Action No.: 0901-04199

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., c. C-36, AS AMENDED

AND IN THE MATTER OF FAIRMONT RESORT PROPERTIES LTD., LAKE OKANAGAN RESORT VACATION (2001) LTD. LAKE OKANAGAN RESORT (2001) LTD. AND LL DEVELOPMENTS LTD.

AFFIDAVIT OF COLLIN KNIGHT

I, **COLLIN KNIGHT**, of the Town of Invermere, in the Province of British Columbia, **MAKE OATH AND SAY AS FOLLOWS:**

1. I am President, a Director and a Beneficial Shareholder of Fairmont Resort Properties Ltd. ("FRP"). I am also a Director and an Official Shareholder of Columbia Villa Management Ltd. ("CVM"). As such, I have personal knowledge of the matters hereinafter deposed to except where stated to be upon information and belief.

2. FRP was taken over in 1988 by me, my brother, Douglas Morcom, and Pedro Cebulka to develop substantial resort properties in Fairmont, B.C. The business was substantially undertaken by the sale of timeshare units to investors who have a right to use and occupy

premises for a defined period. The investors are liable for payment of a pro rata share of management fees and expenses, maintenance and operating costs. FRP is liable to pay its pro rata share of all such costs in respect of unsold timeshare units.

3. CVM was incorporated to provide management services for the timeshare investors and for FRP upon terms of a management agreement entered into between FRP and CVM, the most recent of which is the Amended and Restated Management Agreement made as of the 1st day of August, 2005, filed as Exhibit "A" to the Affidavit of Murray Moore, and filed in the within proceedings on the 24th of July, 2009 (the "Amended Management Agreement").

4. CVM has a substantial infrastructure to provide management services pursuant to the Amended Management Agreement, including management and operating personnel who provide management, maintenance and operating services. CVM has acquired office furnishings and equipment, including computers, to maintain the timeshare records and to manage the subletting of rooms for promotions that are required for timeshare purposes. The timeshare investors have a real stake in the provision of such management, operating and maintenance as CVM is in direct communication with such investors respecting their utilization of their timeshare units. CVM provides budgets for its management, operating and maintenance services and makes cash calls on the timeshare investors for payment of their pro rata share, all in accordance with the Amended Management Agreement. Particularly, since FRP is liable for payment of its pro rata share of management, operating and maintenance expenses in relation to the substantial number of unsold timeshare units, the timeshare investors are seriously affected if FRP fails to pay its pro rata share. In certain circumstances, there are insufficient funds available to pay ongoing management, operating and maintenance expenses. FRP has been in serious continuing default in its obligations to CVM and the timeshare investors in this respect with the result that CVM has been financially stressed in its ability to pay its obligations, due solely to FRP's default in this respect.

5. FRP has continued to accrue obligations to CVM pursuant to the Amended Management Agreement from the time of the granting of the Initial CCAA Order in the within proceedings. Notwithstanding this continuing obligation, FRP has defaulted in its obligations to CVM in that respect and now seeks to rely upon CVM's financial stress as a grounds for termination of the Amended Management Agreement, notwithstanding that it is FRP's default that has caused the financial distress of CVM.

6. Phil Matkin of the law firm Schinnour, Matkin, Baxter and Pichette ("SMBP") is the trustee appointed by the timeshare investors to hold and represent their interests as provided for by the disclosure statement of FRP filed in connection with the sale of the timeshare units. The full extent of his trustee obligations are not known but I would expect that, as trustee, he would have a duty to protect the interests of the timeshare investors in relation to the CCAA proceedings of FRP and also in relation to the purported termination by FRP of the Amended Management Agreement.

7. The law firm of SMBP or its predecessors, particularly Allan Schinnour, have been legal advisors to FRP and CVM for many years. Allan Schinnour is, in fact, paid 10% of CVM's management fees for the Riverview Project referenced in the Amended Management Agreement attached as Exhibit "A" to the July 24th, 2009 Affidavit of Murray Moore filed in these proceedings. SMBP have drafted all material documents by which FRP and CVM carry on its business. CVM has not been separately represented in any material respect with respect to any of such documents.

8. The Court-appointed Chief Restructuring Officer, Murray Moore, has been the accountant for CVM and, as such, has directed the accounting management of CVM and owes duties of confidence to CVM. From the time of the Initial CCAA Order, Murray Moore has acted solely in the interests of FRP and has used his authority as accountant for CVM and as signing officer on CVM's bank accounts to direct the CVM accounting for the benefit of FRP.

9. As the business of FRP expanded, with the advice of its solicitors SMBP, FRP conceived of means by which bonds may be issued to the public on security provided by FRP. FRPL Finance Ltd. and FRPL Management Ltd. were entities created for this purpose. FRPL Finance Ltd. and FRPL Management Ltd. are owned or controlled by Allan Schinnour, Phil Matkin and Daniel Baxter or members of their respective families, either directly or indirectly. I hold 25% of the shares of those companies. FRP did not have independent legal advice in any material respect in connection with the transactions to which FRPL Finance Ltd. and FRPL Management Ltd. are parties with FRP.

