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. 1985, c. C-36, AS AMENDED.

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGMENT OF FAIRMONT RESORT PROPERTIES LTD., LAKE OKANAGAN RESORT VACATION (2001) LTD., LAKE OKANAGAN RESORT (2001) LTD., AND LL DEVELOPMENTS LTD.

FIRST REPORT OF THE MONITOR

ERNST & YOUNG INC.

APRIL 27, 2009

ERNST & YOUNG

TABLE OF CONTENTS OF THE FIRST REPORT

LISTING OF APPENDICIES TO THE FIRST REPORT

INTRODUCTION

1. On March 30, 2009, FRPL Finance Ltd. and FRPL Management Ltd. applied to the Alberta Court of Queen's Bench (the "Court"), with the consent of the Fairmont Group (defined below), to seek and obtain creditor protection for Fairmont Resort Properties Ltd. ("FRP"), Lake Okanagan Resort Vacation (2001) Ltd., Lake Okanagan Resort (2001) Ltd., and LL Developments (collectively the "Fairmont Group" or the "Applicants") 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 dated March 30, 2009 (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 search for a permanent Chief Restructuring Officer ("CRO");

   (b) An overview of the Fairmont Group and the Fairmont Resort Non-CCAA Debtors (defined below);

   (c) The notices issued to creditors regarding the granting of the Initial Order;

   (d) Financial performance and operational update since the date of the Initial Order;

   (e) The revised cash flow projections from April 18, 2009 through to July 31, 2009 (the "Forecast Period");

   (f) The Applicants' request to this Honourable Court to approve the Century DIP Loan (as defined below);

   (g) The Fairmont Group's restructuring initiatives;

(h) The Applicants' request for an extension to the Stay Period; and

(i) The Monitor's recommendations.

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

TERMS OF REFERENCE

5. In preparing this First Report, the Monitor has relied upon unaudited financial information, company records and discussions with management of the Applicant. The Monitor has not performed an audit, review or other verification of such information. An examination of the financial forecast as outlined in the Canadian Institute of Chartered Accountants ("CICA") Handbook has not been performed. Future orientated 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 Fairmont Group and its related companies are a group of privately-held companies engaged in the business of development, acquisition and operation of resort based real estate for the ultimate disposition/sale within an interval or time share format. The primary assets are geographically located in Alberta, British Columbia, Hawaii, Belize, Mexico and certain other destination based locations. The primary business of the Fairmont Group is the acquisition, development, marketing and sale of time share or interval based interests in its resort properties with its secondary/support activities being the development / acquisition of product for future sale and the operation of resort properties, including hotel operations at Kelowna, Belize and Hawaii.

7. FRP is the ultimate parent company to additional entities that are currently not under CCAA protection (the "Fairmont Resort Non-CCAA Debtors"); however

these entities are dependent on administration and certain financial support of FRP to operate effectively.

8. The corporate organization of the Fairmont Group and the Fairmont Resort Non-CCAA Debtors is set out at Appendix A to this First Report. The Monitor will be presenting a full analysis of the Fairmont Group and the Fairmont Resort Non-CCAA Debtors, including a summary of inter-company account balances and an analysis of each individual entity's creditors (secured and unsecured) in a subsequent report.

9. Further background to the Fairmont Group and their operations is contained in the materials filed relating to the Initial Order including the March 30, 2009 affidavit of Mr. Gary L. Bentham (the "March 30th Bentham Affidavit"). These documents, together with other information regarding this CCAA proceeding, including the Initial Order and the March 30th Bentham Affidavit, have been posted by the Monitor on its website at: www.ey.com/ca/frpl.

CRO

10. Pursuant to the Initial Order, Mr. Murray Moore, FRP's chief financial officer, was appointed interim chief restructuring officer. Under the Initial Order, the CRO was authorized, subject to the approval of the Monitor and, where required under the Initial Order, the Court, to manage the business operations, affairs and restructuring of the Fairmont Group.

11. Since the Initial Order, the CRO has been actively managing the business and operations of the Fairmont Group and the Fairmont Resort Non-CCAA Debtors with the assistance of the Monitor.

12. In the Monitor's view Mr. Moore has been able to manage the business and operations in an effective manner.

13. The Fairmont Group is in the early stages of conducting a formal search for a permanent CRO (the "CRO Search") as contemplated by the Initial Order;

however, due a number of other time sensitive operational and financial issues, the CRO Search has not been fully completed.

14. The Monitor anticipates that the CRO Search will be completed by mid-May with the Fairmont Group making a Court application for a permanent CRO later that month.

OVERVIEW OF THE FAIRMONT GROUP AND THE FAIRMONT RESORT NON-CCAA DEBTORS

CCAA Debtors

FRP

15. FRP is referred to as the parent company within the Fairmont Group. FRP is owned by the following two entities that are not part of the CCAA process:

    (a) Dunvegan Petroleums Ltd. ("Dunvegan"), which has an 83% ownership of FRP. The principal owners of Dunvegan are Mr. Colin Knight (the former Chairman of the Board for FRP) and his family trust. Since the granting of the Initial Order, the director of Dunvegan, Mr. Knight, has not been involved in the day-to-day operations of FRP or any of its related entities; and

    (b) Morcom Consultants Ltd. ("Morcom"), which has a 17% ownership of FRP. The principal owners of Morcom are Mr. Doug Morcom and his family trust. Mr. Morcom was the former secretary treasurer of FRP. Since the date of the Initial Order, the principal directors of Morcom and Mr. Morcom have not been involved in the day-to-day operations of FRP or any of its related entities.

16. FRP was incorporated on February 9, 1979 in the Province of Alberta and is currently carrying on business in the Provinces of Alberta and British Columbia. As the parent corporation, FRP consolidates the ownership of all subsidiary

companies, provides management leadership, accounting and administrative services for all its direct and indirect subsidiaries.

