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.**

# THIRD REPORT OF THE MONITOR

**ERNST & YOUNG INC.**

**JULY 27, 2009**

## TABLE OF CONTENTS OF THE THIRD REPORT



## LISTING OF APPENDICIES TO THE THIRD REPORT

## INTRODUCTION

1. On March 30, 2009, FRPL Finance Ltd. ("FRPL") 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., Lake Okanagan Resort (2001) Ltd., and LL Developments Ltd. (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 third report of the Monitor (the "Third Report") is to provide this Honourable Court with an update in respect of the following:

    (a) Operational update since the Second Report;

    (b) An analysis of the budget to actual cash flow results for the period from May 30, 2009 to July 10, 2009 (the "Reporting Period");

    (c) The revised cash flow projections from July 11, 2009 through to October 31, 2009 (the "Forecast Period") taking into account the forecast results of the Reversionary Program, as defined below;

    (d) Update on the Remainder, Conversion and the Monetization Program (collectively referred to as the "Reversionary Program") as previously defined in the Second Report;

    (e) Update on the June 24, 2009 application involving Resort Funding LLC and the Applicants;

(f) The Applicants request for the establishment of a Key Employee Retention Plan (“KERP”);

(g) Applicants request for an extension of the stay period; and

(h) The Monitor’s recommendations.

4. Capitalized terms not defined in this Third 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 Third 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 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 geographically 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 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.

## OPERATIONAL UPDATE SINCE THE SECOND REPORT

### *General operations*

9. The Applicants' operations have continued with no material adverse changes since the date of the Monitor's Second 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*

10. As previously discussed in prior reports, on April 27, 2009, the court approved a $5.5 million DIP financing loan (the "DIP Loan") to assist the Fairmont Group in sustaining operations, while it prepares its plan of arrangement during the CCAA process.

11. To July 10, 2009, FRP has drawn $2 million under the DIP Loan.

12. The Applicants are required to meet certain weekly and monthly reporting requirements that are to be submitted to the DIP Lender. The Monitor has reviewed all of the mandatory reports required to be sent to the DIP Lender and

concurs that the Applicants have been in compliance with their reporting requirements during the Reporting Period.

***Update on FRP Operations***

Columbia Villa Management Ltd. ("CVM")

13. As previously discussed in the first report of the Monitor ("First Report"), Columbia Villa Management Ltd. ("CVM") provided management services to the time share owners of FRP.

14. On July 3, 2009, FRP, with Monitor concurrence, issued a letter to CVM to terminate and repudiate the Amended Management Agreement (the "Management Agreement") dated August 1, 2005 between FRP and CVM, as provided for under paragraph 10(d) of the Initial Order and under paragraph 18 of the Management Agreement. The letter of termination is attached to the July 24, 2009 affidavit of Mr. Murray Moore (the "July 24th Moore Affidavit").

15. FRP concluded in its letter that in order to permit an orderly restructuring of its business, it was necessary to forthwith terminate the Management Agreement and that any claim that CVM might have arising from the termination and repudiation, will be dealt with in any claims process directed by this Honourable Court in these proceedings in due course.

16. With this termination and repudiation of the Management Agreement, per paragraph 18 of the Management Agreement, which is also attached to the July 24th Moore Affidavit, CVM is required to:

    (a) render a final accounting and pay any balance held in CVM's trust account remaining to the credit of the lease holders (less any amounts necessary to satisfy commitments by CVM to others prior to the date of termination to FRP); and

    (b) deliver to FRP all furniture, furnishings, contracts, records, files, etc.

so that FRP can continue on seamlessly in its operation of the resort.

17. Upon termination of the Management Agreement, obligations to manage and operate the Fairmont resort properties returned to FRP. As a result, FRP entered into a new agreement (the "RVM Agreement") with its wholly-owned subsidiary, Resort Villa Management Ltd. ("RVM"). FRP has arranged for the appropriate personnel to operate RVM.

Chief Restructuring Officer ("CRO")

18. On June 10, 2009, Mr. Murray Moore was appointed as the Chief Restructuring Officer ("CRO") of the Applicants pursuant to an order issued by this Honourable Court, subject to final Court approval on the terms and conditions of the compensation agreement ("Compensation Agreement"). Previously, Mr. Moore had been the "Interim" CRO of the Applicants.

19. An executed copy of the Compensation Agreement agreed to between FRP and 835786 Alberta Ltd. ("835"), an entity controlled by Mr. Moore, is attached as Appendix A to this report.

20. The main terms and conditions of this Compensation Agreement are as follows:

(a) 835 will provide the services of Mr. Murray Moore as CRO of FRP and the Applicants;

(b) 835's compensation for the engagement will be $29,500 per month, commencing June 1, 2009, subject to Court approval, for a minimum period of not less than 6 months, and may be terminated after December 1, 2009 by either FRP or 835 upon not less than 30 days (or 5 days by 835 if the Appointment Order (as defined herein) is varied in a manner which 835 considers to be adverse to it) written notice to the other party;

(c) In addition, 835 shall receive a further $360,000 ("Bonus") upon:

i. Any sale of all or substantially all of the shares of FRP;

ii. Any sale of all or substantially all of the business or assets of FRP (whether through the existing CCAA proceedings or another insolvency filing of FRP); or

iii. A restructuring or reorganization of FRP is concluded such that its liquidity problems and defaults are resolved through a CCAA plan of arrangement or otherwise.

