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 ARRANGEMENT
OF
FAIRMONT RESORT PROPERTIES LTD., LAKE OKANAGAN RESORT VACATION (2001) LTD., LAKE OKANAGAN RESORT (2001) LTD., AND LL DEVELOPMENTS LTD.**

TENTH REPORT OF THE MONITOR

ERNST & YOUNG INC.

MAY 26, 2010

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INTRODUCTION

1. On March 30, 2009, FRPL Finance Ltd. (now known as "Northwynd LP") and FRPL Management Ltd. ("FRPLM") 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. ("LORV"), Lake Okanagan Resort (2001) Ltd. ("LOR"), and LL Developments Ltd.("LLD") (collectively the "Fairmont Group") 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 Fairmont Group during these *CCAA* proceedings (the "Monitor").

3. The purpose of this tenth report of the Monitor (the "Tenth Report") is to provide this Honourable Court with:

    (a) An operational and restructuring update since the ninth report of the Monitor dated April 26, 2010 (the "Ninth Report");

    (b) an analysis of the budget to actual cash flow results for the period from April 3, 2010 to May 21, 2010 (the "Reporting Period");

    (c) the revised cash flow projections from May 22, 2010 to July 2, 2010 (the "Forecast Period");

    (d) the Fairmont Group's request for an extension of the Stay Period, as defined in the Initial Order; and

    (e) the Monitor's recommendation.

4. Capitalized terms not defined in this Tenth 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 Tenth Report, the Monitor has relied upon unaudited financial information, company records and discussions with management of the Fairmont Group. 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 acquisition, development and operation of resort based real estate for the ultimate disposition/sale within an interval or time share format. The primary assets are located in Alberta, British Columbia, Hawaii, Belize, Mexico and certain other destination based locations. The primary business of the Fairmont Group and related companies 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. Further background to the Fairmont Group and its operations is contained in the materials filed relating to the Initial Order including the March 30, 2009 affidavit of Mr. Gary L. Bentham. These documents, together with other information

regarding this CCAA proceeding has been posted by the Monitor on its website at: www.ey.com/ca/frpl.

RESTRUCTURING UPDATE

Background

9. As previously discussed in the Ninth Report, Northwynd LP filed a notice of motion on April 27, 2010 requesting that this Honourable Court authorize FRP, LOR and LORV to accept an offer (the "Offer") made by Northwynd LP for certain secured assets (the "Secured Assets") and operations of FRP, LOR and LORV.

10. A full analysis of the offer and the alternatives available for the Fairmont Group can be seen in the Ninth Report.

11. On April 27, 2010, this Honourable Court determined that it was appropriate, under the circumstances, to allow FRP, LOR and LORV to accept the Offer within these CCAA proceedings.

12. Since the Ninth Report, the Fairmont Group has continued to work closely with Northwynd LP to complete the sale of the Secured Assets to Northwynd LP. In addition, the Fairmont Group has been working towards finalizing various draft materials and completing other administrative matters that will be required as part of an order that the Fairmont Group will seek to terminate the CCAA (the "Termination Order").

13. The Monitor understands that the Fairmont Group requires a short extension to the stay of proceedings to June 30, 2010 in order to complete the necessary documents to close the sale to Northwynd LP.

OPERATIONAL UPDATE

General operations

14. The Fairmont Groups' operations have continued with no material adverse changes since the date of the Ninth Report. The Fairmont Group has been able to retain its core employees, except as described in greater detail below, and arrange for the continuation of services from its suppliers, allowing the Fairmont Group to continue to operate in the normal course.

DIP Financing

15. The table below reconciles the current DIP Loan position:

DIP Loan Reconciliation As at May 21, 2010	FORECAST $000	ACTUAL $000	VARIANCE $000
Opening balance	1,732	1,732	-
Borrow on DIP - during Reporting Period	1,200	1,150	(50)
Principal repayments	(865)	(683)	182
Ending DIP Balance	**2,067**	**2,199**	**132**
Maximum Limit under DIP Loan	**3,434**	**3,535**	**101**
Available credit under DIP Loan	**1,367**	**1,336**	**(31)**

16. As shown in the above table, since the eighth report of the Monitor (the "Eighth Report") to May 21, 2010, FRP has drawn approximately $1.15 million under the DIP Loan and has made repayments of approximately $683,000, resulting in an ending DIP Loan obligation of approximately $2.2 million. Based on the Amended DIP Loan Agreement, the maximum limit under the DIP Loan has been reduced from $5.5 million to $3.5 million, which leaves an available credit under the DIP Loan of approximately $1.3 million to be drawn, if required.

