transferred by the individual Project Companies equalled the year end allocation. For example, if a Project Company 'A' advanced $100,000 to Shire International which was used by Shire International to pay for overhead expenses, and at year end only $40,000 was allocated to Project Company 'A' based on the allocation procedure, Shire International would have an inter-company payable of $60,000 to Project Company 'A'. Presumably, Shire International would have a corresponding inter-company receivable owing from other Project Companies who advanced less funds to Shire International than the year end allocation calculation.

Source and Use of funds

30. Based on our discussions, the Monitor is aware of the following concerns of certain stakeholder groups:

    a. That quantum of financing raised by Shire is significantly in excess of the amounts paid for properties or used for development of the relevant projects;

    b. That funds were advanced from one Project Company to another;

    c. That certain funds were raised for properties that were not acquired by Shire; and

    d. The funds from the Project Companies were improperly used by Shire International to acquire the Shire Assets or for other purposes.

31. The Monitor advised that it has begun its analysis relating to its Investigation and intends on reporting to the Court in due course which will address the above noted concerns and questions. The intent of the Monitor's investigation is to summarize the funds raised by Project Company and the related use of the funds.

Roll-overs

32. An initial analysis of an investor database maintained by Shire indicates that approximately $75 million was raised from Investors. However, management of the Applicants have advised that this amount was not entirely paid in cash to the Applicants but a portion would have been generated through a process referred to as a "roll-over".

33. Management advised that the roll-over process refers to when an investor in an entity is provided with the opportunity to effectively 'transfer' their original investment for an investment in another Project Company, without a subsequent cash outlay (referred to herein as "Roll-Over" or "Roll-Over Investor"). The Monitor understands that a Roll-Over typically occurred when a certain Project Company was unsuccessful and as a result the investor was offered a promissory note equal to their original investment.

34. Management advised that the promissory note was intended to be repaid by future profits of Shire International. Holders of the promissory note were then offered the opportunity to 'roll-over' their promissory note to an investment in a new Project Company. However, the new Project Company would receive no funds in exchange for the addition of the Roll-Over Investor who would effectively become an additional liability of the new Project Company. Management advised that it was intended that the future profits of the new Project Company would repay the Roll-Over Investors.

35. In addition to investors who were permitted to Roll-Over from an existing Shire entity, management has indicated that investors from an existing third party entity that was acquired by Shire International, Berkshire REIT, may have been allowed to roll-over into several of the Applicants during the formation of Shire. Management advised that part of the acquisition of Berkshire REIT included the assumption of certain liabilities which were ultimately treated as Roll-Over Investors.

36. The practice of Roll-Overs has continued throughout the existence of Shire and the Monitor is currently working with management of the Applicants to more fully understand and quantify the quantum of potential Roll-Overs and the effect on the respective creditors of the Applicant's.

37. Management estimates that approximately $5.5 million of the $75.5 million in Investors represent Roll-Over Investors.

Status of financial statements

38. On August 26, 2009, the Applicants received unaudited financial statements for the Project Companies that existed at that time, for the period ended April 30, 2007 from their external accountant for the following entities (the "April 07 FS")

a. Shire International Real Estate Investments Ltd.;

b. Skaha Lake Development Ltd.;

c. Orillia Investments Ltd.;

d. Halama Gardens Ltd.;

e. Fort McMoney Properties Ltd.; and

f. Chemainus Properties Ltd.

39. Based on discussions with the Applicants external accountant, the materials for the 2008 financial statements have been received and they are in the process of determining the extent of missing information, if any. They have anticipated that the 2008 financial statements will be ready within the next two to three weeks.

40. Concurrent with the completion of its Investigation, the Monitor will include an analysis of the financial statements of the Company.

Initial Analysis of Financial Statements

41. The April 07 FS are attached to the Affidavit of Cleone Couch, dated September 2, 2009.

42. The Monitor understands from discussions with the external accountant that the April 07 FS were compiled on the basis of information provided by Management and that no audit or review engagement was performed in respect of these financial statements.

43. The Monitor intends to incorporate the results of the financial statements for 2007 and 2008 (when complete) into its Investigation Report.