(d) Indemnification and release of CRO & 835 liabilities by FRP that may arise as a result of any matter directly or indirectly relating to or pertaining to the CRO's Compensation Agreement, except in each case to the extent that 835 or the CRO has been grossly negligent or guilty of wilful misconduct; and

(e) CRO liabilities, as defined in the Compensation Agreement, shall have the protection provided by the Administration Charge in the Initial Order.

21. The Monitor believes that the terms of the CRO Compensation Agreement are reasonable for the following reasons:

(a) Mr. Moore has a significant background as a senior executive within FRP in acting as FRP's director of finance and 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, since the date of the Initial Order;

(b) Mr. Moore's previous experience and educational background qualify him to act in this capacity; and

(c) The Monitor believes the terms of the Compensation Agreement are reasonable in comparison to industry standards for similar compensation agreements for CROs in an insolvency process. Furthermore, the compensation proposed to the CRO is less than the compensation paid to the former CEO.

Search for New Director of Finance

22. In light of the recent appointment of Mr. Moore as CRO, FRP has been actively looking for an individual to replace Mr. Moore as the company's director of finance to assist in leading the Applicants' financial accounting and reporting department.

23. The requirement of a knowledgeable and skilled individual to lead the finance department of the Fairmont Group and the Fairmont Resort Non-CCAA Debtors is essential to the success of the restructuring efforts being sought by the Fairmont Group.

24. The CRO has held several interviews with individuals since the Second Report to fill this vacant position. The Monitor understands that effective, July 22, 2009, FRP was able to engage the services of a Mr. Dale Kearns, with the concurrence of the Monitor, who has the financial and leadership background to assume the role as director of finance of the Fairmont Group.

***Update on LORV Operations***

25. The Monitor understands that there were a number of time share purchasers from LORV who have asserted that they were provided with certain inducements or undocumented additional rights to acquire time share interests, which LORV is currently investigating.

26. The Applicant is reviewing the substance and merit of these claims as discussed in the July 24th Moore Affidavit.

***Makaha Hotel and Resort Inc. (“Makaha”)***

<u>Sales Process</u>

27. As previously reported in the First Report, Makaha is a wholly-owned subsidiary of FRP. Makaha consists of a resort property and golf course in Oahu, Hawaii.

28. Since the date of the Initial Order until the end of this Reporting Period (as discussed further below), FRP has advanced approximately $806,000 to Makaha to assist in covering certain operational and general and administration expenses as set out in the previous cash flow forecasts submitted by the Fairmont Group to this Honourable Court.

29. Given the significant financial resources that are required to be made available by FRP to Makaha to allow Makaha to operate, FRP has been reviewing its options on what is its best course of action within the financial constraints and exposures it has on Makaha. One of these options (as discussed below) is to place the Makaha assets for sale and run a formal sales process.

30. Since the Initial Order, FRP considered the option of placing Makaha’s assets for sale through a formal sales process with a realtor in Hawaii to market the property and operations to interested buyers and determine if it makes viable economic and business sense to sell some and/or all of Makaha properties/operations. After continued review of its options, on May 4, 2009 FRP decided to engage the services of Dornbush & Co., Ltd. (“Dornbush”) to act as a non-exclusive real estate agent to sell the assets at Makaha.

31. The Monitor understands that FRP has had conversations with various interested parties relating to the purchase of some and/or all of the Makaha assets.

32. The Monitor will advise the court in due course on the outcome of the Makaha sales process.

MRGC LLC Forbearance & Escrow Agreement

33. Since the date of the Initial Order, Makaha and FRP have been in negotiations with MRGC LLC ("MRGC") to establish a forbearance and escrow agreement between MRGC, Makaha, FRP and FRPL, regarding the deferral of payments on Makaha's loan from MRGC (the "MRGC Loan") to pay certain amounts of principal and interest payments over a certain period of time before MRGC could act on its security.

34. The Monitor understands that as at March 31, 2009, Makaha was indebted to MRGC in the principal sum of US$7,313,379.20 plus accrued interest outstanding of approximately US$40,500. The Monitor further understands that the MRGC Loan is a first ranking security over a significant portion of the Makaha assets.

35. At the date of the Initial Order, Makaha was in default on the MRGC Loan.

36. After several weeks of negotiations, MRGC and Makaha entered into a forbearance and escrow agreement (the "Forbearance Agreement") with the concurrence of the Monitor, dated June 30, 2009, whereby MRGC, subject to the terms and conditions set out in the Forbearance Agreement, agrees to forbear from:

    (a) Accelerating the amounts due to it by Makaha;

    (b) Making demand for immediate payment of all amounts due to it; and

    (c) Taking any steps to enforce or realize upon any remedies and rights arising in the event of default in the payment of principal and interest under the terms of the MRGC Loan for a period of one year from the date of the Forbearance Agreement (i.e. June 30, 2010), or such later date as the parties may mutually agree to in writing (the "Forbearance Period").

37. The interest on this loan will continue to accrue during the Forbearance Period at a rate of prime plus 4% commencing from March 1, 2009 until the MRGC Loan is either brought to current or paid out in full.

38. In the event of any default as set out in the Forbearance Agreement, MRGC shall give notice to Makaha of the default and Makaha shall have the lesser of 30 days or until the end of the Forbearance Period to cure such default. If the default is not cured by the time stipulated above, MRGC will have the right to instruct the escrow agent to immediately record the recordable Makaha conveyances (defined in the Forbearance Agreement) and deliver other documents to the escrow agent and have the properties of Makaha revert to MRGC ownership and control.