17. FRP is developer of the time share villas (the "Villas") at Fairmont Hot Springs, British Columbia representing a total production to date of 250 Villas in this resort. FRP currently owns the following assets:

(a) Unsold time share inventories of approximately 725 weeks at the Fairmont Hot Springs;

(b) Two parcels of land located at Fairmont Hot Springs amounting to approximately four acres that are zoned for the development of two buildings upon which FRP can construct 32 units in each building;

(c) A stand-alone building and land located at Fairmont Hot springs that has offices and a gift shop within it;

(d) Lake Okanagan Resort (2001) Ltd. ("LOR"), a wholly - owned subsidiary of FRP;

(e) Lake Okanagan Resort Vacation (2001) Ltd. ("LORV"), a wholly owned subsidiary of FRP;

(f) LL Developments Ltd. ("LLD"), a wholly - owned subsidiary of FRP; and

(g) Various other subsidiary corporations, as set out at Appendix A, which are the Fairmont Resort Non-CCAA Debtors.

18. Columbia Villa Management Ltd. ("CVM") currently provides management services to the time share owners of FRP. CVM collects maintenance fees from all of the FRP time share owners and from FRP for the amount of the unsold time share inventory and pays FRP a yearly fee for FRP to perform certain accounting, information technology and reservation services on behalf of CVM. CVM is not owned by the Fairmont Group, but is considered a related company as it is owned

66.67% by both shareholders of FRP. CVM is not subject to these CCAA Proceedings.

LOR

19. LOR was incorporated on December 28, 2000 in the province of Alberta and was extra-provincially registered in the Province of British Columbia on March 5, 2001. LOR carries on its operations in the Province of British Columbia through the ownership and operation of the resort hotel complex, commonly referred to as the Lake Okanagan Resort, which is situated on approximately 300 acres of land, including 4,700 feet of frontage on Okanagan Lake.

20. LOR is the operator and manager of the Lake Okanagan Resort's operations and the managing agent of the time share regime. In addition, LOR rents a large inventory of hotel rooms from strata owners based on a long term rental agreement and uses this inventory as its hotel inventory some of which it sells as vacation gateways, however, predominately it sells the rooms as a hotel accommodations. LOR does not sell any of its rooms as time shares. LOR contains the following assets:

    (a) The Lake Okanagan Resort complex includes:

    - 7 hotel buildings that have various reception, administration, dining, meeting, fitness rooms, staff accommodation, maintenance and other associated uses within one or more of the buildings;
    - A maintenance building;
    - A marina;
    - Tennis courts and other recreational facilities;
    - Utilities for the entire site; and
    - 9-hole golf course;

(b) 74 acres of undeveloped land approved for 280 doors and 198.6 acres of additional vacant lands; and

(c) Long term rental agreements with strata owners which permit LOR to sell these rooms in its hotel operations. The rental agreements contain favourable terms for LOR.

LORV

21. LORV is a wholly owned subsidiary of FRP and was incorporated on December 28, 2000 in the province of Alberta and was extra-provincially registered in the Province of British Columbia on March 5, 2001. The primary business of LORV is the development, marketing and sale of the time share products located within the Lake Okanagan Resort. The strategic assets within LORV include:

(a) Ownership of two (2) completed buildings totalling 48 units located on the Lake Okanagan Resort (commonly referred to as buildings #1000, built in 2007 and #1100, built in 2008). Building #1100 has never been occupied; and

(b) current inventory of unsold time share product of approximately 1447 weeks.

LLD

22. LLD is a non-operating Alberta Corporation that currently has a 70% undivided ownership interest in a future development site (approx. 300 acres) near Fairmont Hot Springs, British Columbia. The development parcel was removed from the Agricultural Land Reserve, which limits the use of much of the land in British Columbia to agricultural purposes, in 1980 and is currently approved for three types of land use zoning to include golf course together with zoning for resort and residential density.

Fairmont Resort Non-CCAA Debtors

23. The three most significant Fairmont Resort Non-CCAA Debtors that are owned by FRP are described in more detail below. In addition, the Monitor provides a brief description of the other Fairmont Resort Non-CCAA Debtors below.

Makaha Hotel and Resort Inc. ("Makaha")

24. Makaha is a wholly-owned subsidiary of FRP and was incorporated on August 26, 2003 in the state of Hawaii, USA. Makaha currently owns and operates a destination 173 room hotel and 18 hole golf resort, which was originally built in the mid-1960s. Makaha currently encompasses approximately 340 acres of land in the Makaha Valley of Oahu, Hawaii.

Costa Maya Reef Resorts ("CMRR")

25. CMRR which is indirectly controlled by the parent company, FRP, through its wholly-owned subsidiary, Sunchaser Resorts Inc. CMRR includes 30 units of which 27 are operated as time share and hotel rooms, that were built in the 1970's and its primary business is time share use and hotel use together with on-site management of units that have been sold in the form of a membership through Sunchaser Vacation Club Inc. CMRR is located 6.5 miles north of San Pedro, Belize on the island of Ambergris Cay, Belize.

Fairmont Rancho Banderas S.A. de C.V.; Banderas Corporate Services S.A. de C.V.; and Rancho Operations S.A. de C.V. (collectively, "Rancho")

26. Rancho is indirectly controlled by the parent company, FRP, through FRP's wholly-owned subsidiary, Fairmont International Operations Ltd ("FIOL"). Rancho is located on the north shore of the Bay of Banderas, which is situated 35 kilometres northwest of Puerto Vallarta, Mexico, on 28 acres of land. Rancho is currently operating as a destination resort in support of the time share sales program initiated by the previous owner. Rancho also provides on-site management of the 50 time share villas and all time share villas at Rancho are

sold out. Rancho has the consent and building permit to build an additional 150-220 villas on the property.