Concurrent legal due diligence

44. The legal advisors to the Applicants are currently reviewing property history, titles and mortgage documents in order to identify ownership, charges or other caveats registered against the specific properties (the "Legal Due Diligence Report") which will allow the stakeholder groups the required information to assess the various restructuring options that are available to the Applicants on a property by property basis. The Monitor understands that the Legal Due Diligence report is well underway and is expected to be completed within the next thirty days.

Summary

45. There is some uncertainty as to ownership of certain of the Applicants' projects and, as discussed above, the universe of stakeholder groups of each project needs to be established (including, but not limited to, investors, creditors, lien holders, mortgage holders, other Project Companies with an intercompany claim). Accordingly, the Monitor believes that the completion of the Legal Due Diligence Report and the Monitor's Investigation as well as the completion of the financial assessment of each project (discussed in further detail bellow) is required to:

a. Determine the precise assets owned by each Applicant and any related ownership issues;

b. Analyze the various options for each project (hold, liquidate or restructure/develop); and

c. Identify the relevant stakeholder groups of each project in order to assess the various restructuring options.

OPERATIONAL AND RESTRUCTURING EFFORTS

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

a. Shire relocating its office from its downtown location;

b. Commencing communication with its various stakeholder groups;

c. The Monitor has commenced its analysis with respect to the Investigation;

d. The Applicants' counsel has commenced the Legal Due Diligence Report; and

e. Assessment of restructuring options with respect to the various projects.

Termination of former leased premises

47. The Applicant's have terminated their lease at the former offices at 808 – 4th Avenue and have relocated to a temporary workspace under a sublease agreement for a one month term, terminating on September 12, 2009. The Monitor understands that the monthly savings from this relocation approximate $15,500 and management of Shire has advised that there is a verbal agreement to extend this sublease agreement.

Communication with creditors, investors and other stakeholders

48. The Monitor has established a website, www.ey.com/ca/shire, to provide investors and creditors with an update on the status of proceedings. The website includes a copy of the Initial Order and will include copies of all the Court Orders and Reports of the Monitor filed with the Court related to these proceedings. In addition, the Monitor has a dedicated phone line for queries from creditors and other stakeholders.

49. Shire has also sent an informational update with respect to these proceedings to all investors and posted this update, together with responses to Frequently Asked Questions document prepared in conjunction with the Monitor on its website.

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

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

52. Legal advisors to the Applicants have been in discussions with the Alberta Securities Commission ("ASC") with respect to the ASC investigation into the affairs of the Applicant's and certain principals of the Applicant's as discussed further below.

53. The Applicants and its counsel are considering alternatives to establish creditor and/or stakeholder committees to assist in the overall restructuring process.

Stakeholder Committees

54. The Monitor believes it to be a logical step that, in conjunction with the completion of the above noted reports, that a committee be established to allow input from the relevant stakeholder groups. The Monitor believes that the establishment of the committees would not be fully effective until the completion of these reports as these reports will identify the relevant stakeholder groups by project/entity and also a preliminary view on the viable restructuring options.

55. The Monitor understands that the Applicants, and their counsel, have approached representatives of certain stakeholder groups about their willingness to form creditor committees and what form the committees would take. These discussions are still in preliminary stage but will be developed in the near term and reported to court to formalize any such committees.

Project Analysis

56. In addition to the Monitor and legal advisors to the Applicants, Nex Advisory Group Inc. ("Nex") has been retained by the Applicants to assist in the restructuring efforts of Shire. Nex was responsible for assisting in the identification and negotiation of the DIP financing as well as for the review of specific projects in the Applicants' portfolio in order to identify, assess and recommend a restructuring approach for each specific project.

57. Nex has commenced its review and has assisted the Applicants in categorizing the various projects into roughly three categories:

   a. Projects to sell;

   b. Projects ready for development upon financing; and

   c. Projects to hold for development and future sale.

58. Of the existing projects, based on the analysis of NEX, Shire believes that Fort McMoney Properties II Ltd. should be sold immediately. Attached to the Affidavit of Cleone Couch, dated September 2, 2009, are summaries of the projects prepared by Nex including the assumptions for success, the current market conditions, and other factors with respect to each of these properties. The Applicant's would anticipate returning to this Honourable Court with respect to any potential sale of property shortly after finalizing any purchase and sale agreements.