**BUDGET TO ACTUAL RESULTS FROM MAY 30 TO JULY 10, 2009**

39. The cash flow budget to actual presented at Appendix "B" for the Reporting Period (May 30 to July 10, 2009) pertains to the actual movement of cash receipts and disbursements relating to the Fairmont Group, 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 Second Report (the "Second Report Forecast"). The table below provides a summary of the budget to actual cash flow:

| **Budget to Actual Variance<br>May 30 to July 10, 2009 (Reporting Period)** | **Forecast<br>$000's** | **Actual<br>$000's** | **Difference<br>$000's** |
|---|---|---|---|
| Receipts | 4,679 | 2,369 | (2,311) |
| Disbursements | 6,512 | 4,443 | 2,069 |
| **Net change in cash** | **(1,833)** | **(2,074)** | **(242)** |
| Foreign exchange adjustment | - | 38 | 38 |
| FFI deposit | - | 17 | 17 |
| Opening Cash | 745 | 745 | - |
| **Ending Cash (excluding DIP financing)** | **(1,088)** | **(1,274)** | **(187)** |
| DIP financing | 1,500 | 2,000 | 500 |
| **Ending Cash** | **412** | **726** | **313** |

40. Receipts for the Reporting Period totalled approximately $2,369,000, representing an unfavourable variance of approximately $2,311,000 from the receipts set out in the Second Report Forecast. This negative variance was primarily due to the timing of the Reversionary Program accounting for approximately $1.7 million, as discussed further herein and lower than expected membership, golf and amenity receipts of approximately $467,000. The negative receipts variance reflects, in part, the general economic conditions and slow start to the summer vacation season.

41. Disbursements for the Reporting Period totalled approximately $4,443,000 representing a favourable variance of $2,069,000. This positive variance was primarily due to the following significant variances:

(a) Positive variance of approximately $298,000 in cost of goods sold that related to:

i. actual costs were below budget for each of the hotel operations than expected;

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

iii. reduction in certain expenditures that were not previously forecast.

(b) Positive variance of approximately $433,000 relating to the timing of certain marketing programs that have been delayed and some of these expenses are expected to occur in the next forecast period;

(c) Positive variance of approximately $1,625,000 relating to the timing of the roll-out of the Reversionary Program, as discussed below;

(d) Negative variance of approximately $281,000 relating to the timing of professional fees during the CCAA process; and

(e) The foreign exchange adjustment relating to the foreign exchange rate fluctuation that occurred between May 30, 2009 and July 10, 2009.

42. The ending deficit cash balance as of July 10, 2009 was approximately $1.274 million compared to the forecasted deficit balance of $1.088 million, excluding the debtor-in-possession financing of $2 million received since the date of the Initial Order.

*Related company advances*

43. During the Reporting Period, approximately $220,000 has been advanced between companies within the Fairmont Group (i.e. FRP advanced $200,000 to LOR and $20,000 to LORV as cash advances to cover operating expenses and payroll, respectively).

44. During the Reporting Period, approximately $480,000 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 are being assessed by the Applicants and the Monitor on an ongoing basis.

**REVISED CASH FLOW FORECAST THROUGH OCTOBER 31, 2009**

45. Attached as Appendix "C" to this Third Report is a copy of the revised cash flow forecast for the period from July 11, 2009 through October 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.

| Fairmont - Revised Forecast | Forecast $000 |
|---|---|
| Receipts | 17,998 |
| Disbursements | 18,459 |
| Net Change in cash from operations | (461) |
| DIP financing | 3,500 |
| Transfer to FFI | (3,761) |
| Net change in cash | (719) |
| Opening cash | 726 |
| **Ending cash** | **7** |
| **Reversionary Program** | |
| FFI - opening cash | 17 |
| Transfer to/from FFI | 3,862 |
| **FFI - closing cash** | **3,879** |
| **Total cash in Fairmont Group** | **3,886** |

46. As summarized above, the Applicants are projecting total cash receipts of approximately $18.0 million, cash disbursements of approximately $18.5 million and a net decrease in cash of approximately $500,000 in the Forecast Period.

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

48. 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, 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) Disbursements from Fairmont Resort Non-CCAA Debtors relate to the net result of receipts and disbursements submitted to the Fairmont Group in relation to management fees and other transactions as described above;

(d) Interest of approximately $155,000 (or approximately $139,000 USD) will continue to accrue on the debt owed to MRGC by Makaha and will not be paid as discussed above per the Forbearance Agreement. No principal amounts on the MRGC loan are forecast to be paid in the Forecast Period;

(e) Professional fees during the Forecast Period have been estimated at approximately $1.1 million, which relate to catch up payments of costs incurred prior to the Forecast Period and costs expected to be incurred during the Forecast Period;

(f) Approximately $1.5 million in Advances to Non-CCAA Debtors will be required during the Forecast Period. These advances are made up of the following:

  i. $1.2 million relating to advances for Makaha Resort to cover general and operating costs; and

  ii. $300,000 relating to advances to RVM as advance payments in maintenance fees due to that entity by the Applicants during the 2009 year.

(g) The net receipts collected from the Reversionary Program of approximately $3.7 million over the Forecast Period, will be transferred into a separate company owned by FRP (incorporated in the province of Alberta), called Fairmont Funding Inc. ("FFI"). The funds transferred into this Company will be distributed upon further consultation with the DIP Lender and the Monitor; and

(h) The Fairmont Group will require the remaining $3.5 million in DIP financing during the Forecast Period.

49. The Makaha advances of $1.2 million will be subject to additional discussion and appraisal by the DIP Lender and the Monitor.

50. Further, 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 Fairmont Resort Non-CCAA Debtors enhance or preserve value for the Fairmont Group;

(b) Ensuring sufficient equity exists such that the advances to Fairmont Resort Non-CCAA Debtors 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.

