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.

FOURTH REPORT OF THE MONITOR

ERNST & YOUNG INC.

OCTOBER 23, 2009

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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") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36, as amended, (the "*CCAA*") pursuant to an order of this Honourable Court dated March 30, 2009 (the "Initial Order").

2. Pursuant to the Initial Order, Ernst & Young Inc. was appointed monitor of the Fairmont Group during these *CCAA* proceedings (the "Monitor").

3. The purpose of this fourth report of the Monitor (the "Fourth Report") is to provide this Honourable Court with an update in respect of the following:

   (a) Operational update since the Third Report;

   (b) An analysis of the budget to actual cash flow results for the period from July 11, 2009 to October 16, 2009 (the "Reporting Period");

   (c) The revised cash flow projections (the "Revised Cash Flow Projections") from October 17, 2009 through to February 26, 2010 (the "Forecast Period");

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

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

   (f) The Fairmont Groups' request to amend the Initial Order to provide additional powers to FRPL and the Monitor;

(g) The Fairmont Groups' request for an extension of the stay period; and

(h) The Monitor's recommendations.

4. Capitalized terms not defined in this Fourth 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 Fourth Report, the Monitor has relied upon unaudited financial information, company records and discussions with management of the Fairmont Group. The Monitor has not performed an audit, review or other verification of such information. An examination of the financial forecast as outlined in the Canadian Institute of Chartered Accountants ("CICA") Handbook has not been performed. Future orientated financial information relied upon in this report is based on management's assumptions regarding future events and actual results achieved will vary from this information and the variations may be material.

BACKGROUND

6. The Fairmont Group and its related companies are a group of privately-held companies engaged in the business of acquisition, development and operation of resort based real estate for the ultimate disposition/sale within an interval or time share format. The primary assets are located in Alberta, British Columbia, Hawaii, Belize, Mexico and certain other destination based locations. The primary business of the Fairmont Group and related companies is the acquisition, development, marketing and sale of time share or interval based interests in its resort properties with its secondary/support activities being the development / acquisition of product for future sale and the operation of resort properties, including hotel operations at Kelowna, Belize and Hawaii.

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

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

8. Further background to the Fairmont Group and 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 has been posted by the Monitor on its website at: www.ey.com/ca/frpl.

RESTRUCTURING AND OPERATIONAL UPDATE

General operations

9. The Fairmont Groups' operations have continued with no material adverse changes since the date of the Monitor's Third 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.

10. However, the Fairmont Groups' overall operations are still generating negative cash flow and the Management team, along with the Monitor, is working to reduce the cash burn. It is anticipated that even with further immediate cash conservation initiatives, FRP will incur negative cash flow in the Forecast Period of $282,000.

Overall Restructuring

11. The Fairmont Group, along with the Monitor, has been assessing various restructuring options to allow for the preparation of a plan of arrangement and compromise. These options are becoming limited due to the continued negative cash flow from operations as well as the current market conditions for real estate projects.

12. At this time, the Fairmont Group and the Monitor believe that a restructuring is

still possible if the results of the Reversionary Program materially improve together with the Fairmont Group being able to achieve further cost reductions and revenue improvements in its operations. In the event the foregoing does not materialize, the Fairmont Group may have to consider a liquidation strategy.

13. The Forecast (defined below) includes a revised estimate of the Reversionary Program based on results to date and cost saving and revenue enhancement initiatives. In order to achieve a restructuring, the actual cash flow results need to be better than the Forecast.

14. In order to properly assess whether the business of the Fairmont Group can be restructured, the Fairmont Group, with the support of the Monitor, believe that an extension to these CCAA proceedings is necessary in order to allow the time to incorporate these operational and business changes.

DIP Financing

15. As discussed in previous 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. A material aspect of the DIP Loan was that it did not revolve and as such any repayments under the DIP Loan would be treated as permanent repayments.