17. The Fairmont Group is required to meet certain weekly and monthly reporting requirements to be submitted to the DIP Lender with copies to Resort Funding LLC ("RFI"). The Monitor has reviewed all of the mandatory reports required to

be sent to the DIP Lender and concurs that the Fairmont Group has been in compliance with its reporting requirements during the Reporting Period.

Update on the terminated Claims Process

18. On April 27, 2010, this Honourable Court granted an order terminating the Claims Procedure Order for LOR and LORV.

19. On May 25, 2010, LOR and LORV, with the assistance of the Monitor, sent a letter to its time share owners and creditors advising them that the Claims Procedure Order had been terminated. A copy of this letter is attached to the May 26th, 2010 affidavit of Mr. Murray Moore (the "May 26th Moore Affidavit") as Exhibit A.

Resignation of the Fairmont Group's Director of Finance

20. As discussed in the third report of the Monitor (the "Third Report"), FRP engaged the services of Mr. Dale Kearns to fill the position as the Fairmont Group's director of finance, which was previously held by the current Chief Restructuring Officer (the "CRO").

21. As of May 14, 2010, the Monitor understands that Mr. Kearns had resigned from his position due to personal commitments. The Fairmont Group, with the support of the CRO, is currently reviewing its options in finding a suitable replacement for this vacant position.

Repudiation of lease agreements

Fairmont Holdings Ltd.

22. On March 1, 2001, FRP and Fairmont Holdings Ltd. ("Holdings") entered into a lease agreement (the "Sales Office Lease Agreement") whereby Holdings agreed to lease the building referred to as the Fairmont Shopping Center located in Fairmont Hot Springs, BC to FRP. The lease agreement provided that Holdings, as the lessor, agreed to lease this building to FRP, as lessee, for the period

commencing on July 1, 2001 and expiring on May 31, 2011 under the terms of that agreement. FRP used this building as its sales office in the past and during the restructuring period.

23. On May 17, 2010, FRP, with the Monitor's approval, repudiated this agreement with Holdings. The Monitor understands that FRP will vacate this premise by May 28, 2010.

MCAP Leasing

24. On or about September 26, 2007, FRP entered into a lease agreement with MCAP Leasing (the "Outdoor Signage Lease Agreement") whereby MCAP Leasing agreed to lease an outdoor digital sign to FRP that is currently located outside the Fairmont Group's head office in Calgary, Alberta. The lease agreement provided that MCAP Leasing, as the lessor, agreed to lease this outdoor sign to FRP, as lessee, for the period commencing on October 1, 2007 and expiring on September 30, 2012, under the terms of that agreement.

25. On May 17, 2010, FRP, with the Monitor's approval, repudiated this agreement with MCAP Leasing.

BUDGET TO ACTUAL RESULTS – APRIL 3, 2010 TO MAY 21, 2010

26. The cash flow budget to actual presented at Appendix "A" for the Reporting Period (April 3, 2010 to May 21, 2010) contains the actual cash receipts and disbursements relating to the Fairmont Group and its net investment in Fairmont Resort Non-CCAA Debtors that include, Makaha Hotel and Resort Inc. ("Makaha"), Fairmont Rancho Banderas S.A. de C.V; Banderas Corporate Services S.A. de C.V; Rancho Operations S.A. de C.V; and Costa Maya Reef Resorts as compared to the cash flow forecasts previously provided to this Honourable Court in the Ninth Report (the "Ninth Report Forecast"). The table below provides a summary of the budget to actual cash flow:

Actual to Budget Variance April 3, 2010 to May 21, 2010 (the "Reporting Period")	FORECAST $000	ACTUAL $000	VARIANCE $000
Receipts	**2,485**	**3,083**	**598**
Disbursements			
Disbursements from operations	1,909	2,248	(339)
Intercompany transfers - Non-CCAA entities	275	300	(25)
Restructuring costs	750	817	(67)
DIP interest payments	49	31	18
Total disbursements	**2,983**	**3,396**	**(413)**
Net change in cash	(498)	(313)	**185**
Opening cash (including Building 7000 Trust Account)	1,499	1,499	-
Building 7000 Trust Account	(1,195)	(1,184)	(11)
DIP advances/(repayments) - net	335	467	(132)
Ending available cash	**141**	**469**	**42**

27. Receipts for the Reporting Period totalled approximately $3.08 million, representing a favourable variance of approximately $0.6 million from the receipts set out in the Ninth Report Forecast. This positive variance was primarily due to:

(a) a negative variance in receipts from the Reversionary Program accounting for approximately $188,000, as discussed in detail in the May 26th Moore Affidavit;

(b) unanticipated recoveries from operations of approximately $339,000 in the Reporting Period that mainly relate to the return of approximately $330,000 in additional security deposits held by Computershare, as required under the trust indenture agreement for the Series B bonds of Northwynd LP;

(c) higher than forecast timeshare sales of approximately $311,000; and

(d) higher than forecast receipts from hotel operations and fees of approximately $134,000.

28. Disbursements for the Reporting Period totalled approximately $3.4 million representing an unfavourable variance of $413,000. This variance was primarily due to:

(a) negative variance of approximately $338,000 relating to the timing of certain operating expenses;

(b) negative variance of approximately $25,000 in higher than expected intercompany transfers to its Fairmont Resort Non-CCAA Debtors; and

(c) negative variance of approximately $67,000 in restructuring costs relating to the timing of invoices that were issued in prior reporting periods and paid in the current Reporting Period that were required in assisting the Fairmont Group in its business plan, financial modeling and restructuring efforts.

29. The Building 7000 Trust Account (as defined in the Fifth Report) has accumulated to approximately $1.18 million, which resulted from setting aside the required $400 for every inventory time share and Reversionary Program week sold within FRP, in trust, for the capital improvements to the Building 7000.

30. The ending total available cash balance as at April 2, 2010 was $469,000 compared to the forecasted cash balance amount of approximately $141,000, which is due to the variances discussed above.

Related company advances

31. During the Reporting Period, approximately $300,000 has been advanced by FRP to Makaha to cover certain operating, consulting and payroll related costs.

REVISED CASH FLOW FORECAST THROUGH JULY 2, 2010

32. Attached as Appendix "B" to this Ninth Report is a copy of the revised cash flow forecast for the period from May 22, 2010 through July 2, 2010 (the "Forecast Period") as prepared by the Fairmont Group, with the assistance of the Monitor. Management has prepared the forecast based on the most current information available.

33. For purposes of this Forecast Period, the Fairmont Group continued to combine all proceeds received under the Reversionary Program with cash from operations, as the use of funds from the Reversionary Program and operations are being applied during the course of the Forecast Period against the Amended DIP Loan.

34. The cash flow forecast was developed by management on the basis that it will require an extension of the stay of proceedings for one month to complete the sale of the Secured Assets to Northwynd LP in these CCAA proceedings.

35. The table below summarizes the Forecast Period cash flow:

Fairmont - Revised Forecast May 22, 2010 to July 2, 2010	Forecast $000
Receipts	1,688
Disbursements	
Disbursements from operations	1,419
Intercompany transfers - Non-CCAA entities	350
Restructuring costs	850
DIP interest payments	76
Total disbursements	2,695
Net change in cash	(1,007)
Less: funds transferred out to building 7000 trust	(99)
Adjusted net change in cash	(1,106)
Opening cash balance - operations	469
DIP advances/(repayments) - net	647
Adjusted net change in cash - operations	(1,106)
Ending cash balance - operations	10
Opening available cash - building 7000 trust	1,184
Add: funds transfered in for building 7000 trust	99
Ending available cash - building 7000 trust	1,283
DIP Loan Reconciliation	
Opening balance	2,199
Borrowings on DIP	1,250
Principal repayments	(603)
Ending DIP Balance	2,846
DIP Availability as at July 2, 2010	
Maximum borrowing limit	3,283
Availabilty	437

36. As summarized above, the Fairmont Group is projecting total cash receipts of approximately $1.7 million, cash disbursements from operations of approximately $2.7 million, transfer of operating funds to the Building 7000 Trust Account of approximately $99,000 and a net decrease in cash from operations of approximately $1.1 million in the Forecast Period.