51. 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.

## REVERSIONARY PROGRAM UPDATE

### Background

52. As previously discussed in the Second Report, this Honourable Court approved the Applicants' request to implement the Reversionary Program. The individual programs that make up the Reversionary Program are as follows:

    (a) Remainder Program. This program provides current holders of leasehold interests in time share intervals at Fairmont Vacation Villas ("FVV") and Lake Okanagan Resort Vacation ("LORV") to convert from a leasehold interest to a fee simple interest, in exchange for a one-time acquisition fee payable to FRP and/or LOR;

    (b) Monetization Program. This program is available to all existing time share holders. At the point each time share holder is contacted to consider the Remainder Program, the Applicants intend to offer an inventory monetization program that allows current time share holders to acquire additional time share intervals at a discounted rate; and

    (c) Conversion Program. As discussed in the Second Report, Fairmont Group has entered into an affiliation agreement with Resorts Condominium International LLC ("RCI"), whereby the properties at FVV and LORV will be affiliated with RCI. The Applicants will be offered the right of membership in a points based program provided by RCI.

53. An update of the Reversionary Program is contained in the July 24th Moore Affidavit.

**Reporting Period Results**

54. FRP previously budgeted during the Reporting Period, receipts and disbursement from the Reversionary Program approximately $1.744 million and $1.634 million, with respect to FVV and LOR respectively, leaving a forecast net receipts balance of approximately $110,000. Actual results from this Program was approximately $9,000 in disbursements and $NIL in receipts during the Reporting Period.

55. The reason for this negative variance in cash flow results is mainly due to the unexpected delay in the implementation and rollout of the Reversionary Program due to the issues explained in the July 24th Moore Affidavit.

**Reversionary Program Forecast Period**

56. The table below, which correlates to the amounts projected in the Forecast Period above, summarizes management's forecast revenues, net revenues and cash flow from the Reversionary Program for the period from July 11, 2009 through October 31, 2009 (the "Program Forecast Period"):

| **Program Forecast (July 11 to October 31, 2009)** | **Remainder Program** | **Monetization Program** | **Total** |
|---|---|---|---|
| Sales & Interest Revenue | 17,307 | 4,778 | 22,085 |
| Expenses (allocated based on revenues) | 4,070 | 1,123 | 5,193 |
| **Net revenue** | **13,237** | **3,655** | **16,892** |
| Composition of net revenue | | | |
| Collections during Program Forecast | | | 3,744 |
| Accounts payable as at October 31, 2009 | | | (418) |
| Accounts receivable as at October 31, 2009 | | | 12,254 |
| 7000 Building Reserve and other capital exp. | | | 1,312 |
| | | | 16,892 |

57. As illustrated in the table above, Management's Program Forecast indicates total revenues from the Reversionary Programs of $22.1 million, comprising $17.3 million sales from the Remainder Program and $4.8 million in sales from the Monetization Program. Total net revenues estimated from the Reversionary

Programs are approximately $16.9 million, comprising:

(a) $3.7 million in net cash receipts during the Program Forecast Period;

(b) $1.3 million in funds that would be used to replenish certain building reserve funds and other capital expenditures; and

(c) $12.3 million in receivables relating to the financed portion of sales.

58. In summary the Reversionary Program 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).

**Net Cash Receipts from the Program Forecast**

59. Approximately $3.7 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 | 8,529 |
| Monetization | a | 2,404 |
| **Total receipts** | | **10,933** |
| *Disbursements* | | |
| Administration and other expenses | b | 5,193 |
| GST (net) | c | 684 |
| 7000 Building Reserve | d | 1,312 |
| **Total disbursements** | | **7,189** |
| **Net cash receipts from Proposed Programs** | | **3,744** |

(a) Total receipts from the collection of sales during the Program Forecast Period totals $10.9 million, with the remaining sales to be collected over the financing period set out under the Remainder Program and Monetization Program;

(b) Administration and other expenses of $5.2 million comprising marketing and communication expenses required to implement and complete the Proposed Programs, RCI membership fees, Trustee fees, and RVM maintenance;

(c) Net payments relating to goods and services taxes during the Program Forecast Period are estimated at $684,000 (relating primarily to GST collected on sales); and

(d) Approximately $1.3 million relating to certain capital expenditure requirements needed to upgrade the building referred to as Building 7000 located at FVV (the “7000 Building Reserve”). The $1.3 million relates to amounts that were to be funded by Fairmont for certain remedial work.

**Receivables generated from the Reversionary Program**

60. As discussed above, a considerable amount of receivables may be generated and outstanding as at October 31, 2009 as result of the financing aspect of the Reversionary Program. The table below summarizes the accounts receivable:

| MONTHS | Program Forecast Period |
|---|---|
| Remainder Program | |
| Opening AR balance | - |
| Sales | 17,307 |
| GST | 537 |
| Interest on notes | - |
| Collections | (8,204) |
| **Closing AR balance** | **9,640** |
| Monetization Program | |
| Opening AR balance | - |
| Sales | 4,720 |
| GST | 147 |
| Interests on notes | 58 |
| Collections | (2,311) |
| **Closing AR balance** | **2,614** |
| Combined | |
| Opening AR balance | - |
| Sales | 22,027 |
| GST | 684 |
| Interests on notes | 58 |
| Collections (net of GST payable) | (10,515) |
| **Closing AR balance** | **12,254** |

61. The table above indicates that as at October 31, 2009, approximately $9.6 million in receivables relating to the Remainder Program and a further $2.6 million of receivables relating to the Monetization Program will have accrued.

