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 MURRAY MOORE
Fifth Stay Extension
(sworn January 22, 2010)

I, Murray Moore, of the City of Calgary, in the Province of Alberta, MAKE OATH AND SAY THAT:

I. INTRODUCTION

1. I am the Chief Restructuring Officer of Fairmont Resort Properties Ltd. ("**Fairmont Resort**"), Lake Okanagan Resort Vacation (2001) Ltd. ("**LORV**"), Lake Okanagan Resort (2001) Ltd. and LL Developments Ltd. (collectively "**Fairmont**") and, as such, have personal knowledge of the facts and matters deposed to herein except where otherwise stated to be based on information and where so stated, I verily believe the same to be true.

II. CASH FLOWS

2. Fairmont continues to closely oversee its business operations in consultation with the Monitor, Ernst & Young Inc. (the "**Monitor**") with a view to continuing to reduce costs and expenses and improving cash flow wherever possible.

3. Fairmont incurred a positive variance to the cash flow projections for the reporting period of October 17, 2009 to January 15, 2010 as referenced in the Fifth Report of the Monitor. This positive variance can be attributed to the Remainder, Conversion and Monetization Programs (collectively as the "**Reversionary Program**") (the details of which are discussed at length in the course of my Affidavits sworn on June 5 and July 24, 2009 and which were approved pursuant to the Order of the Honourable Madam Justice B.E.C. Romaine dated June 10, 2009) yielding stronger than anticipated results on account of higher than forecasted receipts during the period covering October 17, 2009 to January, 2010.

4. Fairmont has prepared cash flow forecasts for the requested stay extension period (covering January 29 to April 16, 2010) granted under the Initial CCAA Order. Attached to the Fifth Report of the Monitor is a copy of the cash flow forecast prepared by Fairmont, with the assistance of the Monitor, for the period of January 16 through April 16, 2010.

5. In preparing the cash flow forecasts appended to the Fifth Report, Fairmont's management has worked closely with the Monitor and has attempted, using the most current information available, to generate conservative projections which take into account information and knowledge gained during the most recent reporting period. In addition, on the basis of actual results generated during the most recent reporting period, Fairmont is considering further steps and initiatives to reduce expenses.

6. It is anticipated that, during the reporting period of January 16 through April 16, 2010, Fairmont will incur a negative cash flow of $731,000.00 after transferring the required amounts to a separate trust account for the 7000 Building in the sum of $260,000.00 and before any repayments of the DIP Facility in accordance with the Loan Amending Agreement with Century Services Inc. ("**Century**") (the terms of which were approved pursuant to the Order of October 30, 2009). I do verily believe that this negative cash flow is partially attributable to significant restructuring costs.

7. I do verily believe that the cash flow forecasts are fair and reasonable and that Fairmont will have the capacity to meet its post-filing obligations in the ordinary course of business through the proposed extension of the stay period.

III. REVERSIONARY PROGRAM

8. This Honourable Court approved Fairmont pursuing the Reversionary Program pursuant to its Order dated June 10, 2009. The Reversionary Program has been implemented as outlined in the course of my Affidavits sworn in these proceedings on July 24 and October 23, 2009.

9. The Reversionary Program, during the most recent stay extension period, yielded higher than anticipated results. In the course of my Affidavit sworn October 23, 2009, I deposed that Fairmont, in an effort to generate increased revenues from the Reversionary Program, was in the process providing additional contact lists to its sales force with a view to contacting more prospective purchasers than originally intended. In addition, Fairmont permitted its sales agents to enter territories that had not yet been explored. The management of Fairmont believes that this amended approach to implementation of the Reversionary Programs is, at least partially, responsible for the improved performance.

10. Fairmont is hopeful that, through its ongoing perseverance and dedication, the Reversionary Program will continue to improve during the requested stay extension period.

IV. MAKAHA HOTEL AND RESORT ("MAKAHA")

11. Fairmont is the ultimate parent of Makaha. Makaha is the owner of a resort property and golf course located on the island of Oahu, Hawaii.