16. To October 16, 2009, FRP has drawn $4.65 million under the DIP Loan.

17. As discussed in the Third Report, the net receipts collected from the Reversionary Program (the "Reversionary Receipts") are transferred into a separate company owned by FRP called Fairmont Funding Inc. ("FFI"). The Reversionary Receipts transferred into FFI would be distributed upon further consultation with the DIP Lender and the Monitor. The primary reason the Reversionary Receipts were segregated was to allow for a contingency in the event that the DIP Loan was maximized and further cash was still needed during the restructuring (i.e. without

a revolving DIP Loan the application of the Reversionary Receipts would result in a permanent repayment of the DIP Loan).

18. The preliminary cash flows prepared for the Forecast Period indicated that the DIP Loan would be fully drawn by the end of November, 2009 and FRP would need to use approximately $1.1 million of the Reversionary Receipts to fund the cash deficit. Rather than use the Reversionary Receipts in this manner, FRP and the Monitor preferred to have most of the Reversionary Receipts applied to the DIP Loan and have the DIP Loan revolve as this would reduce the interest costs to FRP.

19. Based on the need to utilize the Reversionary Receipts during the Forecast Period, FRP and the Monitor met with the DIP Lender, Century Services Inc. ("the DIP Lender") on October 19, 2009 requesting that the DIP Loan be allowed to revolve during the Forecast Period.

20. On October 21, 2009, the DIP Lender notified FRP and the Monitor that it was prepared to amend the current DIP Loan agreement and make the DIP Loan a revolving loan. The DIP Lender's counsel is currently preparing the necessary amendments to the current DIP Loan to allow the facility to revolve. The Monitor understands that under the proposed amendments to the DIP Loan, the DIP Lender will require that:

(a) 35% of each pay down on the facility will be a permanent reduction to the DIP Loan and the remaining 65% will be available for re-advancement as required within the same criteria set forth under current DIP Loan agreement; and

(b) All Reversionary Receipts be place into trust and, once there is an accumulation of over $100,000 in this trust account, these funds are to be transferred to the DIP Lender as a reduction of the facility, as described above.

21. The Revised Cash Flow Projections reflect the terms of the proposed amendments to the DIP Loan.

22. To summarize, the impact to FRP of allowing the DIP Loan to revolve effectively results in the additional use of $1.1 million during the Forecast Period. As a result, the Monitor believes that the proposed amendments to the DIP Loan require Court approval.

23. The Fairmont Group is 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 Fairmont Group has been in compliance with their reporting requirements during the Reporting Period.

Update on FRP Operations

Columbia Villa Management Ltd. ("CVM")

24. As previously discussed in the Third Report, on July 3, 2009, FRP, with the Monitor's concurrence, issued a letter terminating and repudiating the amended management agreement (the "Management Agreement") dated August 1, 2005 between FRP and CVM.

25. On July 28, 2009, CVM filed a notice of motion returnable July 29, 2009 seeking to set aside the termination of the Management Agreement amongst other relief. This application was adjourned *sine die* and, to date, has not been scheduled for rehearing.

26. The Monitor understands that FRP continues to be in discussions with CVM in attempts to resolve the matters raised in CVM's notice of motion.

27. Fairmont has created a new subsidiary, Resort Villa Management Inc. ("RVM"), to perform the management services previously provided by CVM.

Update on LORV Operations

28. As previously discussed in the Third Report, the Monitor understands there were a number of time share purchasers from LORV who have asserted they were provided with certain inducements or undocumented additional rights to acquire further time share interests, which LORV is currently investigating.

29. The Monitor further understands that the Fairmont Group continues to review the substance and merit of these claims.

Makaha Hotel and Resort Inc. ("Makaha")

Sales Process

30. 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.

31. Since the date of the Initial Order until the end of this Reporting Period (as discussed further below), FRP has advanced approximately $1,754,450 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.

32. As previously discussed in the Third Report, FRP engaged the services of Dornbush & Co., Ltd. ("Dornbush") to act as a non-exclusive real estate agent to sell the assets at Makaha. The Monitor understands that on August 24, 2009, FRP and a counter-party (the "Purchaser") executed and signed a Letter of Intent ("LOI") to purchase the assets of Makaha.

33. As part of the conditions precedent to the LOI, the Purchaser has 60 days from the date the LOI was executed, to complete its due diligence and sign a purchase and sales agreement (the "PSA") which is anticipated on or before October 25, 2009.