**RFI NOTICE OF MOTION**

62. Resort Funding LLC ("RFI") brought an application on June 24, 2009 to resolve an issue as to whether the promissory note and installment sales contracts (the "Notes") that were used by the Applicants through RFI to finance certain time shares offered by the Fairmont Group are promissory notes within the meaning of the *Bills of Exchange Act*, RSC 1985, C.B-4. ("Bills of Exchange Act").

63. On June 24, 2009, the Court issued an order stating that the Notes do not fall within the meaning of promissory notes contained in the Bills of Exchange Act, as, amongst other things, they are not unconditional in nature (the "June 24, 2009 Order").

64. RFI applied to the Alberta Court of Appeal for leave to appeal the June 24th, 2009 Order, which leave to appeal the application is scheduled to be heard on Thursday, June 30, 2009.

**PROPOSED KERP**

65. The Applicants believe a KERP is necessary to retain those employees critical to the ongoing operations during the restructuring period to ensure the Applicants are able to successfully exit CCAA protection as viable and efficient entities.

66. The KERP provides for the payment of retention bonuses to 51 employees identified by the Applicants as critical. The expected payments to these employees total $400,000, which is separate from the CRO Bonus, as discussed above, and are to be paid upon:

(a) Any sale of all or substantially all of the shares of FRP;

(b) Any sale of all or substantially all of the business or assets of FRP (whether through the existing CCAA proceedings or a receivership, bankruptcy or similar proceeding); or

(c) A restructuring or reorganization of FRP is concluded such that its liquidity problems and defaults are resolved through a CCAA plan of arrangement or otherwise.

67. A copy of a detailed employee schedule listing the individual employees and their proposed KERP and salary amounts is attached as a confidential appendix to the July 24th supplemental affidavit of Mr. Murray Moore.

68. In determining the allocation and size of the KERP amongst the individual employees, the Applicants considered the following requirements:

(a) Technical skill-set of the employee to the operations and the ability of the Applicants to replace such employee if the employee decided to terminate its employment;

(b) Length of service the employee provided to the operations of the Applicants;

(c) Similar retention plans provided to employees in a similar industry as the Applicants; and

(d) Current known retention plan payments made by entities to their employees under CCAA protection, through the advice and assistance of the Monitor.

69. The Applicants grouped the employees into 3 separate categories: Executive, Management and Staff. The range of the KERP provided for is based on a certain percentage of each employee's annual salary. The range in percentage value is between 15-25% and the total average proposed KERP, as a percentage of annual salary for the selected employees, of the Fairmont Group is 19.43%.

70. The Applicants are requesting that the KERP be entitled to the benefit of a priority charge (the "KERP Charge") on the Property (as defined in the Initial Order), which charge shall not exceed $400,000, as security for the liability of the Applicants pursuant to the proposed KERP as discussed above.

71. The Applicants are further requesting that the KERP Charge shall have a priority as set out in the Initial Order and below:

(a) First – Administration Charge (to the maximum amount of $750,000);

(b) Second – DIP Lender's Charge;

(c) Third – Director's Charge (to the maximum amount of $100,000); and

(d) Fourth – KERP Charge (to the maximum amount of $400,000).

72. The effect of this KERP Charge as set out above, proposes that the payment of the KERP amounts are protected by a charge subordinate to the Administration, DIP

and Director's charge created, but in priority to all other creditors, including FRPL and FRPLM.

73. FRPL and FRPLM have indicated their consent to the KERP and the creation of the KERP Charge.

74. The Applicants and the Monitor believes that the KERP will be attractive to the Applicants' key employees and will offer the necessary incentive to those employees to remain with the Applicants during the CCAA process, thus fostering a sense of stability to the ongoing operations.

**APPLICANTS' REQUEST FOR AN EXTENSION OF THE STAY PERIOD**

75. Pursuant to the Initial Order, as amended, the Stay Period continues until and including July 31, 2009. The Applicants are seeking an extension of the Stay Period until and including, October 30, 2009.

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

   (a) Fairmont Group's Reversionary Program; and

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

77. The Monitor understands that FRPL and FRPLM continue to support the Fairmont Group in its restructuring efforts.

78. 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.

## RECOMMENDATIONS

79. The Monitor recommends that:

(a) the Applicants' request for an extension of the Stay Period be granted up to, and including, October 30, 2009;

(b) the CRO Engagement Contract be approved; and

(c) the proposed KERP Plan be approved.

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

**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

835786 Alberta Ltd.

June 1, 2009

Fairmont Resort Properties Ltd.
5799 3 St S.E.
Calgary, Alberta T2H 1K1

Dear Sirs:

**Re: Appointment of Chief Restructuring Officer**

We understand that Fairmont Resort Properties Ltd. ("FRP"), Lake Okanagan Resort (2001) Ltd. ("LOR"), Lake Okanagan Resort Vacation (2001) Ltd. ("LORV") and LL Developments Ltd. ("LLD") are subject to proceedings under the *Companies' Creditors Arrangement Act* (the "Proceedings"), and that as a result of the resignation of the Chief Executive Officer of FRP it is necessary to appoint an individual to provide direction and control of the operations of FRP and its subsidiaries, including LOR, LORV, and LLD, and to direct the Restructuring (as that term is defined in the Initial Order issued in the Proceedings). The following sets out the terms for retaining the services of 835786 Alberta Ltd. ("835") in connection with the Restructuring.