Other Fairmont Resort Non-CCAA Debtors

27. Other Fairmont Resort Non-CCAA Debtors are described as follows:

(a) 1042198 Alberta Ltd. is a wholly-owned subsidiary of LOR, which is indirectly owned by FRP. 1042198 Alberta Ltd. is a shell company with no assets or operations and its purpose being to hold charter passenger boats to ferry customers at LOR, which its structure was never finalized by the former Chairman of the Board of FRP;

(b) 1782 Holdings Ltd. is a wholly-owned subsidiary of LOR is currently a non-operating shell company but it is the authorized utility entity holding the utility permits and operating authority for the utilities for the entire property;

(c) Makaha Resort Management Inc. ("MRMI") is a wholly-owned subsidiary of FRP and is the management company for the fractional owners Home Owners Association at Makaha and the managing agent for the condominium association at Makaha. MRMI is to collect maintenance fees from all of the Makaha fractional owners and from Makaha for the number of unsold fractional units which it has deposited into the association. MRMI is to collect condominium fee assessments from each property holder in the condominium association. Makaha is charged an amount for the recovery of expenses by the parent company, FRP, on its behalf including accounting, legal, hospitality and administrative services;

(d) Fairmont Marketing Corp is a wholly-owned subsidiary of FRP and is currently a shell company with no assets or operations. Its intended use was to be the marketing entity for Makaha fractional sales in Canada;

(e) Fairmont Nevada Inc. is a wholly-owned subsidiary of FRP and currently holds approximately 500 unsold bi-annual time share weeks of inventory at the Oasis Resort and Casino in Mesquite, Nevada;

(f) Resorts West Management Group ("RWMG") is a wholly-owned subsidiary of FRP and is the management company for Rancho time share owners. RWMG collects maintenance fees from all of the Rancho time share owners and distributes a management fee up to its parent company, FRP;

(g) Sunchaser Resorts Inc. ("SRI") is a wholly-owned subsidiary of FRP that is located and incorporated in Barbados and has 100% of the ownership of CMRR. Another purpose of SRI is to bill and collect the annual maintenance fees for the Belize resort (most of which is payable by SVC, as defined below, and CMM for unsold inventory). FRP provides for the administration and accounting services necessary for the operation of SRI and charges a fee to SRI for these services;

(h) Sunchaser Vacation Club Inc. ("SVC"). All of the voting memberships of SVC are held by FRP and its various subsidiaries, however, the voting memberships have no rights to any value of the SVC assets. All of the Class A non-voting memberships of this entity are held by purchasers who have acquired vacation memberships (the "Memberships") providing them with vacation intervals in the various resorts within the Fairmont Group, namely, Rancho, CMRR, Makaha and FMI. SVC holds the title to these vacation intervals on behalf of the Class A members. SVC charges a membership fee to its members for the provision of the reservation and other arrangements of the usage of the members' weeks within the SVC. SVC also charges its members for the annual maintenance fee due on the members' vacation intervals. FRP provides the services necessary for the operation of SVC and charges a fee to SVC for these services;

(i) Fairmont Funding Inc. ("FFI") is a wholly-owned, Alberta incorporated entity of FRP and is set up to administer the notes receivables for certain Fairmont Resort Non-CCAA Debtors. These services include international credit card~~,~~ payment and processing and wire-transfers for certain Fairmont Resort Non-CCAA Debtors. FRP provides the services necessary for the operation of FFI and charges a fee to FFI for these services;

(j) FOIL is a wholly-owned subsidiary of FRP and is the corporate conduit for the transfer of capital to Mexico from FRP. FIOL has 99% ownership in Rancho and RVI Holiday de Mexico S.de R.L. de C.V. ("RVI"); and

(k) RVI is 99% owned by FIOL and it owns certain lands and improvements (the "RVI Lands") in Cabo San Lucas, Mexico. Part of the~~,~~ RVI Lands are leased to a 3rd party society, referred to as GRLC-Canada, which has a 50 year lease with RVI and it is made up time share owners whereas the balance of the RVI lands are available for future time share development.

NOTICE TO CREDITORS

28. Pursuant to the terms of the Initial Order, by April 7, 2009 the Monitor had mailed a notice to every known creditor of the Fairmont Group having a claim of more than $1,000 which notified the creditor of the granting of the Initial Order, provided the creditor with a copy of the Initial Order and further advised each creditor that a copy the Initial Order and/or other documents filed in these CCAA Proceedings would be posted on the Monitor's web-site as they became available.

FINANCIAL PERFORMANCE AND OPERATIONAL UPDATE SINCE THE DATE OF THE INITIAL ORDER

29. Attached as Appendix "B" to this First Report is a summary of the Fairmont Group actual receipts and disbursements from the date of the Initial Order to April 17, 2009 (the "Reporting Period"), combined with an analysis of variances from the cash flow forecasts which were annexed to the March 30th Bentham Affidavit (the "Initial Order Projections").

30. Since the granting of the Initial Order, the Applicants' and the Fairmont Resort Non-CCAA Debtors' operations have continued with no material adverse changes. During the Reporting Period, the Fairmont Group and the Fairmont Resort Non-CCAA Debtors have been able to retain most of their core employees and arrange for the continuation of services from their suppliers, allowing the Fairmont Group and the Fairmont Resort Non-CCAA Debtors to continue to operate in the normal course.

31. The Fairmont Group and the Fairmont Resort Non-CCAA Debtors have their own respective bank accounts and cash management systems. However, historically, if certain FRP subsidiaries required funding from each other, the funds were advanced between entities and inter-company loans were established to reflect the transfer.

32. The cash flow budget to actual presented at Appendix "B" for the Reporting Period pertains to the actual movement of cash receipts and disbursement within the Fairmont Group (which comprises only the CCAA Applicants). During the Reporting Period, approximately $60,000 has been advanced between companies within the Fairmont Group (i.e. FRP advanced $25,000 to LOR and $19,678 to LORV as cash advances to cover operating expenses and payroll, respectively) and on March 30, 2009 approximately $185,000 was advanced by the Fairmont Group to Makaha, as discussed further below.