34. The PSA is subject to Monitor consent and Court approval.

35. The Monitor will advise the Court in due course on the outcome of the due diligence that is currently being conducted on Makaha's asset sale.

BUDGET TO ACTUAL RESULTS FROM JULY 11 TO OCTOBER 16, 2009

36. The cash flow budget to actual presented at Appendix "A" for the Reporting Period (July 11 to October 16, 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 Third Report (the "Third Report Forecast"). The table below provides a summary of the budget to actual cash flow:

Budget to Actual Variance July 11, 2009 to October 16, 2009 (Reporting Period)	Forecast $000's	Actual $000's	Difference $000's
Receipts	14,658	8,146	(6,512)
Disbursements	15,706	8,895	6,811
Net change in cash	**(1,048)**	**(749)**	**299**
<u>Other changes to cash position</u>			
Foreign exchange adjustment	-	124	124
Transfer of Reversionary funds to FFI	(3,053)	(2,264)	789
DIP financing	3,500	2,650	(850)
Subtotal of other changes to cash position	447	510	63
Net Change in cash (including other changes)	(601)	(239)	(362)
Opening Cash	726	726	-
Ending FRP Cash (excluding FFI proceeds)	**125**	**487**	**362**
Ending FFI cash	**3,172**	**2,264**	
Total available cash	**3,297**	**2,751**	**(546)**

37. Receipts for the Reporting Period totalled approximately $8,146,000, representing an unfavourable variance of approximately $6,512,000 from the receipts set out in the Third Report Forecast. This negative variance was primarily due to:

(a) a negative variance in the Reversionary Program accounting for approximately $5.42 million, as discussed in detail in the October 23th, 2009 Affidavit of Murray Moore (the "October 23rd Moore Affidavit");

(b) lower than expected membership, golf and amenity receipts of approximately $629,000 that reflects the impact of the Okanagan fires during the summer months that resulted in the evacuation of the Lake Okanagan Resort and an overall less than expected forecast of these receipts during this Reporting Period; and

(c) lower than forecast timeshare sales of approximately $467,000 due to more of an emphasis being placed by FRP on its sales teams to sell the Reversionary Program and general economic conditions.

38. Disbursements for the Reporting Period totalled approximately $8,895,000 representing a favourable variance of $6,811,000. This positive variance was primarily due to the following significant variances:

(a) Positive variance of approximately $74,000 in cost of goods sold that related to actual costs being below budget for each of the hotel operations than expected and sales being less than forecast as discussed above;

(b) Positive variance of approximately $205,000 relating to lower general marketing costs in light of the emphasis placed by FRP on the Reversionary Program sales to existing customers;

(c) Positive variance of approximately $1.84 million in general and administrative and operating expenses due primarily to lower sale volumes and the reduction of discretionary expenditures;

(d) Positive variance of approximately $4.68 million relating to lower than expected Reversionary Program costs associated with the lower than expected Reversionary Program sales as discussed above (i.e. commission fees and legal costs, etc.);

(e) Negative variance of approximately $271,000 relating to higher than anticipated working capital advances to one of FRP's non-CCAA subsidiary entities, Resort Villa Management Ltd. ("RVM"), and

(f) Positive variance of approximately $280,000 relating to the timing of professional fee payments during the CCAA process.

39. Other changes to the consolidated cash position during the Reporting Period totalled approximately $510,000, representing a favourable balance of $63,000. This positive variance relates primarily to:

(a) A positive foreign exchange adjustment of approximately $124,000 relating to the foreign exchange rate fluctuation that occurred between July 11, 2009 and October 16, 2009;

(b) Positive variance of approximately $789,000 relating to lower than anticipate transfers of Reversionary Program funds to the FFI account; and

(c) Negative variance of approximately $850,000 relating to the timing of DIP Loan funds for operations;

40. The ending total available cash balance as of October 16, 2009, was approximately $2.751 million compared to the forecasted balance of $3.297 million. This balance includes the DIP financing of $4.65 million received since

the date of the Initial Order, which, indicates an overall negative cash flow of approximately $1.9 million.