12. In the course of my Affidavits sworn on July 24, 2009 and October 23, 2009, I advised that Fairmont and Makaha were in discussions with interested potential purchasers of the Makaha project.

13. In connection with efforts to effect a sale of the Makaha project, Fairmont retained the services of Dornbush & Co. Ltd. ("**Dornbush**") to act as a non-exclusive real estate agent to market the subject property. In late-August, 2009, Fairmont entered into a Letter of Intent (the "**LOI**") for the purchase of the Makaha project with an arm's length/unrelated party.

14. The LOI was subject to a due diligence period and the execution of a purchase and sale agreement. It was anticipated by Fairmont that such steps would be completed on or before October 25, 2009.

15. On November 4, 2009, the potential purchaser advised that it would not proceed with the acquisition of Makaha. Dornbush has continued to actively market Makaha however, to date no offers have been received.

V. COLUMBIA VILLA MANAGEMENT LTD. ("CVM")

16. As described in my Affidavits sworn in these proceedings on July 24 and October 23, 2009, CVM provided management services to Fairmont Resort for it's British Columbia properties pursuant to an Amended and Restated Management Agreement ("**CVM Management Agreement**"). Fairmont Resort, through it's counsel, terminated and repudiated the CVM Management Agreement.

17. Fairmont Resort concluded that it was necessary to terminate the CVM Management Agreement to proceed with an orderly restructuring of its business due, in part, to CVM's advice to Fairmont as to its own precarious financial situation and the possible need to issue extraordinary assessments to Fairmont's British Columbia timeshare holders as a result of CVM's financial difficulties.

18. Subsequent to termination of the CVM Management Agreement, counsel for CVM wrote to Fairmont's counsel disputing the termination of the CVM Management Agreement.

19. Upon the termination and repudiation of the CVM Management Agreement, CVM's obligation to manage and operate the Fairmont properties was returned to Fairmont Resort. Fairmont Resort then entered into a new management agreement with a wholly owned subsidiary, Resort Villa Management Ltd.

20. In late-July, 2009, CVM filed a Notice of Motion, together with the supporting Affidavit of Collin Knight ("**Knight**"), seeking Orders:

 (a) setting aside Fairmont's termination of the CVM Management Agreement;

 (b) setting aside section 49 of the Initial CCAA Order to exclude the right to repudiate or terminate the CVM Management Agreement;

 (c) setting aside prior Orders granted in these proceedings which authorized the retainer of Schinnour, Matkin, Baxter & Pichette as counsel for Fairmont and terminating that firm's representation of Fairmont;

 (d) directing that the stops payments on the amounts of $47,000.00 and $15,000.00 drawn on the CVM bank account to certain shareholders of CVM be paid into trust;

 (e) directing that certain categories of physical assets pertinent to the continued operation of the Fairmont business be returned to CVM pursuant to the CVM Management Agreement; and

 (f) directing that Fairmont deliver up to CVM all property owned by CVM.

21. Since the Notice of Motion was originally filed and the application adjourned on a *sine die* basis, Knight has been cross-examined on his Affidavit.

22. There have been no further developments on the application brought by CVM.

VI. APPEAL OF THE PRIORITY DECISION

23. Resort Funding Inc. ("**RFI**"), as part of its Notice of Motion giving rise to the Bills of Exchange application, sought Orders in relation to FRPL Finance Ltd. and FRPL Management Ltd. ("**FRPL**") declaring that:

 (a) RFI's security interest in the Notes and Instalments Sales Contracts was perfected and formed a first charge on the property of Fairmont as it relates to the Notes and Instalments Sales Contracts pursuant to the British Columbia *Personal Property Security Act*;

 (b) the stay granted pursuant to the Initial CCAA Order was of no force or effect in respect of RFI; and

 (c) the stay granted pursuant to the Initial CCAA Order be lifted as against RFI.

24. RFI's application was heard on June 24, 2009. On August 7, 2009, Madam Justice Romaine released Reasons for Decision and held that FRPL had priority over the Notes and Instalments Sales Contracts (the "**Romaine Priority Decision**").