33. Receipts for the Reporting Period totalled approximately $868,000, representing an unfavourable variance of approximately $214,000 from the Initial Order Projections. In addition to the reasons discussed below, one of the main reasons for the receipts variance is due to the Initial Order Projections assumed receipts for the period ending April 30, 2009, when the Reporting Period is at April 17, 2009. Further, this negative variance was primarily due to:

(a) Approximately $401,900 negative variance relating to the timing of collection of time share and gift shop sales and interest receipts, which are forecast to be collected in the Forecast Period as discussed below; and

(b) Approximately $168,000 positive variance relating to other revenues that were not forecast and were received in the Reporting Period. These receipts consist of promotions, sampler programs, vacation packages, club fees, lock off fees, and fees for the houseboats.

34. Disbursements for the Reporting Period totalled approximately $1,128,000 representing a favourable variance of $732,000. In addition to the reasons discussed below, one of the main reasons for the disbursement variance is due to the Initial Order Projections assumed disbursements for the period ending April 30, 2009, when the Reporting Period is at April 17, 2009. Further, this favourable variance was primarily due to a combination of the following:

(a) A positive variance of approximately $417,000 relating to the timing of certain payroll and operational costs which were incurred but not paid by the Fairmont Group during the Reporting Period, (these expenses are expected to be paid during the Forecast Period); and

(b) A positive variance of approximately $315,000 relating to the timing of certain advances to certain Fairmont Resort Non-CCAA Debtors which were forecasted during the Reporting Period but were not actually incurred; and

(c) As discussed above, approximately $185,000 was advanced from FRP to Makaha during the Reporting Period to cover certain operating and payroll related costs. Future advances or transfers from the Fairmont Group to Fairmont Resort Non-CCAA Debtors that are scheduled in the Forecast Period will be assessed by the Applicants and the Monitor, to ensure that the Fairmont Group is properly secured in terms of any advances, as discussed in detail below.

35. The ending cash balance as of April 17, 2009 was $807,466 compared to the forecasted deficit balance of $478,000 excluding any debtor-in-possession financing. The positive variance was due to the positive cash disbursement variance discussed above and in addition to the revised cash balance at the beginning of the Reporting Period. The variance between the forecast and actual beginning cash balance for the Reporting Period is approximately $767,000. The variance is due to management inadvertently omitting certain bank accounts when constructing the Reporting Period cash flow forecast for the Fairmont Group that should have been included in the Reporting Period. Management has reconciled and reviewed all of the Fairmont Group's bank accounts and confirms that all bank accounts have now been properly included in the Reporting Period and the Forecast Period.

CASH FLOW FORECAST THROUGH JULY 31, 2009

Background to the Cash Flow Forecast

36. Attached as Appendix "C" to this First Report is a copy of the cash flow forecast (the "Forecast") for the period from April 18, 2009 through July 31, 2009 (the "Forecast Period") as prepared by the Applicants, with the assistance of the Monitor. Management has prepared the Forecast based on the most current information available.

37. This Forecast is prepared at a consolidated level containing the following entities:

(a) FRP;

(b) LOR;

(c) LORV;

(d) LLD;

(e) Makaha (non-CCAA entity);

(f) Rancho (non-CCAA entity); and

(g) CMRR (non-CCAA entity).

38. The Applicants have presented their Forecast on a consolidated level using the entities listed above, illustrating the cash flows for the Fairmont Group and the three most significant Fairmont Resort Non-CCAA Debtors that have an impact on the Fairmont Group's cash flows.

39. For further clarity, the Forecast, as noted in Appendix "C", also breaks out the net Forecast over the Forecast Period for each of the following:

(a) Fairmont Group,

(b) Makaha; and

(c) CMRR and Rancho.

Advances to Fairmont Resort Non-CCAA Debtors

40. Certain Fairmont Resort Non-CCAA Debtors will require cash flow advances from the Fairmont Group, during the Forecast Period as set out at Appendix "C". During the Reporting Period, it is estimated that approximately $1.0 million will need to be funded by the Fairmont Group to the Fairmont Resort Non-CCAA Debtors (the "Advances to Non-CCAA Debtors"). The Advances to Non-CCAA

Debtors are necessary to cover certain general administrative and operational expenses of the Fairmont Resort Non-CCAA Debtors. The Applicants, along with the Monitor, will assess prior to any transfer of funds from a CCAA entity to a non-CCAA entity whether the Fairmont Group is adequately secured in terms of the advances, including:

(a) Evaluating the nature and quantum of the requirement for the advance and whether the Advances to Non-CCAA Debtors enhance or preserve value for the Fairmont Group;

(b) Ensuring sufficient equity exists such that the Advances to Non-CCAA Debtors will be fully recoverable; and

(c) Those creditors in priority to the contemplated Advances to Non-CCAA Debtors agree to subordinate their respective security to the advances.

41. On April 21, 2009, in addition to the amount borrowed by Makaha from FRP in the Reporting period as discussed above, Makaha made another financial request to FRP to borrow approximately $125,000 (or $100,000 USD) from FRP to fund its payroll to its employees that is included in the Forecast Period. The advance has been added to the inter-company account between both parties and has no specific terms of interest and/or repayment, other than the terms of interest that are charged on inter-company loans, which is 7% per annum. The Monitor reviewed the supporting documentation to the advance made to Makaha and believes the advance was necessary to ensure continued operations in the normal course in the near term and preservation of value for the Fairmont Group while it stabilizes its affairs under Court protection.

42. Rancho provides monthly management fees to FRP, which is a cash inflow into the Fairmont Group, while, FRP will fund CMRR certain monies to cover any shortfalls in cash it may have during the year. The Fairmont Group has estimated

that it may need to fund CMRR approximately $90,000 to cover certain operating expenses starting from October 2009 to December 2009.

Summary of the Forecast

43. As summarized in the Forecast, the Applicants are projecting total cash receipts of approximately $7.586 million, cash disbursements of approximately $10.486 million and a net decrease in cash of $2.9 million in the Forecast Period.

44. The Monitor has reviewed the assumptions supporting the Forecast with the Applicants' management and believes the assumptions to be reasonable.

