

**IN THE MATTER OF THE BANKRUPTCY OF
FAIRMONT RESORT PROPERTIES LTD.**

**OF THE CITY OF CALGARY,
IN THE PROVINCE OF ALBERTA**

**REPORT ON THE TRUSTEE'S
PRELIMINARY ADMINISTRATION**

ESTATE NO. 25-1388975

On July 30, 2010, Fairmont Resort Properties Ltd. ("FRP") filed an assignment pursuant to the provisions of the *Bankruptcy and Insolvency Act* ("BIA") and Ernst & Young Inc., was appointed as trustee of the estate of the bankrupt by the official receiver.

Background

FRP was incorporated on February 9, 1979 in the Province of Alberta and carried on business in the Provinces of Alberta and British Columbia. FRP was considered the ultimate parent company for all of its direct and indirect subsidiaries and it provided management leadership, accounting and administrative services to all of these entities.

FRP was also a developer of certain time share villas (the "Villas") at Fairmont Hot Springs, British Columbia that represented at one point a total production of 250 Villas in this resort.

The Fairmont Group's (which consist of the following entities: FRP, Lake Okanagan Resort (2001) Ltd., ("LOR"), Lake Okanagan Resort Vacation (2001) Ltd. ("LORV") and LL Developments Ltd. ("LLD")) financial deterioration started on or around December 2008 when it could not meet its current interest and principle payments when they became due to its secured creditors.

The Fairmont Group entered into a forbearance agreement (including amendments thereto) with its secured creditors that required the Fairmont Group to achieve certain financial results and/or requirements up until March 30, 2009. The Fairmont Group was unsuccessful in improving its financial position and, as a result, breached the terms of the forbearance agreement.

As a result, the Fairmont Group's two main secured creditors applied to the Alberta Court of Queen's Bench (the "Court"), with the consent of the Fairmont Group, to seek and obtain creditor protection for the Fairmont Group under *the Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36, as amended (the "CCAA") pursuant to a court order dated March 30, 2009 (the "Initial Order"). Ernst & Young Inc., was appointed monitor of the Fairmont Group during these CCAA proceedings (the "Monitor").

On June 15, 2010, the Fairmont Group entered into and finalized various terms and conditions set out in a foreclosure agreement (the “Foreclosure Agreement”) as at June 15, 2010 and entered into by FRP, LOR, LORV and its main secured creditor Northwynd LP.

On June 22, 2010, an order was granted by the court (the “Vesting Order”) to allow the vesting of and transferring of title to, the various assets of FRP, LOR and LORV in favour of Northwynd LP, in relation to the Foreclosure Agreement. The Vesting Order was filed with the court on July 5, 2010.

On July 29, 2010, the CCAA was terminated and all that remained within FRP were certain significant secured creditor deficiency claims, pre-CCAA unsecured claims.

Preliminary Evaluation of Property, Assets and Undertakings

Pursuant to the Vesting Order discussed above, there are presently no assets available to the Trustee for realization as all of the assets have been transferred and vested to Northwynd LP.

Conservatory & Protective Measures

As of July 30, 2010, FRP did not have any operations, employees, premises and assets. The only items in possession of FRP were books and records located in Northwynd LP’s offices. As a result, the Trustee arranged for Northwynd LP to maintain the books and records in a secure location to allow the Trustee access when needed. Northwynd LP is not charging the Estate for the storage costs associated with holding the books and records.

Books and records

As discussed above, the books and records of FRP that are required for the Trustee's review are located at the former premises of FRP in Calgary, Alberta.

Provable Claims and Secured Claims

The only liabilities the Trustee is aware of are significant deficiency claims owed to FRP’s secured creditors and unsecured liabilities as listed on the Statement of Affairs.

Legal Proceedings

No legal proceedings have been instituted by the Trustee to date.

The Trustee is not aware of any legal proceedings for or against the Company.

Reviewable Transactions and Preference Payments

A preliminary review of the book and records for the last 12 months did not reveal any transactions which could be considered preferences or reviewable transactions.

Trustee's intention to act

The Trustee has no intention act for secured creditors, as set out in subsection 13.4(1.1) of the BIA.

Possible Conflict of Interest

Ernst & Young Inc. acted as monitor in FRP's CCAA proceedings referred to above which is not considered to be a conflict of interest.

Third Party Deposits

The Trustee received a \$5,000 deposit from Northwynd LP to pay the Trustee's administration fees and disbursements in the bankrupt estate.

Anticipated Realization and Projected Distribution

All of the assets of FRP have been foreclosed upon by the secured creditors and transferred out of FRP. The Trustee does not anticipate a distribution to any creditors.

ERNST & YOUNG INC.
Trustee for the Estate of
Fairmont Resort Properties Ltd.

A handwritten signature in black ink, appearing to be 'Neil Narfason', written over a horizontal line.

Neil Narfason, CA•CIRP, CBV
Senior Vice-President

August 18, 2010