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.

SECOND REPORT OF THE MONITOR

ERNST & YOUNG INC.

JUNE 5, 2009

TABLE OF CONTENTS OF THE SECOND REPORT

LISTING OF APPENDICIES TO THE SECOND 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. ("LORV") Lake Okanagan Resort (2001) Ltd. ("LOR"), 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 second report of the Monitor (the "Second Report") is to provide this Honourable Court with an update in respect of the following:

   (a) Financial performance and operational update since the First Report;

   (b) An analysis of the budget to actual cash flow results for the period from April 20, 2009 to May 29, 2009 (the "Reporting Period");

   (c) The Fairmont Group's recommendation for the implementation of the Remainder Program, the Conversion Program and the Monetization Program (collectively referred to as the "Proposed Programs"), all defined and discussed below;

   (d) The Monitor's comments with respect to the Proposed Programs;

   (e) The revised cash flow projections from May 30, 2009 through to July 31, 2009 (the "Revised Forecast" and the "Revised Forecast Period") taking into account the forecast results of the Proposed Programs;

   (f) The CRO; and

(g) The Monitor’s recommendations.

4. Capitalized terms not defined in this Second 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 Second Report, the Monitor has relied upon unaudited financial information, company records and discussions with management of the Applicants. 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 the Monitor's First 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.

FINANCIAL PERFORMANCE AND OPERATIONAL UPDATE SINCE THE SECOND REPORT

General operations

10. The Applicants' operations have continued with no material adverse changes since the date of the Monitor's First Report. The Fairmont Group has been able to retain its core employees and arrange for the continuation of services from its suppliers, allowing the Fairmont Group to continue to operate in the normal course.

DIP Financing

11. As previously discussed in the First Report, the Applicants, with Monitor concurrence, received approval from this Honourable Court to enter into a commitment letter with Century Services Inc. ("Century") to provide a $5.5 million DIP financing loan (the "DIP Facility") to assist the Fairmont Group in sustaining operations, while it prepares its plan of arrangement during the CCAA process.

12. The final DIP loan agreement was signed and executed by the Fairmont Group and Century on May 27, 20009. The Fairmont Group received its first injection of cash under the DIP Loan of $1 million less certain facility and legal fees on June 1, 2009.

13. Although the Fairmont Group has forecast the need for an additional $1.5 million from the DIP Facility during Week 14 (July 3, 2009), the Fairmont Group is hopeful that with the success and implementation of the Proposed Programs, the Applicants will not require any further significant draws on the facility.

BUDGET TO ACTUAL ANALYSIS FOR THE REPORTING PERIOD

14. The cash flow budget to actual presented at Appendix "A" for the Reporting Period pertains to the actual movement of cash receipts and disbursements relating to the Fairmont Group, Makaha Hotel and Resort Inc. ("Makaha") , 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") and Costa Maya Reef Resorts as compared to the cash flow forecasts previously provided to this Honourable Court in the First Report (the "First Report Forecast"). The table below provides a summary of the budget to actual cash flow:

Fairmont - Budget to Actual Variance	**Forecast $000**	**Actual $000**	**Difference $000**
Receipts	3,171	2,337	(834)
Disbursements	4,421	2,422	1,999
Net change in cash	(1,250)	(86)	1,164
Foreign exchange adjustment	-	17	(17)
DIP financing	1,500	-	(1,500)
Opening cash	807	813	6
Ending cash	**1,057**	**745**	**(313)**

15. Receipts for the Reporting Period totalled approximately $2,337,000, representing an unfavourable variance of approximately $834,000 from the receipts set out in the First Report Forecast. This negative variance was primarily due to actual proceeds from timeshare sales, notes owing on the sale of time shares, and other receipts (comprising promotions, sampler programs, club fees and fees) being less than forecast. The negative receipts variance was in part a reflection of the general economic conditions and slow start to the summer vacation season.