45. Significant assumptions made by management with respect to the Forecast are:

(a) Total receipts were estimated based on historical information that was discounted by management to reflect the potential decrease in sales due to the current economic situation in Canada and the world, as well as the potential negative impact of the Fairmont Group continuing operations within this CCAA process;

(b) Cost of goods sold, marketing and general administrative expenses were based on estimated revenues over the Forecast Period as well as historical results from prior periods;

(c) Disbursement from Fairmont Resort Non-CCAA Debtors relate to the net result of receipts and disbursement submitted to the Fairmont Group in relation to management fees and other transactions as described above;

(d) Principal payments of approximately $84,000 (or approximately $67,000 USD) on the First Hawaiian Bank debt owed and paid by Makaha will continue. These funds will continued to be borrowed by Makaha from the Fairmont Group and this indebtedness is expected to be completely paid by the end of June 2009;

(e) Interest payments of approximately $88,000 (or approximately $56,000 USD) will continue to accrue on the debt owed to MRGC LLC (as defined below), by Makaha, but will not be paid (i.e. principal payments will not be made during this Forecast Period as well);

(f) Professional fees during the restructuring process have been estimated at approximately $914,000;

(g) No funds are required to be advanced amongst the Fairmont Group;

(h) Approximately $1.1 million in Advances to Non-CCAA Debtors will be required during the Forecast Period; and

(i) The Fairmont Group will require approximately $3.0 million in DIP Financing during the Forecast Period.

46. Based on the Applicants' assumptions which are expressed in the notes to the Forecast, the Forecast indicates that the Applicants will have sufficient funds through the Forecast Period, assuming the DIP Financing, discussed in further detail below, is approved.

RESTRUCTURING INITIATIVES

Discussions with Applicant & Stakeholders

47. Since the date of the Initial Order, the Monitor has initiated dialogue with the Applicants and their major stakeholders, including FRPL Finance Ltd. ("FRPL") and Makaha Resort & Golf Club LLC ("MRGC LLC"). The purposes of these discussions were to initiate dialogue between all parties and to consider and develop certain restructuring options available to the Fairmont Group.

48. One of the initiatives that the Applicants and its stakeholders are discussing as part of its restructuring efforts relates to designing a program, whereby individual lease holders of the British Columbia time share units may be offered the ability

to convert their leasehold interest into a fee simple interest (the "Revisionary Program") as further discussed in the April 24, 2009 affidavit of Mr. Murray Moore (the "April 24th Moore Affidavit"). Under this Revisionary Program, this could have the potential in generating significant revenues for the Applicants. In addition to this Revisionary Program, the Applicants continue to explore other restructuring alternatives as discussed in the April 24th Moore Affidavit.

49. These restructuring initiatives are currently at the preliminary stages and the Monitor will report on the status of these initiatives in due course. In the event that FRP wishes to proceed with a Reversionary Program, a further Court application would be made seeking approval of that Program.

50. Based on the initial discussions regarding the restructuring of the Fairmont Group and the current financial market conditions, the Fairmont Group is considering short-term strategies to improve overall liquidity through the normal course sale of time share inventory as well as the sale of certain non-core assets.

51. In addition, the Fairmont Group is assessing restructuring alternatives for its entire business which could include a refinancing, joint venture(s), sale(s) of certain major assets or a combination of any of these alternatives.

In-house legal counsel retainers

52. Prior to the CCAA, the Fairmont Group had arrangements with its legal counsel, Schinnour Matkin Baxter & Pichette Law Offices ("SMB&P"), to be compensated for their professional services through a monthly retainer arrangement (the "SMB&P Retainer Arrangement'). SMB&P provided extensive legal advice to the Applicants and the Fairmont Resort Non-CCAA Debtors. The SMB&P Retainer is further discussed in the April 24th Moore Affidavit.

53. Paragraph 28 of the Initial Order allows for the Applicants to pay their counsel reasonable fees and expenses at their standard rates. Since the filing of the Initial Order, the Fairmont Group has been in negotiations with its legal counsel to

renegotiate the SMB&P Retainer Arrangement to take into account the increased work load as a result of the CCAA proceedings.

54. The Monitor reviewed the revised SMB&P Retainer Arrangement in detail and was closely involved in the negotiation process. The Monitor believes that the SMB&P Retainer Arrangement, as revised, is reasonable and appropriate in the circumstances.

Rafter Six Guest Ranch Limited

55. On July 8, 2008, FRP, Rafter Six Guest Ranch Limited ("Rafter") and Rafter Six Developments Ltd. ("Rafter Six") (collectively, the "Joint Venture Partners") entered into a joint venture agreement ("JVA") whereby the Joint Venture Partners agreed to work together to carry out the development of certain lands in Alberta ("Alberta Lands") owned by Rafter Six. The purpose of the JVA was for the Joint Venture Partners to complete a western heritage theme based mixed use bare land condominium facility on a portion of the Alberta Lands and to complete certain amenities on a further portion of the Land (the "Master Plan"). The Master Plan was to construct an apartment-style condominium on the Alberta Lands, which was to contain approximately 100 condominium units (the "Units"), of which, approximately 25 Units would be held within the JVA and the remaining Units would be sold to the general public.

56. Under the JVA, Rafter contributed and transferred the development parcel of Alberta Lands and certain rights of use to these portions of the Alberta Lands to Rafter Six. Rafter Six was developed as a holding company to merely hold the joint interest in the Alberta Lands. Rafter Six would then allow for the development of the Alberta Lands by Rafter and FRP. Rafter also provided the financing for the development of the Alberta Lands, while FRP would be responsible for providing the overall management in developing the Alberta Lands that included (but was not limited to): planning, construction, project management, and marketing and sales phases of the Alberta Lands. As part of its responsibilities FRP was to guarantee the construction costs of the Master Plan.

57. This Master Plan was considered to be a long-term project and the Joint Venture Partners had only started the planning stage of the Master Plan. FRP and Rafter Six had not incurred significant costs in developing this Master Plan since the date the JVA was executed.

58. Under the terms of the JVA, the JVA can be terminated by anyone of the Joint Venture Partners if certain events of default occur, namely if either Joint Venture Partner becomes insolvent or makes an assignment or bulk sale of its assets, or if a petition in bankruptcy is filed or presented against it.