Related company advances

41. During the Reporting Period, approximately $1,252,000 has been advanced between companies within the Fairmont Group, in particular:

FRP advance

(a) $948,450 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 Fairmont Group and the Monitor on an ongoing basis;

(b) $465,979 to RVM relating to working capital requirements (i.e. payroll); and

(c) approximately $38,000 to LOR to cover operating costs; and

Advances to FRP

(d) $100,000 relating to the payback of prior advances FRP made to LOR in prior Reporting Periods; and

(e) $100,000 related to payback of prior advances FRP made to LORV of intercompany debt.

REVISED CASH FLOW FORECAST THROUGH FEBRUARY 26, 2010

42. Attached as Appendix "B" to this Fourth Report is a copy of the revised cash flow forecast for the period from October 17, 2009 through February 26, 2010 (the "Forecast Period") as prepared by the Fairmont Group, with the assistance of the Monitor. Management has prepared the Forecast based on the most current information available.

43. Given the sales shortfall that management experienced during the Reporting Period, FRP with the assistance of the Monitor, worked very diligently in preparing several financial models to specifically analyze and determine what cost cutting measures can be made to stem the financial losses of the Fairmont Group.

44. The Fairmont Group created various short-term and long-term forecast financial models resulting in cash flow forecasts, as shown below, that incorporate significant cost-cutting measures and revised assessment of collection of receipts from time share and Reversionary Program sales.

45. For purposes of this Forecast Period, FRP has combined all proceeds received under the Reversionary Program with cash from operations, as the use of funds from the Reversionary Program and operations are being applied during the course of the Forecast Period against the proposed amendments to the DIP Loan.

Fairmont - Revised Forecast	Forecast $000
Receipts	7,512
Disbursements	
Disbursements from operations	5,176
Intercompany transfers - Non-CCAA entities	1,146
Restructuring costs	1,300
DIP Interest Payments	173
Total disbursements	**7,795**
Net change in cash	(282)
Opening cash (including FFI)	2,751
DIP Advances/(Repayments)	(2,172)
Ending cash	**297**
DIP Loan Reconciliation	
Opening balance	4,650
Borrow on DIP	2,959
Principal repayments	(5,131)
Ending DIP Balance	**2,478**
As at February 26, 2010	
Maximum Limit under DIP Loan	3,454
Available credit under DIP Loan	976

46. As summarized above, the Fairmont Group is projecting total cash receipts of approximately $7.512 million, cash disbursements of approximately $7.795 million and a net decrease in cash of approximately $282,000 in the Forecast Period.

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

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

(a) The Amended DIP Loan is executed and approved by this Court;

(b) Total receipts were estimated based on a "current course and speed" scenario, whereby, management forecasted receipts collections based on recent experience of time share and Reversionary Program receipts during the Reporting Period;

(c) 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;

(d) Approximately $1.146 million in inter-company transfers to Non-CCAA Debtors will be required during the Forecast Period. These advances are made up of the following:

   i. $0.846 million relating to advances for Makaha Resort to cover general and operating costs that will be subject to additional discussion and appraisal by the DIP Lender and the Monitor;

   ii. $150,000 relating to advances to RVM as payments on account of maintenance fees due to the creation of that entity by the Fairmont Group during the 2009 year. As at January 1, 2010, there will be no further advances to RVM and RVM will be required to not only pay FRP back the funds borrowed to RVM, but to be a self-sufficient entity; and

   iii. $150,000 relating to advances to Fairmont Rancho Banderas SA de CV and Costa Maya Reef Resorts;

(e) Interest relating to the DIP Loan of approximately $173,000;

(f) Professional fees during the Forecast Period have been estimated at approximately $1.3 million, which include to catch up payments of costs incurred prior to the Forecast Period and costs expected to be incurred during the Forecast Period;

49. As previously discussed in the Third Report, the Fairmont Group, along with the Monitor, will continue to 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.