10. As President of FRP, I consented to the Initial CCAA Order, following which I resigned as Officer and Director of FRP on the advice of Allan Schinnour.

11. To my knowledge, the only present Director of FRP is Murray Moore. Based on my communications with former Officers and employees of CVM, I believe the business and affairs of FRP are being managed by Murray Moore as Chief Restructuring Officer and that Allan Schinnour substantially advises and directs the Chief Restructuring Officer.

12. FRP, by its counsel Howard Gorman, purported to terminate the Amended Management Agreement on July 3rd, 2009. I am advised by my legal counsel, Leslie R. Duncan Q.C., that paragraph 10(d) of the Initial CCAA Order provides for repudiation of arrangements or agreements "on such terms as may be agreed upon between the Fairmont Group and such counter-parties, or failing such agreement, to deal with the consequences thereof in the plan". No terms have been proposed or agreed between FRP and CVM for the repudiation of the Amended Management Agreement nor has there been any plan to deal with the consequences of repudiation. In the circumstances, I am advised by my legal counsel that the conditions stipulated by paragraph 10(d) of the Initial CCAA Order for the repudiation by FRP of the Amended Management Agreement have not been complied with.

13. In any event, the termination of the Amended Management Agreement is not in the best interests of FRP, CVM and the thousands of timeshare owners for whom CVM provides a multitude of management services. Particularly, for reasons indicated herein, the timeshare investors are affected by and have a legitimate interest in the provision of management, operating and maintenance services by CVM for their benefit. FRP has purported to terminate the Amended Management Agreement and to substitute a newly created corporation, Resort Villa Management Ltd. ("RVML") as Manager. Prior to the purported termination of the Amended Management Agreement, RVML had no capacity to provide management services. Its capitalization, its shareholding and the identity of its Directors are not known to me, although it has been said that it is wholly-owned by FRP. RVML wrongfully interfered with the contractual relationship existing between CVM and its employees and induced certain of the CVM employees to terminate their employment by CVM and to become employees of RVML. Other employees, officers and agents of CVM, particularly Pedro Cebulka, who as President of CVM provides overall direction and management of CVM, were not retained. The result is that the provision of management, operating and maintenance services by CVM, including the holding of funds of the timeshare investors by CVM independent of FRP, has now become subject to the CCAA proceedings of FRP and are no longer independent of FRP as was previously provided for by CVM.

14. If the Amended Management Agreement has been terminated as alleged in the letter of July 3rd, 2009 from FRP's counsel, which is disputed for reasons set out herein, then FRP is obliged in accordance with the Amended Management Agreement to "assume the obligations of any and all contracts which the Manager has made for arranging the services to be provided pursuant to the Agreement" (paragraph 18(c) of the Amended Management Agreement). CVM has many outstanding obligations relating to its services, including obligations to employees and officers for services rendered to CVM. FRP has failed to make any arrangements for the assumption of all of such obligations in the event of termination of the Amended Management Agreement.

15. FRP or RVML have taken possession of all CVM's assets and accounting records, including monies on deposit in bank accounts and in accounts receivable, without regard for whether or not any of such assets were owned by CVM. Particularly, the amounts of $47,000 from bank account no. 2506416 and $15,000 from bank account no. 1036283 were removed by bank drafts. It is not known to me where the bank drafts were deposited. In any event, I am informed that the bank drafts were signed by Chris Van Der Deen, who was the General Manager of CVM, and a signing officer on such bank accounts, on the advice of Allan Schinnour. It is not known to me whether any further funds of CVM have been withdrawn or diverted.

16. Since my resignation as a Director of FRP, I believe that the shareholders of FRP, including myself, are not represented in the CCAA proceedings nor is there any management of FRP represented, except to the extent that the Chief Restructuring Officer has been appointed. In the circumstances, it would appear that the CCAA proceedings are being carried out for the benefit of FRPL Finance Ltd. and FRPL Management Ltd. and its shareholders and creditors, to the exclusion of the shareholders of FRP and that the object of the CCAA proceedings is to squeeze out the shareholders and management of FRP for the benefit of FRPL Finance Ltd. and FRPL Management Ltd.

17. This Affidavit has been prepared with the assistance of Leslie R. Duncan, who is currently on vacation in Minnesota. He will be unable to participate in the application on Wednesday, July 29th, 2009 and I understand his advice is that the Notice of Motion filed by FRP on July 24th, 2009 (save for the continuation of the CCAA proceedings to October, 2009) should be adjourned to be heard concurrently with the motion filed on behalf of CVM today in these proceedings.

18. I take this Affidavit in support of an application for the relief applied for in the Notice of Motion filed in the within proceedings on July 28th, 2009.

SWORN before me at the City of Calgary, in the Province of Alberta, this 28th day of July, 2009.

A Commissioner for Oaths in and for the Province of Alberta

COLLIN KNIGHT

Wilson McCutchan
Student-at-Law

A Commissioner of Oaths / Notary Public
in and for the Province of Alberta

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CLERK OF THE COURT
JUL 28 2009
CALGARY, ALBERTA

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