59. On April 10, 2009, the Joint Venture Partners agreed to dissolve and terminate the JVA effective April 1, 2009, with the support of the Monitor.

60. The Joint Venture Partners, with the Monitor's approval, decided to allow for the termination of this agreement and believed it was reasonable based on the following reasons:

    (a) Paragraph 10(d) of the Initial Order, allows for the Fairmont Group to repudiate or terminate such agreements as it deems appropriate;

    (b) Fairmont Group has not contributed any assets to the JVA, other than the time it spent in starting the planning phase of the Master Plan. The value of this time is considered immaterial to the Fairmont Group;

    (c) The Fairmont Group believes there is little to no value in continuing on the Master Plan, nor does the Fairmont Group have any resources with which to effectively continue on with the JVA at this time; and

    (d) By terminating this JVA, the Fairmont Group has not materially prejudiced any of its creditors or stakeholders.

61. Based on the above, the Monitor believes that the termination of this JVA is reasonable as it had no intrinsic value to the Fairmont Group and did not materially prejudice any of Fairmont Group's creditors and/or stakeholders.

DEBTOR-IN-POSSESSION ("DIP") FINANCING

62. The Fairmont Group was authorized to borrow funds under a credit facility from FRPL (the "Initial DIP Lender") in order to finance the Fairmont Group's working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed $500,000, unless permitted by further order of this Honourable Court.

63. After review of the Fairmont Group's Forecast, it was determined that the financing from the Initial DIP Lender in the amount of $500,000 was not sufficient to allow the Fairmont Group to complete its restructuring plans.

64. Without DIP financing or an immediate sale of assets (which given the nature of the assets is not practicable), the Fairmont Group would likely be placed into immediate liquidation, which would likely result in significantly lower recoveries than those obtained through an orderly restructuring.

65. As a result of the foregoing, and as permitted in the Initial Order, the Applicants, with the assistance of the Monitor, sought out and requested DIP financing from several lending institutions to assist in funding of Fairmont Group's operations, as indicated above in the Forecast.

66. The requirement for an additional DIP Lender is essentially based on the Applicants' cash flow needs from April 18, 2009 to the end of December 31, 2009, which is the Applicants' current estimate, in consultation with the Monitor, of the required time to complete a restructuring plan. Upon review of the cash flow requirements by both the Applicants and the Monitor, it was determined that the Applicant would require DIP financing in the amount of approximately $5.5 million over this period to assist the Fairmont Group in sustaining operations, while it prepares its plan of arrangement or compromise during the CCAA process.

67. The Applicants, with the assistance of the Monitor, solicited proposals for DIP financing from 7 lending institutions who have provided DIP financing in the past (the "DIP Lenders").

68. The Fairmont Group has received expressions of interests from certain of the DIP Lenders and finalized a binding commitment letter on April 24, 2009.

69. The selection of a suitable DIP Lender was be based on, but not limited to, the DIP Lender's:

(a) Industry experience;

(b) Reputation within the local financial lending industry;

(c) Terms and conditions within the Commitment Letter;

(d) Associated fees charged by the DIP Lender; and

(e) Previous experience of providing DIP financing to companies in insolvency proceedings.

70. During the Reporting Period, the Applicants, with the assistance of the Monitor, provided the DIP Lenders with all information available to the Applicants, including, but not limited too:

(a) Appraisals of certain entities within the Fairmont Group;

(b) Asset listings that were available for security to the DIP Lender;

(c) Certain of the documents relating to the existing security held by FRPL;

(d) Internal and reviewed financial statements of the Fairmont Group and the Fairmont Resort Non-CCAA Debtors;

(e) Colour pictures of the assets, buildings and landscapes of certain entities within the Fairmont Group and the Fairmont Resort Non-CCAA Debtors; and

(f) Detailed time share listings for FRP and LORV.

71. After reviewing the offers received from the DIP Lenders, and after careful consideration, the Applicants concluded, and the Monitor concurred, that the commitment letter from Century Services Inc. (the "Century DIP Loan") provided the best DIP financing in the current circumstances.

72. A copy of the Century Services Inc. commitment letter is attached to the April 27, 2009 affidavit of Mr. Murray Moore.

73. A summary of the Century DIP Loan is set out below:

(a) A demand facility in the amount of $5.5 million (the "DIP Facility")

(b) The DIP financing ranks in priority to all secured debts of the Fairmont Group;

(c) Interest rate of 15% per annum;

(d) A facility fee of 2% of the DIP Facility, fully earned and payable upon acceptance of the Century DIP Loan;

(e) 0.25% of the average monthly outstanding balance of the DIP Facility, paid quarterly;

(f) A term of 12 months, with a minimum term of 3 months;

(g) Interest payments due monthly, with the principal amount due on maturity; and

(h) The Century Dip Loan is conditional upon approval by this Honourable Court.

74. The effective cost of the Century DIP Loan is approximately 20% on an annualized basis.

75. The Applicants actively sought DIP financing from numerous parties, creating a competitive process. The Monitor believes that the Applicants' process to obtain DIP financing was reasonable and appropriate in the circumstances and the interest and terms of the Century DIP Loan were superior to the other expressions of interest received in the process to secure DIP financing.

76. Furthermore, the Monitor believes that without DIP financing, and without the approval of the Century DIP Loan, the Fairmont Group will not be able to continue operations and will likely face liquidation. The Monitor believes that liquidating the assets would result in lower recoveries than an orderly restructuring of the assets. Furthermore, in a liquidation scenario, a receiver or trustee would be required to borrow a similar amount of funds in order to maintain and sell the Fairmont Group's assets.

77. Accordingly, the Monitor does not believe the DIP financing to be unduly prejudicial to other creditors of the Fairmont Group. In addition, FRPL, the largest secured creditor of the Fairmont Group supports the approval of the Century DIP Loan.