16. Disbursements for the Reporting Period totalled approximately $2,422,000 representing a favourable variance of $1,999,000. This positive variance was primarily due to the following significant variances:

(a) Positive variance of approximately $407,000 in cost of goods sold that related to:

i. actual cost below budget for each of the hotel operations;

ii. sales being less than forecast as discussed above; and

iii. cut-backs on certain expenditures that were previously forecast and are not anticipated to occur in the Revised Forecast Period, as defined below.

(b) Positive variance of approximately $538,000 relating to the timing of certain marketing programs that have been delayed and are expected to occur in the forecast period. The actual costs incurred relate primarily to the cost of Makaha marketing staff.

(c) Positive variance of approximately $650,000 in general and administrative expenses that relate primarily to:

i. a positive variance of approximately $1,292,000 relating to direct expenses, professional and consulting fees, repairs and maintenance costs, office expenses, and utilities that were impacted by a combination of lower sales and certain net savings as a result of cost savings initiatives.

ii. a negative variance of approximately $405,000 relating to higher than expected overhead expenditures;

iii. a negative variance of approximately $237,000 relating to certain LOR salaries that were not previously forecast properly and have now been corrected and updated in the Revised Forecast Period;

(d) Positive variance of approximately $425,000 relating to the timing of restructuring fees during the CCAA process; and

(e) The foreign exchange adjustment relates to the foreign exchange rate fluctuation that occurred between April 20, 2009 and May 29, 2009 on funds transferred to Makaha in the Reporting Period.

17. The ending cash balance as of May 29, 2009 was approximately $745,000 compared to the forecast negative balance of $443,000, excluding the debtor-in-possession financing of $1.5 million. The overall positive variance in cash was due to the receipts and disbursement variances discussed above.

Related company advances

18. During the Reporting Period, approximately $117,000 has been advanced between companies within the Fairmont Group (i.e. FRP advanced $95,000 to LOR and $22,000 to LORV as cash advances to cover operating expenses and payroll, respectively).

19. During the Reporting Period, approximately $326,000 was advanced by the Fairmont Group to Makaha to cover certain operating and payroll related costs. Advances or transfers from the Fairmont Group to Fairmont Resort Non-CCAA Debtors (as defined in the First Report of the Monitor dated April 27, 2009) are being assessed by the Applicants and the Monitor on an ongoing basis, to ensure that the Fairmont Group is properly secured in terms of any advances.

REMAINDER PROGRAM, CONVERSION PROGRAM AND MONETIZATION PROGRAM (COLLECTIVELY, THE "PROPOSED PROGRAMS")

Background

20. As set out in the affidavit of Mr. Murray Moore dated April 24, 2009, since the granting of the Initial Order, the management of Fairmont has considered certain initiatives that would allow the Applicants to generate funds to assist in its restructuring efforts. Management has completed an extensive analysis of various initiatives and is seeking approval of this Honourable Court for the implementation of the following Proposed Programs:

    (a) A program that would provide current holders of leasehold interests in time share intervals at Fairmont Vacation Villas ("FVV") and LOR the opportunity to convert from a leasehold interest to a fee simple interest, in exchange for a one-time acquisition fee payable to Fairmont Group (the "Remainder Program");

    (b) An inventory monetization program that would encourage purchases of excess, non-peak inventory at both FVV and LOR at a discounted rate (the "Monetization Program"); and

    (c) A program that would allow the Applicants to convert from a timeshare "week program" affiliation with Interval International ("II") to a points based program (the "Points Program") provided by Resort Condominiums International LLC ("RCI") (the "Conversion Program").