50. Over the course of the Forecast Period, the Fairmont Group anticipates to use an additional $2.9 million of the DIP Loan and repay approximately $5.1 million with $1.796 million being permanent repayments leaving the Amended DIP Loan maximum at $3.454 million at the end of the Forecast Period and the Fairmont Group the ability to borrow $976,000 in future periods.

51. Based on the Fairmont Groups' assumptions, the Revised Forecast indicates that the Fairmont Group will continue to have sufficient funds through the Forecast Period.

REVERSIONARY PROGRAM UPDATE

Background

52. As previously discussed in the Third Report, this Honourable Court approved the Fairmont Groups' 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") the opportunity to convert from a leasehold interest to a fee simple interest, in exchange for a one-time acquisition fee payable to FRP and/or LORV;

    (b) Monetization Program. This program is designed to sell to all existing time share holders time share inventory at discounted prices. At the point in time each time share holder is contacted to consider the Remainder Program, the Fairmont Group intends 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 Fairmont Group and its time share owners 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 October 23rd Moore Affidavit.

Reporting Period Results

54. FRP previously budgeted for the Reporting Period, receipts and disbursements from the Reversionary Program of approximately $8.355 million and $5.3 million, respectively, with respect to FVV and LORV, resulting in forecast net receipts balance of approximately $3,055,000. Actual results from this program were approximately $620,000 in disbursements and $2.9 million in receipts during the Reporting Period.

55. The reason for this negative variance in receipts is mainly due to an aggressive forecast performance that management believed it could achieve during the summer month and due to other issues explained in the October 23rd 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 October 17, 2009 through February 26, 2010 (the "Program Forecast Period"):

Program Forecast (October 16, 2009 to February 26, 2010)	Reversionary Program
Sales & Interest Revenue	5,026
Expenses (allocated based on revenues)	1,255
Net revenue	**3,771**
Composition of net revenue	
Collections during Program Forecast	4,286
Program expenses paid during Program Forecast	(1,255)
Accounts receivable as at February 26, 2010	790
Accounts receivable as at February 26, 2010	(50)
	3,771

57. As illustrated in the table above, Management's Program Forecast indicates total revenues from the Reversionary Programs of $5.026 million. Total net revenues estimated from the Reversionary Programs are approximately $3.8 million, comprising:

(a) $3.1 million in net cash receipts during the Program Forecast Period; and

(b) $740,000 increase 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 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
Total receipts - Reversionary Program	a	**4,286**
Disbursements		
Administration and other expenses	b	1,004
GST (net)	c	251
Total disbursements		**1,255**
Net cash receipts from Reversionary Programs		3,031

(a) Total receipts from the collection of sales during the Program Forecast Period totals $4.2 million, with the remaining sales to be collected over the financing period set out under the Reversionary Program;

(b) Administration and other expenses of $1.0 million comprising marketing and communication expenses required to implement and complete the Reversionary Programs, RCI membership fees, trustee fees; and

(c) Net payments relating to goods and services taxes during the Program Forecast Period are estimated at $0.25 million (relating primarily to GST collected on sales).

Receivables generated from the Reversionary Program

60. As discussed above, a considerable amount of receivables may be generated and outstanding as at February 26, 2010 as result of the financing aspect of the Reversionary Program. The table below summarizes the accounts receivable:

Reversionary Program	Program Forecast Period ($000's)
Opening AR balance	50
Sales	5,020
Interest on notes	6
Collections	(4,286)
Closing AR balance	**790**

61. The table above indicates that as at February 26, 2010, there will be approximately $0.8 million in receivables relating to the Reversionary Program.

RFI NOTICE OF MOTION

62. Resort Funding LLC ("RFI") obtained leave to appeal the June 24, 2009 decision of Madame Justice Romaine (the "Promissory Note Decision") related to the Bills of Exchange Act application to certain promissory note and instalment sales contracts (the "Notes"). On October 7, 2009, the Alberta Court of Appeal heard RFI's appeal of the Promissory Note Decision and dismissed it.

63. On August 7, 2009, Justice Romaine issued reasons with respect to the second point raised in RFI's June 24, 2009 application; specifically, the matter of priority as between RFI, FRPL and FRPLM (the "Priority Decision"). Justice Romaine

held that FRPL's registrations in the Alberta Personal Property Registry have priority over RFI's rights under the instalment sales contracts.