APPLICANT'S REQUEST FOR AN EXTENSION OF THE STAY PERIOD

78. Pursuant to the Initial Order, the Stay Period continues until and including April 29, 2009. The Applicants are seeking an extension of the Stay Period until and including, July 29, 2009.

79. An extension of the Stay Period is necessary for the Applicants to allow for a continuation of:

    (a) Fairmont Group's restructuring efforts which include refinancing, recapitalization and/or joint venture agreements, among other things; and

(b) The Applicants' efforts to develop a restructuring plan or plan of arrangement.

80. The Monitor understands that FRPL continues to support the Fairmont Group in its restructuring efforts.

RECOMMENDATIONS

81. The Monitor recommends the approval of the Century DIP Loan.

82. In the Monitor's view, the Applicants are acting in good faith and with due diligence during this CCAA proceeding. The Monitor is of the view that the extension to the Stay Period is appropriate in the circumstances and therefore recommends that the Applicants' request for an extension of the Stay Period be granted to, and including, July 29, 2009.

All of which is respectfully submitted this 27th day of April 2009.

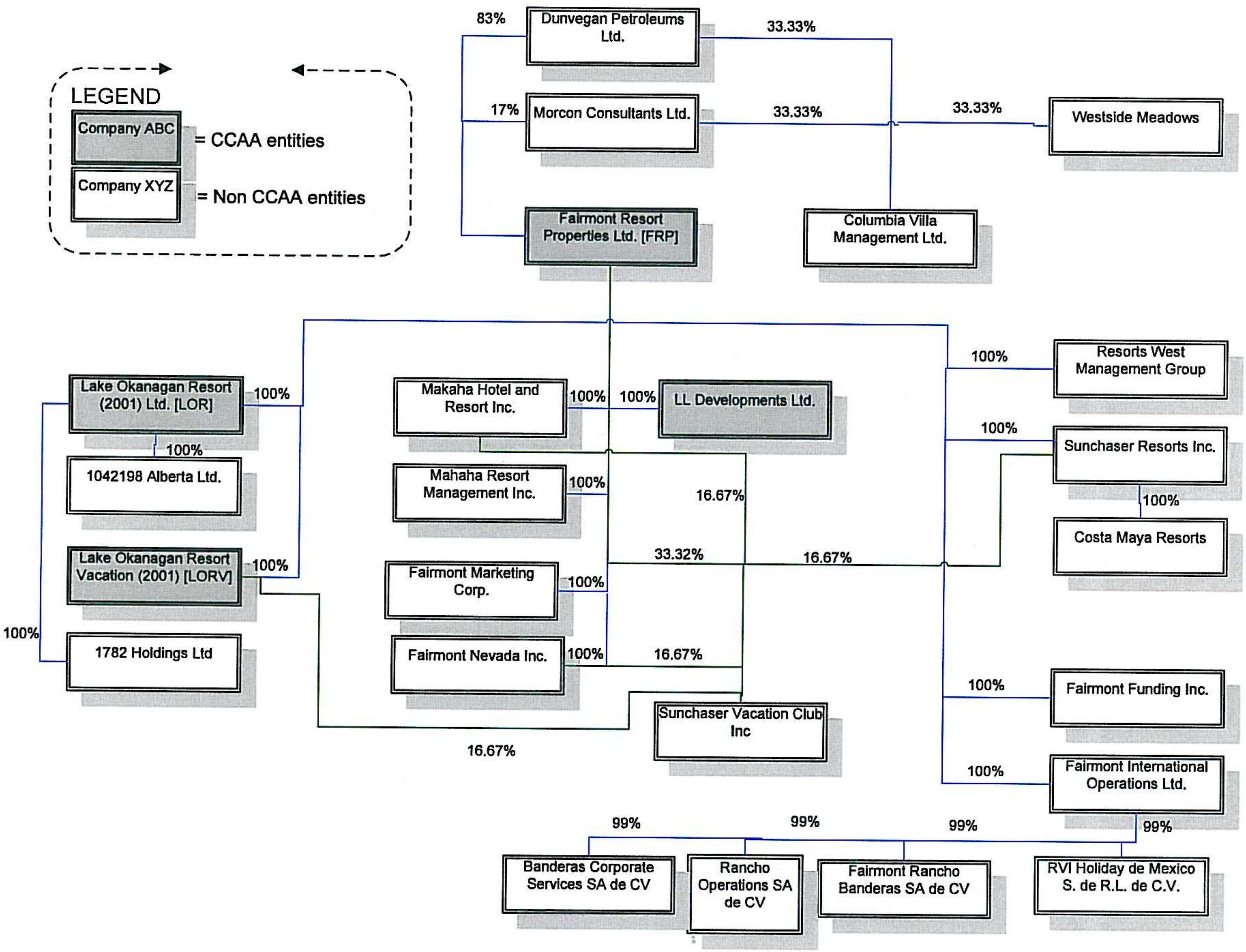
ERNST & YOUNG INC.
in its capacity as Court Appointed
Monitor of the Fairmont Group