25. On October 22, 2009, RFI applied to the Alberta Court of Appeal for leave to appeal the Romaine Priority Decision. The application for leave was also heard by the Honourable Madam Justice P.A. Rowbotham. Leave to appeal the Romaine Priority Decision was denied.

VII. RFI

26. Fairmont understands that RFI will be seeking leave to lift the stay for the purposes of filing proceedings challenging the general security agreements granted by Fairmont and LORV to FRPL on February 18, 2009. Fairmont will be consenting to RFI's application to lift the stay.

27. Fairmont has reviewed the Monitor's projections as it relates to the RFI Credit Facility and agrees, based on the current rate of collection, that it is likely that the RFI Credit Facility obligation will exceed the amount payable under the RFI Notes Receivables by the end of March, 2010.

VIII. LORV

28. As referenced in my Affidavit sworn July 24, 2009, a number of time share purchasers from LORV have asserted that they were provided with certain inducements or undocumented additional rights to acquire time share interests which inducements or additional rights are not disclosed in their time share purchase agreements or recorded with the trustee.

29. Fairmont has undertaken considerable amounts of investigation with respect to these allegations which includes identifying and reviewing documentation and discussing with sales agents what representations, if any, they may or may not have made to the option holders. Fairmont has determined that there are various categories of potential claimants ranging from purchasers with references to the new building in their sales worksheets to purchasers with no written reference to the new building who have been "upgraded" and allowed to stay in the new building and now claim an ongoing entitlement to such upgrades.

IX. SCHINNOUR MATKIN PICHETTE LAW OFFICE ("SMP")

30. In the course of my Affidavit sworn in these proceedings on April 24, 2009, I advised that Fairmont had entered into supplemental retainer agreements with SMP (the "**SMP Supplemental Retainer Agreements**") for professional fees incurred in the course of the CCAA process.

31. The SMP Supplemental Retainer Agreements expired on December 31, 2009 subject to an option to renew in favour of Fairmont. After careful consideration, Fairmont determined that it would not be renewing the SMP Supplemental Retainer Agreements due to a decrease in required legal services during the CCAA process. Fairmont is continuing to engage SMP on an hourly fee basis for various matters.

The management of Fairmont believes that this change will result in a significant reduction in costs.

X. CHIEF RESTRUCTURING OFFICER ("CRO")

32. By Order of this Honourable Court dated June 10, 2009, I was appointed as CRO of Fairmont. In conjunction with my appointment as CRO, Fairmont Resort and 835786 Alberta Ltd., a corporation controlled by me, entered into an agreement containing the terms and conditions of my appointment as CRO (the "**Compensation Agreement**").

33. Under its terms, the Compensation Agreement could be terminated after December 1, 2009 upon appropriate notice being given. I have been in regular discussions with Fairmont's management and the Monitor regarding my ongoing role as CRO. To that end, Fairmont and I have recently agreed, on a verbal basis, that I will continue to serve in the position of CRO however, my compensation will be reduced from $30,000.00 per month to $15,000.00 per month which change shall be effective as at February 1, 2010.

34. I have agreed that the reduction in my compensation as CRO is justified on the basis that Pat Fitzsimonds, the current Chief Operating Officer of Fairmont, will assume some of the non-CRO duties that I have historically undertaken. I am currently in the process of negotiating an amendment of the Compensation Agreement with the Monitor and Fairmont.

35. In light of his increased role within Fairmont, Mr. Fitzsimonds salary will be increased by $3,000.00 per month.

XI. INTERNATIONAL VILLAGE HOLDINGS INC. ("INTERNATIONAL VILLAGE")

36. International Village is a private company owned by a number of individuals including a current shareholder of Fairmont, Doug Morcom. International Village and CVM entered into an agreement whereby CVM leased residential units from International Village for the housing of CVM employees near Invermere, British Columbia (the "**CVM-International Village Agreement**").