21. The details and assumptions of the Proposed Programs are discussed in further detail below. The table below summarizes the Fairmont Group's management's forecast revenues, net revenues and cash flow from the Proposed Programs for the period from June 1, 2009 through December 31, 2009 (the "Program Forecast Period"):

Program Forecast (June to December 31, 2009)	Remainder Program	Monetization Program	Total
Sales & Interest Revenue	45,675	8,434	54,109
Expenses (allocated based on revenues)	11,154	2,059	13,213
Net revenue	**34,522**	**6,374**	**40,896**
Composition of net revenue			
Collections during Program Forecast			7,536
Accounts payable as at December 31, 2009			(70)
Accounts receivable as at December 31, 2009			29,409
7000 Building Reserve and other capital exp.			4,022
			40,896

22. As illustrated in the table above, management's Program Forecast indicates total revenues from the Proposed Programs of $54 million, comprising $46 million in sales from the Remainder Program and $8.4 million in sales from the Monetization Program. Total net revenues estimated from the Proposed Programs is approximately $40.9 million, comprising:

(a) $7.5 million in net cash receipts during the Program Forecast period;

(b) $4.0 million in funds that would be used to replenish certain building reserve funds and other capital expenditures; and

(c) $29 million in receivables relating to the financed portion of sales.

23. In summary the Proposed Programs essentially converts illiquid assets (i.e. unsold inventories and the fee simple interests that are subject to time share leases) to either cash or near cash assets (i.e. accounts receivables).

24. Further background to the Remainder Program, Monetization Program and Conversion Program is contained in the June 5, 2009 affidavit of Mr. Murray Moore (the "June 5th Moore Affidavit") and as set out below along with the underlying assumptions and sources and uses of cash.

Remainder Program

25. The proposed Remainder Program is an attempt for Fairmont to advance its restructuring efforts and to raise capital by allowing its customer base at FVV and LOR to convert from a leasehold interest to a fee simple interest. Management estimates that between FVV and LOR, there are approximately 23,000 active leases held by approximately 18,000 lessees. At present, a leasehold interest in a time share interval provides the lessee with a leasehold interest for an initial 40 year term that provides one week of vacation time at either FVV or LOR. The term remaining on the Fairmont Group's inventory of leases varies from approximately 13 years (for individuals who purchased the time shares when first sold by Fairmont Group) to 40 years (for individuals who recently purchased the time share interval).

26. Under the current program, the leaseholder's interest expires at the end of the 40 year term. Under the Remainder Program, the time share holders have the opportunity to purchase a fee simple interest at the end of their leases such that their respective interests would not expire.

27. The benefit to the time share holder is that the Remainder Program provides an indefinite ownership in the time share interval and would not have any expiration date. The value of the Remainder Program is greater to time share holders whose leasehold interest is near the end of its term.

28. The Fairmont Group's current time share programs allow holders to purchase either an annual leasehold right and/or a bi-annual leasehold right. The annual leasehold right provides the holder with a weekly vacation interval every year ("Annual Leasehold Interest") and the bi-annual provides the holders with a weekly vacation interval every other year ("Bi-annual Leasehold Interest"). The major terms of the proposed Remainder Program are summarized below:

    (a) The Remainder Program would be offered to all existing time share holders in both FVV and LOR;

(b) Pricing for the remainder program is set out below:

Remainder - Pricing		Selling price
FRP	Annuals	5,350
FRP	Bi-annuals	3,350
LORV	Annuals 3 Bdr	4,350
LORV	Bi-annuals 3 Bdr	2,750
LORV	Annuals 1 Bdr	3,350
LORV	Bi-annuals 1 Bdr	2,150

(c) The pricing of the Remainder Program is based on management's estimate of market rates and the Monitor understands that it is consistent with the pricing used by certain competitors of the Fairmont Group offering similar programs, which includes closing costs;

(d) Financing would be provided allowing purchasers to finance the purchase under the Remainder Program over a three year period (principal and interest payable monthly) at an interest rate of 14% per annum with a 25% down payment. Purchasers would also have the option of paying for the purchase under the Remainder Program over a 90 day period (without interest). The funds collected from down payments is proposed to be used to fund the expenses relating to the Proposed Programs;

(e) Management has assumed that 50% of the leaseholders of vacation intervals would participate in the Remainder Program;