1. The Engagement

835 will provide the services of Murray Moore, who was appointed as the Interim Chief Restructuring Officer of FRP on March 30, 2009 in the Initial Order and 835 will be appointed as Chief Restructuring Officer of FRP ("CRO") pursuant to an order of the Court in substantially the form attached hereto as Schedule "A" (the "Appointment Order"). It is intended that Murray Moore will, on behalf of 835, direct the operations of FRP during the Proceedings and oversee and direct a restructuring of the affairs of FRP (the "Engagement").

The Engagement is subject to approval of the Court. You will make an application to the Court for the Appointment Order as soon as possible and the terms of the Appointment Order are subject to 835's approval. Upon Court approval, we will continue the Engagement until 835's appointment is terminated by order of the Court, or until earlier terminated pursuant to paragraph 6 hereof.

2. Fees

835's compensation for the Engagement will be $29,500 per month, commencing June 1, 2009, for a minimum period of not less than six months, payable monthly in advance. In addition, 835 shall receive a further $360,000 ("Bonus") upon;

(a) any sale of all or substantially all of the shares of FRP;

(b) any sale of all or substantially all of the business or assets of FRP (whether through the existing CCAA proceedings or a receivership, bankruptcy or similar proceeding) or,

(c) a restructuring or reorganization of FRP is concluded such that its liquidity problems and defaults are resolved through a CCAA plan of arrangement or otherwise.

The Bonus shall be payable in the event that any of the events listed occurs during the term of this Agreement, or occurs pursuant to an agreement or arrangement for the same entered into during the term of this Agreement or within six months after any termination of that term by FRP. In addition to the foregoing compensation, FRP shall reimburse 835 for its reasonable out-of-pocket expenses in entering into and performing this agreement, including, but not limited to, legal, travel and communications expenses and courier charges. In addition to the foregoing, any Federal Goods and Services Tax and/or applicable provincial tax shall be charged to and be payable by FRP.

3. Indemnity and Release

FRP shall indemnify and hold harmless the CRO from and against all costs (including, without limitation, defence costs), claims, charges, expenses, liabilities and obligations of any nature whatsoever incurred by the CRO that may arise as a result of any matter directly or indirectly relating to or pertaining to the Engagement (the "CRO Liabilities") and in consideration of 835 accepting the Engagement FRP releases 835 of all CRO Liabilities which may give rise to a right of action by FRP against 835, except in each case to the extent that 835 or the CRO has been grossly negligent or guilty of wilfull misconduct. CRO Liabilities shall have the protection provided by the Administration Charge in the Initial Order.

4. Survival of Terms and Termination

This engagement shall be effective June 1, 2009, subject to Court approval, to be obtained as soon as possible, and may be terminated after December 1, 2009 by either FRP or 835 upon not less than 30 days (or 5 days by 835 at any time following default by FRP of any of its obligations hereunder) written notice (or such shorter period as mutually acceptable to 835 and Company) to that effect to the other party (which termination shall not reduce the total minimum amount of $177,000 otherwise payable pursuant to paragraph 2 hereof), provided that the obligations of FRP to indemnify 835, to pay any amounts due to 835 pursuant to this agreement including fees, expenses and tax and the representations and warranties provided by FRP in connection with this agreement shall survive the completion of 835's engagement hereunder or other termination of this agreement.

5. Confidentiality

(a) The term **"Confidential Information"** in this paragraph 5 means information and data not known generally outside FRP concerning the business and technical information of FRP, and includes information in written and electronic form, but does not include:

(i) information previously known to 835 (unless such information was provided to 835 by FRP);

(ii) information which is or becomes generally available to the public or within the industry through no act of 835; or

(iii) information which 835 may be required by law to disclose, provided that 835 shall, as soon as practicable, give FRP prior written notice of any such required disclosure in order to afford FRP an opportunity to seek a protective order (it being agreed that if a protective order is not sought or obtained in such circumstances, 835 may disclose such information without liability);

(b) As a consequence of the acquisition of Confidential Information and 835's role with FRP, 835 will occupy a position of trust and confidence with respect to the affairs and business of FRP. Accordingly, it is reasonable and necessary for 835 to make the following covenants:

(i) 835 agrees that all Confidential Information is confidential and is the exclusive property of FRP and is subject to trade secret protection;

(ii) 835 agrees that disclosure of any Confidential Information could be highly detrimental to FRP and could severely damage FRP's economic interests, and;

(iii) Except as otherwise permitted by this Agreement, 835 agrees that 835 will hold in strictest confidence, will take all necessary precautions against unauthorized disclosure of, and will not use or disclose to any person, firm or corporation, any of the Confidential Information without the written authorization of an officer of FRP.

6. Termination

This Agreement and the Engagement may be terminated by FRP in the event of Mr. Moore's death or incapacity or if 835 shall cease to provide Mr. Moore's services as CRO hereunder at any time, provided that such termination shall not reduce the 180 day minimum period for compensation set out in paragraph 2.

835 may terminate this Agreement and the Engagement upon 5 business days' notice if the Appointment Order is varied in any way that 835 considers, in its absolute discretion, to adversely affect it.

7. Other Matters

This agreement is for the benefit of and shall be binding upon the parties hereto and their respective successors and assigns. This agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the parties hereby irrevocably attorn to the jurisdiction of the courts of the Province of Alberta. All financial references in this agreement are in Canadian dollars unless otherwise indicated. If any provision hereof shall be determined to be invalid or unenforceable in any respect, such determination shall not affect such provision in any other respect or any other provision hereof. Headings used herein are for convenience of reference only and shall not affect the interpretation or construction of this agreement.

8. Assignment

Neither 835 nor FRP shall have the right to assign this contract without written consent of the other.