37. The lease rate pursuant to the CVM-International Village Agreement was $30,000.00 plus GST per month. Fairmont, as noted herein, repudiated the CVM Agreement and, in December, 2009, approached International Village to discuss reducing the monthly lease rate to $15,000.00 per month plus GST (the "**Rate Reduction Proposal**").

38. International Village advised that it would review and consider the Rate Reduction Proposal with its shareholders and would provide a response prior to December 31, 2009. Notwithstanding representations by International Village, Fairmont did not receive a response as to whether the Rate Reduction Proposal was acceptable.

39. Earlier this month, Fairmont delivered funds to International Village for the month of January, 2010 pursuant to the Rate Reduction Proposal and to complete the payment of the rental arrears outstanding on that date. To date, Fairmont still has not received a response, positive or negative, from International Village as to acceptance of the Rate Reduction Proposal. In the event that International Village elects not to accept the Rate Reduction Proposal, the amounts delivered will be treated as without prejudice payments on account and Fairmont will have to consider its go-forward options which might include repudiating the International Village-CVM Agreement.

XII. DEBTOR-IN-POSSESSION FINANCING

40. By Order dated May 1, 2009, this Honourable Court authorized Fairmont to enter into a Debtor-in-Possession facility to a maximum sum of $5,500,000.00 (the "**DIP Facility**") to be funded by Century.

41. In an effort to make an amount equivalent to the anticipated cash shortfall available to fund ongoing business operations, Fairmont and Century agreed to the Loan Amending Agreement which, among other things, permitted the DIP Facility to revolve. In addition, the maximum limit under the DIP Loan was reduced from $5,500,000.00 to $4,260,000.00. The amended DIP Facility was approved by this Honourable Court on October 30, 2009.

42. Fairmont, up to and including January 15, 2010, has drawn approximately $6,300,000.00 under the DIP Facility and has made repayments totalling approximately $3,500,000.00 with a resulting obligation of approximately $2,780,000.00.

43. During the proposed extension period, Fairmont, in consultation with the Monitor, is forecasting to draw further advances of $1,500,000.00 and to make repayments on the DIP Facility of $1,308,000.00. The funds which are forecasted to be drawn are to be used to pay ongoing operating obligations. Under the terms of the Loan Amending Agreement, any principal repayments serve to reduce the maximum limit of the DIP Facility by 35% of the repaid amount. As a result, during the proposed stay extension period, the maximum amount of the DIP Facility is forecasted to decrease by $458,000.00 to $3,811,000.00. At the conclusion of the proposed stay extension period, the available credit under the DIP Facility is forecasted to be $837,000.00.

XIII. MEETING OF THE INVESTORS OF FRPL

44. I have been advised by Ed Nycholat that FRPL are in the process of arranging a meeting of their investors for late-March, 2010 at which time they will discuss the progress of Fairmont's restructuring efforts to date and the alternatives available in the circumstances and seek formal direction from the investors with respect to the restructuring.

45. Fairmont's management is concerned that there are significant hurdles to overcome in formulating a CCAA Plan of Arrangement given certain underlying conditions associated with the Fairmont business and financial position. I do verily believe that the continuation of these CCAA proceedings is justified in order to permit FRPL's stakeholders the opportunity to provide further input.

XIV. STAY OF PROCEEDINGS

46. I do verily believe that Fairmont has acted, and continues to act, in good faith and with due diligence.

47. I do verily believe that the circumstances justify granting an Order further extending the stay period to and including April 16, 2010.

48. Fairmont requires an extension of the stay period to and including April 16, 2010 in order to continue its restructuring efforts.

XV. MISCELLANEOUS

49. I am authorized to swear this Affidavit on behalf of Fairmont.

50. I make this Affidavit in support of an application to extend the stay period granted under the Initial CCAA Order to and including April 16, 2010 and for no improper purpose.

SWORN BEFORE ME at the City of Calgary, in the Province of Alberta, this 22nd day of January, 2010.	)))	
A Commissioner for Oaths in and for the Province of Alberta	))))	Murray Moore

KEVIN E. BARR
Barrister & Solicitor

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CLERK OF THE COURT
JAN 2 2 2010
CALGARY, ALBERTA

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