(f) The proposed Remainder Program would provide that an amended and restated vacation lease agreement would be entered into between the time share holder and FRP or LORV, as the case may be. The new agreement would provide for the transfer of the remainder interest to the vacation interval holder on the last day of its current respective lease (i.e. when the original 40 year period expires). The leasehold interest, on the last date of the respective lease would be converted to a fee simple interest representing an undivided co-ownership interest in the land, provided the vacation lease is current and in good standing;

(g) Under the proposed Remainder and Conversion Program, each time share holder cannot chose one program without choosing the other; and

(h) In order to facilitate the completion of the conversion of the leasehold interest to a fee simple interest, Century, FRPL Finance Ltd. and the Trustee would be required to approve of the required changes to certain trust agreements.

Monetization Program

29. In conjunction with the implementation of the Remainder Program, at the time each holder of a time share interval is contacted to consider the Remainder Program, the Applicants intend to offer the individual the option to acquire additional time share intervals at a discounted rate. Management believes that the existing owners will be interested in acquiring additional time share intervals given the intrinsic value of the Remainder Program (discussed above) and the Conversion Program (as discussed in further detail below).

30. The Monetization Program attempts to address the unsold inventory owned by Fairmont at FVV and LOR. Management is recommending the implementation of the Monetization Program in order to generate revenues from its unsold inventory and also to reduce ongoing operating costs as Fairmont is required to cover certain carrying costs associated with the unsold inventory.

31. The Monetization Program fits well with the Conversion Program as it would allow the owners to acquire additional time share intervals at FVV and/or LOV which will then be automatically enrolled in the RCI Points Program (as discussed in further detail below) with the points being used at other participating world-

wide resorts at other times of the year or for items other than time share intervals.

32. Launching the Monetization Program in conjunction with the Remainder Program provides an efficient sharing of marketing costs as both products are being offered at the same time, thereby reducing the overall costs.

33. The significant terms of the Monetization Program are summarized below:

    (a) Total anticipated sales from the Monetization Program are approximately $8.4 million relating to the sale of existing unsold time share intervals at FVV and LOR;

    (b) The Monetization Program is only being offered to existing holders of time share intervals at FVV and LOR and is only for the existing, unsold inventories at these locations;

    (c) Purchasers under the Monetization Program can also finance their purchase over 90 days (without interest) or over a 5 year period at an interest rate of 14% per annum provided that they put down a 25% deposit. The funds collected from the down payment will be used to fund the expenses relating to the Proposed Programs; and

    (d) The sale price offered is at a favourable discount to the market rate, however, once the sales cost savings are taken into account, the net revenue generated from the Monetization Program is estimated to be equal to or better than the estimated net revenues from remaining time share inventory if it was separately marketed. Therefore, the Monetization Program will result in comparable, or possibly greater, net revenues and allow for the realization of cash more quickly than if this inventory was sold under conventional methods.

Conversion Program

34. To complement and assist with the successful implementation of the Remainder Program, management is recommending converting from an affiliation with II to a program provided by RCI.

35. Both RCI and II dominate the time share exchange market. Currently, FVV is affiliated with II and LOR is affiliated with RCI. Historically, the time share exchange market allows a time share holder to surrender its respective week of time share use and exchange it for a week of time share use at another resort. The procedure generally provides that the owners would give up their respective time share entitlement for a week of equal or lesser value (value is dependent on the size or reputation of resort, seasonality, location, etc.).

36. RCI has recently introduced the Points Program, which allows holders of time share intervals to surrender their time share interval in exchange for points which can be used by the holder all at once or in a series of transactions that include not only weekly stays but nightly stays, airline tickets, cruises etc.

37. Management believes that the RCI Points Program provides considerable flexibility to its existing time share holders as it provides the holder with the ability to surrender its time share interval and receive points which can be used at various times and on items other than a comparable week at another resort.