9. Notices

All notices and other communications given under this letter shall be in writing and faxed or delivered by personal delivery, if to FRP, at the above address, and if to 835 at its address at or as each may specify in a written notice to the other party. All such notices and communications shall be effective when faxed or delivered, as the case may be. If this letter meets with FRP's approval and reflects FRP's understanding of the respective roles and responsibilities of FRP and 835, please sign the enclosed duplicate copy and return it to me.

Yours truly,

835786 Alberta Ltd.

By: Murray Moore

Murray Moore

We confirm Fairmont Resort Properties Ltd.'s agreement to retain 835786 Alberta Ltd. on the terms described in this letter.

**FAIRMONT RESORT PROPERTIES LTD.**

Signed by: Murray Moore

Please print name: MURRAY MOORE

Date: July 23, 2009

# Fairmont Group of Companies

Appendix B

**Rolling cashflow forecast**
**May 30, 2009- July 10, 2009**
**CDN $**
**(000s)**

| | TOTAL May 30, 2009- July 10, 2009 | | | |
|---|---|---|---|---|
| | Budget | Actual | Variance | Variance |
| **Receipts** | | | | |
| Membership fees, rooms and golf receipts | 1,811 | 1,344 | (467) | -26% |
| Timeshare receipts | 1,124 | 1,024 | (100) | -9% |
| Reversionary Program | 1,744 | - | (1,744) | -100% |
| **Receipts of revenue** | **4,679** | **2,369** | **(2,311)** | **-49%** |
| **Total receipts** | **4,679** | **2,369** | **(2,311)** | **-49%** |
| **Disbursements** | | | | |
| **COGS** | **547** | **249** | **(298)** | **-55%** |
| Wages & Benefits | 33 | - | (33) | -100% |
| Marketing Expenses | 453 | 34 | (418) | -92% |
| Other Expenses | 10 | 28 | 18 | 193% |
| **Marketing expenses** | **495** | **62** | **(433)** | **-87%** |
| Wages & Benefits | 1,366 | 1,376 | 11 | 1% |
| Direct Expenses | 474 | 560 | 86 | 18% |
| Professional and Consulting | 267 | 187 | (80) | -30% |
| Repairs & Mtce | 111 | 114 | 3 | 3% |
| Office Expenses | 307 | 54 | (253) | -82% |
| Utilities | 309 | 133 | (176) | -57% |
| Overhead | 626 | 1,055 | 429 | 68% |
| Other expense - LL Developments | 17 | - | (17) | -100% |
| **General & administration expenses** | **3,477** | **3,480** | **3** | **0%** |
| **Disbursements related to the Reversionary Program** | **1,634** | **9** | **(1,625)** | **-99%** |
| **Disbursements from non-CCAA Debtors** | **(25)** | **-** | **25** | **-100%** |
| **Principal repayments on Makaha debt** | **21** | **-** | **(21)** | **-100%** |
| **Restructuring fees** | **363** | **644** | **281** | **77%** |
| **Total disbursements** | **6,512** | **4,443** | **(2,069)** | **-32%** |
| **Net Cash Flow** | **(1,833)** | **(2,074)** | **(242)** | **13%** |
| **Opening available cash** | 745 | 745 | - | 0% |
| **Foreign exchange adjustment** | - | 38 | 38 | |
| **DIP Financing** | 1,500 | 2,000 | 500 | 33% |
| **FFI deposit** | - | 17 | | |
| | 2,245 | 2,800 | 555 | 25% |
| **Net Cash Flow** | (1,833) | (2,074) | (242) | 13% |
| **Ending cash** | 412 | 726 | 313 | 76% |

| **Summary of Fairmont Group of Companies Cashflows** | | | | |
|---|---|---|---|---|
| CCAA entites | (1,547) | (1,624) | (77) | 5% |
| Makaha | (311) | (451) | (140) | 45% |
| Belize & Mexico entities | 25 | - | (25) | -100% |
| **Total net cashflow** | **(1,833)** | **(2,074)** | **(242)** | **13%** |