37. The Monitor has reviewed the assumptions supporting the forecast with the Fairmont Group's management and believes the assumptions to be reasonable.

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

(a) Management has forecasted receipts collections based on time share and Reversionary Program receipts during the Reporting Period;

(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) Approximately $350,000 in inter-company transfers to Makaha will be required during the Forecast Period. These advances are required to cover consulting, general and operating costs that will be subject to additional discussion and consideration by the DIP Lender and the Monitor;

(d) Interest relating to the DIP Loan is estimated at approximately $76,000;

(e) Professional fees during the Forecast Period have been estimated at approximately $850,000, which includes catch up payments of costs incurred prior to the Forecast Period and costs expected to be incurred during the Forecast Period; and

(f) Approximately $99,000 in fund transfers to the restricted Building 7000 Trust Account.

39. The Fairmont Group, along with the Monitor, will continue to assess prior to any transfer of funds from a CCAA entity to a Fairmont Resort Non-CCAA Debtor (including Makaha), whether the Fairmont Group is adequately secured in terms of the eventual recovery of the advances, including:

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

(b) ensuring sufficient equity exists such that the advances to the

Fairmont Resort Non-CCAA Debtor will be fully recoverable; and

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

40. The Monitor is of the view that if the stay extension is granted by this Honourable Court, no stakeholders other than Northwynd LP will be prejudiced and/or materially adversely affected, based on the projected cash flows over the Forecast Period.

41. Based on the Fairmont Groups' assumptions, the Revised Forecast indicates that the Fairmont Group will continue to have sufficient funds to meet its current obligations through the Forecast Period.

FAIRMONT GROUP'S REQUEST FOR AN EXTENSION OF THE STAY PERIOD

42. Pursuant to the Initial Order, as amended, the Stay Period continues until and including May 31, 2010. The Fairmont Group is seeking an extension of the Stay Period until and including, June 30, 2010 (the "Stay Extension").

43. The Stay Extension is necessary to allow the Fairmont Group to complete its sale of the Secured Assets to Northwynd LP and work towards finalizing the materials necessary to seek the Termination Order.

44. In the Monitor's view, the Fairmont Group is acting in good faith and with due diligence during the CCAA proceedings. The Monitor is of the view that the Stay Extension is appropriate in the circumstances.

RECOMMENDATION

45. The Monitor recommends that this Honourable Court approve the Stay Extension.

All of which is respectfully submitted this 26th May 2010.

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

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

Orest Konowalchuk, CA
Manager

APPENDIX A

Cash Flow Budget to Actual
April 3, 2010 – May 21, 2010

FAIRMONT GROUP **Budget to actual cash flow** April 3, 2010 to May 21, 2010 (the "Reporting Period")	Budget	Actual	Variance
CASH FLOW			
Receipts			
Receipts of timeshare	514,929	826,293	311,364
Receipts of reversionary	1,306,274	1,118,454	(187,819)
Receipts of fees, hotel rooms, golf revenue, etc	639,211	773,178	133,967
Other receipts	25,000	364,818	339,818
Total receipts	2,485,413	3,082,743	597,330
Disbursements			
Cost of sales	110,642	99,867	10,776
Wages & benefits	523,712	617,302	(93,589)
Marketing & commissions "non reversionary"	113,412	23,146	90,266
Marketing & commissions "reversionary"	291,000	306,061	(15,061)
Professional and consulting	112,906	269,963	(157,057)
General and administrative expenses	757,583	931,779	(174,196)
Operating expenses subtotal	1,909,255	2,248,117	(338,862)
Intercompany expenses - Non CCAA entities			
Makaha	275,000	300,406	(25,406)
RVM	-	-	-
Other (Mexico, Rancho)	-	-	-
Total Non CCAA - Intercompany	275,000	300,406	(25,406)
Restructuring costs	750,000	816,489	(66,489)
DIP interest payments	48,645	31,059	17,586
Total disbursements	2,982,900	3,396,071	(413,171)
Net change in cash flow	(497,487)	(313,327)	(184,159)