38. The main aspects of the Conversion Program are set out below:

    (a) If court approval is received for the Remainder Program, management intends to repudiate the current contract between FVV and II, and concurrently enter into a Master Points Affiliation Agreement with RCI;

    (b) The Conversion Program would be offered to all participants in the Remainder Program and all participants in the Monetization Program will be automatically enrolled in the RCI Points Program;

(c) RCI have agreed to hold conversion price for a period of 2 years should the holder wish to participate to the Conversion Program at a later date;

(d) If court approval is received, the Applicants intend to discontinue operation of the Platinum Club, which is an exchange program, operated exclusively for the Applicants' time share interest holders, that permits interest holders to undertake internal exchanges. Discontinuing this internal program will allow the Applicants to gain efficiencies, since this program was initially set up for marketing purposes and because the annual dues are very low, this program operated at a significant yearly loss.

(e) As previously mentioned above, each time share holder cannot chose one of the Remainder Program or the Conversion Program without choosing the other; and

(f) All new sales of time share inventory would be under the new RCI program.

39. Management advises that it is essential to implement the Conversion Program in conjunction with the Remainder Program and the Monetization Program given the following:

(a) Current holders of time share intervals consider the benefits of the Conversion Program to be significant and the program will assist in inducing individuals to participate in the Remainder Program and Monetization Program; and

(b) Without the Conversion Program, management advises that the acceptance of the Remainder Program and the Monetization Program will be significantly reduced to the point where those programs may not be successful.

40. Fairmont Group is currently in the process of negotiating a Sales and Marketing Agreement with FRPL Group Ltd., an affiliate of FRPL Finance Ltd. and FRPL Management Ltd., and others to market, subject to the approval of this Honourable Court, of the Proposed Programs as discussed in the June 5th Moore Affidavit.

Net Cash Receipts from the Proposed Programs

41. Approximately $7.5 million in net cash receipts will be received during the Program Forecast Period as set out in the table below:

Net cash receipts during the Program Forecast Period	**Note**	**Forecast $000**
Collections from Proposed Programs		
Remainder	a	23,211
Monetization	a	4,147
Total receipts		**27,359**
Disbursements		
Administration and other expenses	b	13,213
GST (net)	c	2,588
7000 Building Reserve	d	4,022
Total disbursements		**19,823**
Net cash receipts from Proposed Programs		**7,536**

(a) Total receipts from the collection of sales during the Program Forecast Period totals $27.4 million, with the remaining sales to be collected over the next three to five years due to the financing elements of the Remainder Program and Monetization Program.

(b) Administration and other expenses of $13.2 million comprising marketing and commission expenses required to implement and complete the Proposed Programs, RCI membership fees, Trustee fees, and Columbia Villa Management Ltd. ("CVM") maintenance.

(c) Net payments relating to goods and services taxes during the Program Forecast Period are estimated at $2.6 million (relating primarily to GST collected on sales); and

(d) Approximately $4.0 million relating to certain capital expenditure requirements needed to upgrade the building referred to as Building 7000 located at FVV (the "Building 7000 Fund"). The $4.0 million relates to amounts that were to be funded by the Fairmont Group for certain remedial work. If the Building 7000 Fund is not replenished by the required $4.0 million, management advises that neither the Remainder Program nor Monetization Program will be successful. The establishment of the Building 7000 Fund will require the consent of the Century and FRPL Finance Ltd.

42. Attached as Appendix "B" to this Second Report is a copy of the cash flow forecast on a weekly basis for the period from May 30, 2009 through December 31, 2009, relating to the Proposed Programs as prepared by the Applicants, with the assistance of the Monitor.

43. The Monitor understands that the Applicants intend to use the net cash proceeds to reduce amounts borrowed under the DIP Facility. FRP will seek further order from this Court with respect to the use of proceeds from the Proposed Programs and such application will be based on the overall success of the Proposed Programs.