*Conversion rate of Makaha, Mexico and Belize* *1.250*

**Combined Financial Statement**
**Rolling Cash Flow Forecast**
**July 11, 2009- October 31, 2009**
**CDN $ $ 000,s**

**APPENDIX C**

| WEEK ENDING | Week 16 17-Jul-09 | Week 17 24-Jul-09 | Week 18 31-Jul-09 | Week 19 7-Aug-09 | Week 20 14-Aug-09 | Week 21 21-Aug-09 | Week 22 28-Aug-09 | Week 23 4-Sep-09 | Week 24 11-Sep-09 | Week 25 18-Sep-09 | Week 26 25-Sep-09 | Week 27 2-Oct-09 | Week 28 9-Oct-09 | Week 29 16-Oct-09 | Week 30 23-Oct-09 | Week 31 31-Oct-09 | TOTAL Jul 11-Oct 31 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast |
| Receipts of fees, rooms, golf revenues | 262 | 260 | 260 | 270 | 270 | 270 | 271 | 271 | 225 | 225 | 225 | 225 | 220 | 220 | 219 | 219 | 3,911 |
| Receipts of timeshare | 206 | 221 | 221 | 177 | 236 | 236 | 236 | 236 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 3,184 |
| Reversionary Program | - | 15 | 15 | 479 | 479 | 479 | 479 | 772 | 772 | 772 | 772 | 772 | 1,274 | 1,274 | 1,274 | 1,274 | 10,903 |
| **Receipts of revenue** | 468 | 496 | 496 | 926 | 985 | 985 | 986 | 1,278 | 1,174 | 1,174 | 1,174 | 1,174 | 1,671 | 1,671 | 1,670 | 1,670 | 17,998 |
| **Total receipts** | 468 | 496 | 496 | 926 | 985 | 985 | 986 | 1,278 | 1,174 | 1,174 | 1,174 | 1,174 | 1,671 | 1,671 | 1,670 | 1,670 | 17,998 |
| **COGS** | 38 | 33 | 93 | 51 | 51 | 51 | 51 | 51 | 39 | 39 | 39 | 39 | 38 | 38 | 38 | 38 | 724 |
| Wages & Benefits | - | 5 | - | 5 | - | 5 | - | 5 | - | 5 | - | 5 | - | 5 | - | 5 | 40 |
| Marketing Expenses | 2 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 137 |
| Other Expenses | 2 | 8 | 1 | 1 | 1 | 1 | 1 | 11 | 11 | 11 | 11 | 21 | 21 | 21 | 21 | 21 | 164 |
| Marketing expenses | 4 | 22 | 10 | 15 | 10 | 15 | 10 | 25 | 20 | 25 | 20 | 35 | 30 | 35 | 30 | 35 | 341 |
| Wages & Benefits | 290 | 115 | 306 | 125 | - | 445 | - | 455 | - | 405 | - | 375 | - | 355 | - | 115 | 2,986 |
| Direct Expenses | 15 | 90 | 90 | 93 | 93 | 94 | 94 | 86 | 86 | 86 | 86 | 88 | 84 | 84 | 84 | 87 | 1,340 |
| Professional and Consulting | - | 29 | 30 | 30 | 30 | 31 | 31 | 29 | 29 | 29 | 30 | 30 | 31 | 31 | 31 | 31 | 452 |
| Repairs & Mtce | 21 | 18 | 50 | 17 | 17 | 17 | 20 | 17 | 17 | 17 | 17 | 19 | 17 | 17 | 17 | 19 | 317 |
| Office Expenses | 1 | 19 | 17 | 23 | 23 | 23 | 24 | 21 | 21 | 21 | 21 | 24 | 23 | 23 | 23 | 25 | 333 |
| Utilities | 71 | 31 | 80 | 50 | 30 | 30 | 33 | 30 | 30 | 30 | 30 | 32 | 30 | 30 | 30 | 32 | 599 |
| Overhead | 79 | 135 | 195 | 137 | 137 | 137 | 138 | 586 | 136 | 136 | 137 | 138 | 137 | 137 | 138 | 138 | 2,637 |
| Other expense - LL Developments-Belize | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| General & administration expenses | 477 | 438 | 768 | 475 | 330 | 777 | 340 | 1,224 | 319 | 724 | 321 | 706 | 322 | 677 | 323 | 447 | 8,664 |
| **Disbursements related to the Reversionary Program** | - | 24 | 24 | 301 | 301 | 301 | 301 | 441 | 441 | 441 | 441 | 441 | 921 | 921 | 921 | 921 | 7,142 |
| **Disbursements of non-CCAA related entities** | - | 100 | 100 | - | 100 | - | - | - | - | - | - | - | - | - | - | - | 300 |
| **Principal repayments on Makaha debt** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Restructuring fees** | 200 | - | 455 | 26 | - | - | - | 298 | - | - | - | 309 | - | - | - | - | 1,288 |
| Total disbursements | 719 | 616 | 1,450 | 868 | 792 | 1,144 | 702 | 2,038 | 819 | 1,229 | 821 | 1,530 | 1,310 | 1,670 | 1,311 | 1,440 | 18,459 |
| **Exchange rate** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Receipts / Disbursements related to DIP financing** | - | - | 1,000 | - | - | 1,000 | - | 1,000 | - | - | - | 500 | - | - | - | - | 3,500 |
| **Transfers to/from remainder program in FFI trust account** | - | 9 | 9 | (178) | (178) | (178) | (178) | (330) | (330) | (330) | (330) | (330) | (354) | (354) | (354) | (354) | (3,761) |
| Net Cash Flow | (248) | (112) | 55 | (120) | 15 | 663 | 106 | (91) | 24 | (386) | 22 | (187) | 8 | (353) | 6 | (123) | (719) |
| Opening cash | 726 | 478 | 366 | 421 | 302 | 317 | 981 | 1,087 | 996 | 1,020 | 635 | 657 | 470 | 477 | 124 | 130 | 726 |
| Ending cash | 478 | 366 | 421 | 302 | 317 | 981 | 1,087 | 996 | 1,020 | 635 | 657 | 470 | 477 | 124 | 130 | 7 | 7 |
| **Reversionary Program** | | | | | | | | | | | | | | | | | |
| FFI - opening cash | 17 | 118 | 109 | 101 | 279 | 457 | 635 | 813 | 1,143 | 1,473 | 1,804 | 2,134 | 2,465 | 2,818 | 3,172 | 3,526 | 17 |
| FFI - Net transfers in/payments out | 101 | (9) | (9) | 178 | 178 | 178 | 178 | 330 | 330 | 330 | 330 | 330 | 354 | 354 | 354 | 354 | 3,862 |
| FFI - closing cash | 118 | 109 | 101 | 279 | 457 | 635 | 813 | 1,143 | 1,473 | 1,804 | 2,134 | 2,465 | 2,818 | 3,172 | 3,526 | 3,879 | 3,879 |

*Conversion rate of Makaha, Mexico and Beliz* *1.2500*

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.

**THIRD REPORT OF THE MONITOR**
**ERNST & YOUNG INC.**
**JULY 27, 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

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