Future Restructuring Steps

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

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

b. Seek and obtaining additional DIP financing or selling unencumbered assets in order to fund the ongoing restructuring activities beyond the next 30 days;

c. Assessment of the potential sale of existing projects identified above including Monitor involvement in the sales process;

d. Continuing communication with its various stakeholder groups;

e. Proceeding dialogue and discussion regarding the potential formation of an stakeholder committee;

f. Continuing its analysis with respect to the Investigation;

g. Performing analysis of the financial statements of the Project Companies; and

h. Assessment of additional restructuring options with Shire and Nex with respect to the various projects.

APPLICATION BY INVESTIT FINANCIAL INC.

60. Investit Financial Inc. ("Investit"), who the Monitor understands holds a mortgage against the property known as Bearspaw at 144th Avenue, has filed an application in this proceeding to set aside the Stay of Proceeding to allow Investit to continue with their foreclosure action.

61. The Monitor understands from materials filed by Investit that the amount outstanding on the mortgage is approximately $7,379,308 and that Investit has commissioned an appraisal showing a value of $6,525,000 and a forced sale value of $5,900,000 (the "Investit Values")

62. The Investit Values are different from the appraised values obtained by Applicants which indicate a market value as at May 15, 2009 (which updated a former appraisal) of between $11.8 million to $13.7 million.

63. In addition to the above differences in value, the Monitor would caution that as it has not yet completed its Investigation, it cannot yet comment on the appropriate stakeholders that would be impacted by a potential foreclosure of this property.

ALBERTA SECURITIES COMMISSION

Background to the Alberta Securities Commission Investigation

64. The ASC is currently conducting an investigation of the propriety of capital raising activities of Shire and certain individuals associated with Shire (the "ASC Investigation").

65. As a result of the ASC Investigation, an Interim Cease Trade Order was issued by the ASC on June 6, 2009 stipulating, *inter alia*, that;

   a. All trading cease in respect of securities of Hawaii Fund and of Maples and White Sands Investment Ltd.; and

b. the ASC respondents cease trading in all securities (collectively the "ASC Temporary Cease Trade Order").

66. The Monitor understands that the Shire has been fulfilling requests from the ASC for additional disclosures and examinations.

Amendments to the Initial Order

67. On August 27, 2009, the ASC sought and obtained an addition to the Initial Order that essentially clarified that the ASC Investigation and the ASC Temporary Cease Trade Order were not affected by the Interim Order (the "ASC Interim Order Amendments")

68. The Applicant's consented to the ASC Interim Order Amendments and a further Order was granted by this Honourable Court (the "Initial Order Amending Order").

FINANCIAL PERFORMANCE SINCE THE INITIAL ORDER

Forecast to Actual Cash Flow Variance

69. A variance analysis of the Applicants actual receipts and disbursements for the period August 10, 2009 to August 28, 2009 (the "Reporting Period") as against the cash flow projections which were annexed to the August 7th Couch Affidavit (the "Initial Order Forecast") is set out below.

	A Actual For the three weeks ending August 28, 2009	B Forecast For the three weeks ending August 28, 2009	Variance Positive (Negative)
			a-b
Receipts / DIP Financing			
DIP Financing and Principal Injections	900,000	900,000	-
Other receipts - Net receipts - Sorrento Inn	3,314	-	3,314
Other receipts - Net receipts - OK Falls RV Park	-	-	-
Total Sources of Cash	903,314	900,000	3,314
Disbursements			
Mortgage Payments	-	-	-
Property Taxes	-	-	-
Salary and Contractor Fees		-	-
- Salary and contractor amounts	(40,000)	(31,250)	(8,750)
- Employee expense reimbursement	(12,000)	(12,000)	-
- Source deduction arrears	-	(18,000)	18,000
- Contract accountant fees	-	(12,000)	12,000
Rent	(1,575)	(20,000)	18,425
Other	(1,440)	-	(1,440)
DIP Financing Expenses	(25,000)	(25,000)	-
Contingency	-	(15,000)	15,000
Restructuring Expenses	(189,640)	(322,519)	132,879
Total Uses of Cash	(269,655)	(455,769)	186,113
Net change in cash	633,658	444,231	372,227
Opening cash August 10, 2009	32,831	-	32,831
Ending cash August 28, 2009	666,489	444,231	222,258

70. The positive variance in the change in opening cash of $32,831 from cash flow projections is as a result of the Initial Order Forecast assuming zero cash when the Applicants filed and obtained CCAA protection on August 10, 2009.