Receivables generated from the Proposed Programs

44. As discussed above, a considerable amount of receivables will be generated and outstanding as at December 31, 2009 as result of the financing aspect of the Proposed Programs. The table below summarizes the accounts receivable:

MONTHS	Program Forecast Period
Remainder Program	
Opening receivables balance	-
Sales	44,887
GST	2,244
Interests on notes	788
Collections	(23,211)
Closing receivables balance	**24,709**
Monetization Program	
Opening receivables balance	-
Sales	8,278
GST	414
Interests on notes	156
Collections	(4,147)
Closing receivables balance	**4,700**
Combined	
Opening receivables balance	-
Sales	53,165
GST	2,658
Interests on notes	944
Collections	(27,359)
Closing receivables balance	**29,409**

45. The table above indicates that as at December 31, 2009, approximately $24.7 million in receivables relating to the Remainder Program will be outstanding and a further $4.7 million of receivables relate to the Monetization Program.

MONITOR'S COMMENTS WITH RESPECT TO THE PROPOSED PROGRAMS

46. As discussed above, the success of positive cash flow resulting from the initiation of the Remainder Program and Monetization Program is dependant upon various factors and assumptions made by management of the Applicants based on current internal studies and analysis of the industry and current market conditions and demands. The Applicants have expressed their belief in the assumptions and that the implementation of the Proposed Programs will be successful and produce a significant form of new cash flow that will assist in the operations of FRP and its overall restructuring efforts.

47. The Monitor cautions that the Program Forecast is based on best estimates by management, and the actual results may differ from the forecast by material amounts. FRP and the Monitor will closely review the initial results of the Proposed Programs to determine if they should continue or, if results are materially worse than forecast, whether the Proposed Programs should be amended or discontinued.

48. The Monitor has reviewed the assumptions supporting the Proposed Programs and believes the assumptions to be reasonable in the current circumstances.

49. The Monitor supports the implementation of the Proposed Programs given the following:

(a) The Proposed Programs provide an opportunity for the Applicants to create liquid funds that will assist in reducing their debt load and their overall restructuring initiatives;

(b) The Proposed Programs effectively allow the Applicants to convert an illiquid asset (unsold time share inventories) to liquidate assets (cash and receivables);

(c) The assumptions relating to the pricing of the Remainder Program and Monetization Program were fully evaluated by management and are consistent with certain competing programs;

(d) The marketing costs of the Proposed Programs are being efficiently utilized as these programs are being launched together; and

(e) The Monitor understands that significant stakeholders in these proceedings including FRPL Finance Ltd. and FRPL Management Ltd. are supportive of the launching of the Proposed Programs.

50. As discussed above, the Proposed Programs contemplate the termination of the II affiliation. The Monitor has considered the repudiation of this contract and

accepts Management's view that the repudiation of the contract is required in order to allow for the contemplated Conversion Program as is considered by management to be essential for the success of the Proposed Programs.

REVISED CASH FLOW FORECAST THROUGH JULY 31, 2009

51. Attached as Appendix "C" to this Second Report is a copy of the revised cash flow forecast (the "Revised Forecast") for the period from May 30, 2009 through July 31, 2009 (the "Revised Forecast Period") as prepared by the Applicants, with the assistance of the Monitor. Management has prepared the Revised Forecast based on the most current information available.

52. The Revised Forecast has not changed since it was presented to this Honourable Court as noted in the First Report, except for the addition of these three items:

(a) The inclusion of the anticipated receipts collected and disbursements paid from the Proposed Programs as discussed above and noted in Appendix B. Again, the Revised Forecast captures the stub period of the Proposed Program Forecast from June 1, 2009 to July 31, 2009;

(b) The addition of approximately $400,000 in property transfer taxes that are required to be paid on the registration for the transfer of title relating to LORV property (i.e. building 1000 & 1100) as it is registered from the name of LORV (the beneficial owner of the titles) to the Trustee, who represents the interest of the time share holders. This amount is expected to be paid in week 14; and

(c) The inclusion of certain LOR salaries that were not previously forecast properly, as discussed above, which will increase salaries incurred by LOR of approximately $60,000 bi-weekly.

53. The impact of these three additional changes in the Revised Forecast Period has resulted in total cash receipts of approximately $7.8 million, cash disbursements

of approximately $9.5 million and a net decrease in cash of $1.7 million in the Revised Forecast Period.