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

APPENDIX A

Organizational Chart

Fairmont Group of Companies - Organizational Chart



APPENDIX B

Cash Flow Results
March 30, 2009 – April 17, 2009

Fairmont Resort Properties Ltd.
Cashflows from March 30, 2009 to April 17, 2009

		From March 30 to April 30, 2009			From March 30 to April 17, 2009	
		Total Forecast	Adjustments to Cash	Cash flow Forecast	Actual	Variance
Income/Receipts						
Timeshare sales		500,000	200,000	700,000	539,789	(160,211)
Interest on notes receivable		190,000		190,000		(190,000)
Management fees		15,000		15,000	8,938	(6,062)
Other		-		-	167,711	167,711
Gift Shop sales		42,000		42,000	8,776	(33,224)
Lake Okanagan Resort	Rooms	40,000		40,000	48,711	8,711
	F&B	25,000		25,000	36,497	11,497
	Other	70,000		70,000	57,533	(12,467)
		-				
		882,000	200,000	1,082,000	867,955	(214,045)
Expenses/Disbursements						
Payroll	Fairmont Including withholdings	425,000		425,000	424,235	765
	LORV including withholdings	60,000		60,000	25,380	34,620
	LOR including withholdings	175,000		175,000	124,400	50,600
Fairmont Resort properties	Insurance	40,000		40,000	4,573	35,427
	Utilities	95,000		95,000	-	95,000
	Rent	44,000		44,000	-	44,000
	Contract Services	30,000		30,000	76,088	(46,088)
	GST				54,189	(54,189)
	Operational costs	250,000		250,000	172,499	77,501
Lake Okanagan Resort	F&B	11,000		11,000	31,391	(20,391)
	Operational costs	230,000		230,000	29,763	200,237
Administration charges		-	250,000	250,000	-	250,000
Advances to subsidiary		-	500,000	500,000	185,000	315,000
Professional fees		-	(250,000)	(250,000)	-	(250,000)
		1,360,000	500,000	1,860,000	1,127,518	732,482
Net change in cash		(478,000)	(300,000)	(778,000)	(259,563)	518,437
Cash, beginning of period				300,000	1,067,029	767,029
Cash, end of period				(478,000)	807,466	1,285,466

APPENDIX C

Cash Flow Forecast
April 18, 2009 – July 31, 2009

Fairmont Group of Companies

Rolling cashflow forecast
April 18, 2009- July 31, 2009
CDN $
(000s)

WEEK ENDING	Week 4 24-Apr-09	Week 5 1-May-09	Week 6 8-May-09	Week 7 15-May-09	Week 8 22-May-09	Week 9 29-May-09	Week 10 5-Jun-09	Week 11 12-Jun-09	Week 12 19-Jun-09	Week 13 26-Jun-09	Week 14 3-Jul-09	Week 15 10-Jul-09	Week 16 17-Jul-09	Week 17 24-Jul-09	Week 18 31-Jul-09	TOTAL
Receipts																
Membership fees, rooms and golf receipts	435	355	320	317	312	310	316	297	300	303	306	290	298	302	309	4,768
Timeshare receipts	189	185	188	188	187	187	187	187	187	187	188	189	190	190	191	2,817
Receipts of revenue	623	540	508	504	499	497	502	483	487	489	494	479	487	492	500	7,586
Total receipts	623	540	508	504	499	497	502	483	487	489	494	479	487	492	500	7,586
Disbursements																
COGS	88	184	83	83	83	83	84	88	90	89	90	106	106	107	107	1,469
Wages & Benefits	-	-	12	-	12	-	10	-	12	-	10	-	6	5	-	69
Marketing Expenses	83	128	81	81	82	82	83	75	77	75	77	66	65	66	66	1,187
Other Expenses	2	5	2	2	2	1	2	2	2	2	2	2	2	2	2	28
Marketing expenses	85	133	95	83	96	83	95	76	91	76	89	67	73	73	68	1,283
Wages & Benefits	-	-	361	-	393	-	395	-	399	-	426	-	434	-	-	2,406
Direct Expenses	57	103	76	89	53	54	77	95	56	57	79	110	67	70	70	1,111
Professional and Consulting	40	78	44	48	36	34	44	52	38	36	51	46	34	32	35	647
Repairs & Mtce	20	81	18	14	16	15	21	17	19	18	20	15	15	17	15	322
Office Expenses	55	169	60	65	44	42	55	61	40	40	53	57	35	36	31	843
Utilities	56	218	52	58	55	50	51	56	54	49	50	49	44	44	41	928
Overhead	27	120	52	30	19	18	57	34	22	20	59	35	23	19	16	550
Other expense - LL Developments	-	-	-	-	-	-	-	-	17	-	-	-	-	-	-	17
General & administration expenses	254	768	663	304	616	213	700	316	646	220	737	312	651	218	206	6,823
Disbursements from non-CCAA Debtors	-	(63)	-	-	-	-	(13)	-	-	-	(13)	-	-	-	-	(88)
Principal repayments on Makaha debt	-	31	-	-	-	31	-	-	-	21	-	-	-	-	-	84
Restructuring fees	-	68	178	68	68	43	43	97	42	42	42	97	42	42	42	914
Total disbursements	427	1,121	1,019	538	862	453	909	577	868	449	945	582	872	439	423	10,486
Net Cash Flow	196	(581)	(511)	(34)	(363)	43	(407)	(94)	(381)	41	(451)	(104)	(385)	53	77	(2,900)
Opening available cash	807	1,003	423	1,411	1,377	1,014	1,057	651	557	176	216	1,265	1,162	777	830	807
DIP Financing			1,500								1,500					3,000
	807	1,003	1,923	1,411	1,377	1,014	1,057	651	557	176	1,716	1,265	1,162	777	830	3,807
Net Cash Flow	196	(581)	(511)	(34)	(363)	43	(407)	(94)	(381)	41	(451)	(104)	(385)	53	77	(2,900)
Ending cash	1,003	423	1,411	1,377	1,014	1,057	651	557	176	216	1,265	1,162	777	830	907	907

Summary of Fairmont Group of Companies Cashflows																
CCAA entites	211	(82)	(414)	(63)	(283)	31	(341)	(106)	(284)	36	(371)	(106)	(279)	35	55	(1,960)
Makaha	(15)	(561)	(97)	29	(80)	13	(78)	12	(97)	5	(93)	2	(106)	18	22	(1,028)
Belize & Mexico entities	-	63	-	-	-	-	13	-	-	-	13	-	-	-	-	88
Total net cashflow	196	(581)	(511)	(34)	(363)	43	(407)	(94)	(381)	41	(451)	(104)	(385)	53	77	(2,900)

Conversion rate of Makaha, Mexico and Belize *1.250*

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. 1985, 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 DEVELOPMENT LTD.

FIRST REPORT OF THE MONITOR

BLAKE, CASSELS & GRAYDON LLP
Barristers and Solicitors
3500, 855 - 2 Street S.W.
Calgary, Alberta T2P 4J8

Attention: Kelly J. Bourassa
Phone: 403.260.9697
Fax: 403.260.9700

File No: 8431/1358