71. The Applicants' net cash receipts during the Reporting Period totaled approximately $633,658 as compared to $444,231 as set out in the Initial Order Forecast. Disbursements totaled approximately $269,655 as compared to $455,769 as set out in the Initial Order Forecast. The significant variances are discussed below:

   a. Salary and contractor amounts – Negative variance of $8,750 as a result of full month salaries being paid to the employees and contractors, offset by timing difference in the payment of salaries in arrears. The Monitor would note that a portion of this variance is expected to reverse in the future.

   b. Source deduction arrears – Positive variance of $18,000 as a result of timing difference in the payment of source deduction arrears. The Monitor would note that this variance is expected to reverse in the future.

c. Rent – Positive variance of $18,425 is mainly as a result of the Applicants' terminating their lease at their former offices at 808 – 4th Avenue and relocating to a temporary workspace with a one month lease term for $1,575; and

d. Restructuring expenses paid during the Reporting Period resulted in a positive variance of approximately $133,000. However, the Monitor notes that positive variance is a result of timing differences as certain restructuring expenses have been incurred during the Reporting Period but not yet paid. If the unpaid professional fees relating to the Reporting Period are considered, the actual expenses exceeded forecast by approximately $115,000, primarily relating to higher than anticipated fees relating to property ownershipo matters as well as dealing with the ASC. In addition, the forecast projected that professional fees for the month, including the payment of retainers, would be incurred uniformly over the four week period, whereas the payment of retainers of $150,000 to the Applicants legal counsel, the Monitor and the Monitor's legal counsel were paid and/or are anticipated to be paid during the Reporting Period.

72. The Monitor understands that prior to the expiry of the requested stay extension of October 2, 2009, the Applicant's will likely be seeking the approval of the Court for the sale of certain assets or additional DIP financing in order to fund the ongoing restructuring efforts.

APPLICANTS'S REQUEST FOR AN EXTENSION TO THE STAY PERIOD

a. Pursuant to the Initial Order, the Applicants' Stay Period continues until and including September 4, 2009. Shire is seeking an extension of the Stay Period until, and including, October 2, 2009.

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

    i. The Monitor to continue it's Investigation and file a further report;

    ii. The Applicants' counsel to complete the Due Diligence Report;

iii. NEX to continue its project analysis;

iv. Additional funds to be obtained to fund the future restructuring efforts (either by sale of properties or further DIP funds);

v. The consideration and potential implementation of creditor committees and/or creditor meetings; and

vi. Additional time for the Applicants and its advisors to identify and pursue certain restructuring options.

RECOMMENDATION AND SUMMARY OF NEXT STEPS

73. In the Monitor's view, the Applicants are acting in good faith and with due diligence. The Monitor is of the view that the extension of the Stay Period is appropriate in the circumstances and therefore recommends that the Applicant's request for an extension of the Stay Period be granted to, and including, October 2, 2009.

All of which is respectfully submitted this 2nd day of September 2009.

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

Deryck Helkaa, CA·CIRP
Senior Vice-President

Kevin Meyler, CA·CIRP
Manager

APPENDIX 1

Appendix 1

Shire Listing of Project Companies
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.*
Fort McMoney Properties Ltd.*
Orillia Investments Ltd.*
Chemanius Properties Ltd.*
Skaha Lake Development Ltd.*
Bearspaw at 144th Avenue Ltd.*
Bearspaw at 144th Bonds Inc.*
Bearspaw at 144th Equities Ltd.*
Maples and White Sands Investment Ltd.*
Tsehum Harbour Ltd.*
Tsehum Harbour Bonds Ltd.*
Tsehum Harbour Equities Inc.*

* Denotes 60% ownership by Eyelogic Systems Inc.

Action No. 0001-11866 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., AND ORILLIA INVESTMENTS LTD.

CLERK OF THE COURT
SEP - 3 2009
CALGARY, ALBERTA

FIRST REPORT OF THE MONITOR

McCARTHY TÉTRAULT LLP
Barristers & Solicitors
Suite 3300, 421 – 7th Avenue S.W.
Calgary, Alberta
T2P 4K9

Sean F. Collins
Phone: (403) 260-3531
Fax: (403) 260-3501
File No.: 125264-415942

125264-415942
DOCS #644785 v. 1