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

55. Based on the Applicants' assumptions, the Revised Forecast indicates that the Applicants will continue to have sufficient funds through the Forecast Period, with the assistance of the DIP Financing.

CRO

56. 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.

57. 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.

58. In the Monitor's view Mr. Moore has been able to manage the business and operations in an effective manner and is the logical selection to continue in the role as the long-term CRO. The Monitor and the Applicant are currently working on finalizing terms of a CRO agreement and the Applicants plan to seek Court approval of the terms and conditions of the CRO at a later date.

RECOMMENDATIONS

59. The Monitor recommends approval of the Proposed Programs.

Al of which is respectfully submitted this 5 day of June 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

Combined Financial Statement

Rolling cashflow forecast
April 20, 2009- May 29, 2009
CDN $
(000s)

PERIOD	**TOTAL April 20, 2009- May 29, 2009**			
	Budget	Actual	Variance	Variance
Receipts of fees, rooms, golf revenues	2,048	1,373	(675)	-33%
Receipts of timeshare	1,123	963	(160)	-14%
Receipts of revenue	**3,171**	**2,337**	**(834)**	**-26%**
Total receipts	**3,171**	**2,337**	**(834)**	**-26%**
COGS	**603**	**196**	**407**	**68%**
Wages & Benefits	25	13	12	48%
Marketing Expenses	537	24	513	96%
Other Expenses	13	1	13	95%
Marketing expenses	**575**	**37**	**538**	**94%**
Wages & Benefits	753	991	(237)	-32%
Direct Expenses	432	230	202	47%
Professional and Consulting	280	5	274	98%
Repairs & Mtce	164	71	94	57%
Office Expenses	434	35	399	92%
Utilities	489	165	323	66%
Overhead	266	671	(405)	-152%
Other expense - LL Developments	-	-	-	
General & administration expenses	**2,818**	**2,168**	**650**	**23%**
Disbursements of non-CCAA related entities	**(63)**	**-**	**(63)**	**100%**
Principal repayments on Makaha debt	**63**	**21**	**41**	**66%**
Restructuring fees	**425**	**-**	**425**	**100%**
Total disbursements	**4,421**	**2,422**	**1,999**	**45%**
Foreign exchange adjustment	**-**	**17**	**(17)**	
Receipts / Disbursements related to DIP financing	1,500	-	(1,500)	-100%
Net Cash Flow	250	(68)	(318)	-127%
Opening cash	807	813	6	1%
Ending cash	1,057	745	(313)	-30%
Transfer to/from related entities	-	-	-	
Ending cash (after transfers)	1,057	745	(313)	-30%

Fairmont Group of Companies

Appendix B

Reversionary Program

Rolling cashflow forecast
June to December 2009
CDN $
(000s)

MONTHS	June	July	August	September	October	November	December	TOTAL
Receipts								
Remainder Program	958	1,743	2,794	4,164	4,838	5,282	3,433	23,211
Monetization Program	238	448	583	718	774	790	597	4,147
Total receipts	**1,196**	**2,191**	**3,377**	**4,882**	**5,612**	**6,071**	**4,030**	**27,359**
Disbursements								
Administration and other expenses	(1,175)	(1,595)	(2,060)	(2,632)	(2,641)	(2,570)	(540)	(13,213)
GST (net)	-	(228)	(327)	(423)	(542)	(542)	(525)	(2,588)
7000 Building Reserve & other capital expenditures	(2)	(4)	(4)	(4)	(1,304)	(1,304)	(1,402)	(4,022)
Total disbursements	**(1,177)**	**(1,826)**	**(2,390)**	**(3,059)**	**(4,487)**	**(4,416)**	**(2,467)**	**(19,823)**
Net Cash Flow	**19**	**364**	**986**	**1,823**	**1,124**	**1,656**	**1,563**	**7,536**
Opening available cash	-	19	383	1,369	3,192	4,317	5,973	
Net Cash Flow	19	364	986	1,823	1,124	1,656	1,563	
Ending cash	19	383	1,369	3,192	4,317	5,973	7,536	