Open cash - consolidated	1,498,761	1,498,761	-
Net change in cash flow	(497,487)	(313,327)	184,159
Less: Building 7000 Trust - ending cash	(1,195,110)	(1,183,960)	11,150
DIP Advances / (Repayments)	334,804	466,614	131,810
Ending Cash - consolidated	140,969	468,087	327,118

Use of DIP Loan			
Opening Balance	1,731,913	1,731,913	-
Advances on DIP	1,200,000	1,150,000	(50,000)
Principal repayments on DIP	865,196	683,386	181,810
Ending Balance	2,066,717	2,198,527	131,810
Maximum allowable draw	3,423,657	3,535,399	111,743

APPENDIX B

Cash Flow Forecast
May 22, 2010 – July 2, 2010

Fairmont Group of Companies
Rolling cashflow forecast
May 22, 2010 to July 2, 2010

(000s) CDN $	Forecast Week 61 28-May-10	Forecast Week 62 4-Jun-10	Forecast Week 63 11-Jun-10	Forecast Week 64 18-Jun-10	Forecast Week 65 25-Jun-10	Forecast Week 66 2-Jul-10	Forecast Cumulative May 22, 2010 to July 2, 2010
Receipts							
Receipts of timeshare	73	33	33	34	34	34	242
Receipts of reversionary program	136	136	136	153	153	153	867
Receipts of fees, hotel rooms, golf revenue, etc	72	72	72	78	78	78	449
Other receipts	-	40	-	50	-	40	130
Total receipts	282	282	242	314	264	304	1,688
							-
Disbursements							-
Cost of sales	13	13	13	19	14	14	88
Wages & benefits	-	180	-	180	-	180	539
Marketing & commissions "non reversionary program"	12	12	12	22	18	18	93
Marketing & commissions "reversionary program"	-	-	16	120	-	-	136
Professional and consulting	22	22	22	38	7	7	118
General & administrative expenses	71	71	71	92	71	71	446
Operating expenses subtotal	118	298	134	470	110	289	1,419
							-
Intercompany transfers - non-CCAA entities							-
Makaha	125	25	25	75	25	75	350
RVM	-	-	-	-	-	-	-
Other (Mexico, Rancho)	-	-	-	-	-	-	-
Total non CCAA - intercompany	125	25	25	75	25	75	350
							-
Restructuring costs	200	125	100	100	125	200	850
							-
DIP interest payments	-	36	-	-	-	40	76
							-
Total disbursements	443	484	259	645	260	604	2,695
Net change in cash flow - operations	(161)	(202)	(17)	(331)	5	(300)	(1,007)
Less: funds transfered out to building 7000 trust	(16)	(16)	(16)	(17)	(17)	(17)	(99)
Net change in cash available - operations	(177)	(218)	(33)	(348)	(13)	(317)	(1,106)
Opening cash balance - operations	469	283	8	34	10	35	469
Add: DIP advances	-	175	175	425	50	425	1,250
Deduct: DIP repayments	(9)	(232)	(116)	(100)	(13)	(133)	(603)
Net change in available cash - operations	(177)	(218)	(33)	(348)	(13)	(317)	(1,106)
Ending cash balance - operations	283	8	34	10	35	10	10
Opening available cash 7000 trust	1,184	1,200	1,215	1,231	1,248	1,266	1,184
Add: funds transfer in for building 7000 trust	16	16	16	17	17	17	99
Ending available cash - Building 7000 trust	1,200	1,215	1,231	1,248	1,266	1,283	1,283
Use of DIP Loan							
Opening Balance	2,199	2,190	2,133	2,192	2,517	2,554	2,199
Advances on Dip	-	175	175	425	50	425	1,250
Principal repayments on DIP	9	232	116	100	13	133	603
Ending Balance	2,190	2,133	2,192	2,517	2,554	2,846	2,846
Maximun limit under amended DIP loan	3,491	3,410	3,369	3,334	3,329	3,283	3,283
Available credit under amended DIP loan	1,301	1,377	1,177	818	776	437	437

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TENTH REPORT OF THE MONITOR
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CLERK OF THE COURT
MAY 2 6 2010
CALGARY, ALBERTA

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