Fairmont Group of Companies

Rolling cashflow forecast
May 30, 2009- July 31, 2009
CDN $
(000s)

Appendix C

WEEK ENDING	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	316	297	300	303	306	290	298	302	309	2,721
Timeshare receipts	187	187	187	187	188	189	190	190	191	1,694
Reversionary Program	-	-	399	399	399	548	548	548	548	3,387
Receipts of revenue	**502**	**483**	**886**	**888**	**893**	**1,026**	**1,035**	**1,040**	**1,048**	**7,802**
Total receipts	**502**	**483**	**886**	**888**	**893**	**1,026**	**1,035**	**1,040**	**1,048**	**7,802**
Disbursements										
COGS	**84**	**88**	**90**	**89**	**90**	**106**	**106**	**107**	**107**	**866**
Wages & Benefits	10	-	12	-	10	-	6	5	-	44
Marketing Expenses	83	75	77	75	77	66	65	66	66	650
Other Expenses	2	2	2	2	2	2	2	2	2	15
Marketing expenses	**95**	**76**	**91**	**76**	**89**	**67**	**73**	**73**	**68**	**709**
Wages & Benefits	433	-	449	-	485	-	512	-	126	2,003
Direct Expenses	77	95	56	57	79	110	67	70	70	680
Professional and Consulting	44	52	38	36	51	46	34	32	35	368
Repairs & Mtce	21	17	19	18	20	15	15	17	15	157
Office Expenses	55	61	40	40	53	57	35	36	31	408
Utilities	51	56	54	49	50	49	44	44	41	439
Overhead	57	34	22	20	459	35	23	19	16	684
Other expense - LL Developments	-	-	17	-	-	-	-	-	-	17
General & administration expenses	**738**	**316**	**696**	**220**	**1,196**	**312**	**729**	**218**	**332**	**4,756**
Disbursements related to the Reversionary Program	**-**	**-**	**392**	**392**	**392**	**457**	**457**	**457**	**457**	**3,004**
Disbursements from non-CCAA Debtors	**(13)**	**-**	**-**	**-**	**(13)**	**-**	**-**	**-**	**-**	**(25)**
Principal repayments on Makaha debt	**-**	**-**	**-**	**21**	**-**	**-**	**-**	**-**	**-**	**21**
Restructuring fees	**43**	**97**	**42**	**42**	**42**	**97**	**42**	**42**	**42**	**489**
Total disbursements	**947**	**577**	**1,311**	**841**	**1,797**	**1,039**	**1,407**	**896**	**1,005**	**9,820**
Net Cash Flow	(445)	(94)	(425)	47	(904)	(13)	(372)	144	42	(2,018)
Opening available cash	745	300	206	1,281	1,328	425	412	40	184	745
DIP Financing			1,500							1,500
	745	300	1,706	1,281	1,328	425	412	40	184	2,245
Net Cash Flow	(445)	(94)	(425)	47	(904)	(13)	(372)	144	42	(2,018)
Ending cash	300	206	1,281	1,328	425	412	40	184	227	227

Summary of Fairmont Group of Companies Cashflows										
CCAA entites	(379)	(106)	(328)	42	(823)	(15)	(266)	126	20	(1,728)
Makaha	(78)	12	(97)	5	(93)	2	(106)	18	22	(315)
Belize & Mexico entities	13	-	-	-	13	-	-	-	-	25
Total net cashflow	**(445)**	**(94)**	**(425)**	**47**	**(904)**	**(13)**	**(372)**	**144**	**42**	**(2,018)**

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 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.

SECOND REPORT OF THE MONITOR
ERNST & YOUNG INC.
JUNE 5, 2009

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

Attention: Kelly J. Bourassa
Phone: 403.260.0697
Fax: 403.260.9700

File No: 8431/1358

30892323.1