64. RFI has sought leave to appeal the Priority Decision from the Alberta Court of Appeal, which application was heard on October 22, 2009 with judgement on leave being reserved.

65. As at October 1, 2009, there was $9,511,388 in Notes to collect from its time share owners and approximately $8,030,230 of indebtedness outstanding to RFI, which includes accrued interest and estimated lender and legal fees of $100,000. Based on the current collection of the Notes, it appears that the RFI Credit Facility obligation will exceed the security on the Notes on or near May 1, 2010 as shown in the schedule below:

	"RFI" Notes Receivables				RFI Credit Facility Obligation		
Months	Opening balance	Interest	Payments Received	Closing Balance	Opening balance	Interest	Closing Balance
October 1, 2009	9,668,616	108,772	266,000	9,511,388	7,882,606	147,624	8,030,230
November 1, 2009	9,511,388	107,003	266,000	9,352,391	8,030,230	48,516	8,078,746
December 1, 2009	9,352,391	105,214	266,000	9,191,605	8,078,746	48,809	8,127,555
January 1, 2010	9,191,605	103,406	266,000	9,029,011	8,127,555	49,104	8,176,659
February 1, 2010	9,029,011	101,576	266,000	8,864,587	8,176,659	49,401	8,226,059
March 1, 2010	8,864,587	99,727	266,000	8,698,314	8,226,059	49,699	8,275,758
April 1, 2010	8,698,314	97,856	266,000	8,530,170	8,275,758	49,999	8,325,758
May 1, 2010	8,530,170	95,964	266,000	8,360,134	8,325,758	50,301	8,376,059
June 1,2010	8,360,134	94,052	266,000	8,188,186	8,376,059	50,605	8,426,665

AMENDMENT TO THE INITIAL ORDER

66. In order to gain the continued support of FRPL (the Fairmont Group's largest secured lender) in these CCAA Proceedings, certain amendments were requested by FRPL to the Initial Order (the "Initial Order Amendments"). The Monitor understands that FRPL has expressed serious concerns about the level of costs

being incurred by the Fairmont Group and requested that the Monitor's powers be expanded to allow it to identify and implement cost-saving measures, and to allow FRP greater information regarding, and input into the costs being incurred by the Fairmont Group.

67. Specifically, the requested Initial Order Amendments include, *inter alia*:

(a) Increased powers of the Monitor to direct the activities of the CRO and, in particular, to identify, recommend and if appropriate direct that the Fairmont Group implement reductions of costs, expenses and overhead;

(b) Granting FRPL the right to approve the exercise of certain of the expanded powers of the Monitor; and

(c) Specifying that FRPL and FRPLM have access to certain financial and other reports being provided to the DIP Lender.

68. The Monitor has reviewed the Initial Order Amendments and believes they are reasonable in the circumstances.

FAIRMONT GROUPS' REQUEST FOR AN EXTENSION OF THE STAY PERIOD

69. Pursuant to the Initial Order, as amended, the Stay Period continues until and including October 30, 2009. The Fairmont Group is seeking an extension of the Stay Period until and including, February 26, 2010 (the "Stay Extension").

70. The Stay Extension is necessary for the Fairmont Group to allow for a continuation of:

(a) Fairmont Group's Reversionary Program; and

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

71. The Monitor understands that FRPL and the DIP Lender continue to support the Fairmont Group in its restructuring efforts.

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

RECOMMENDATIONS

73. The Monitor recommends the:

(a) approval of the proposed amendments to the DIP Loan;

(b) Initial Order Amendment; and

(c) approval of the Stay Extension.

All of which is respectfully submitted this 23rd October 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

Cash Flow Budget to Actual
July 11, 2009 – October 16, 2009

Fairmont Group of Companies

Appendix A

Rolling cashflow forecast
July 11, 2009 to October 16, 2009
CDN $
(000s)

	TOTAL July 11, 2009 to October 16, 2009			
	Budget	Actual	Variance	Variance
Receipts				
Membership fees, rooms and golf receipts	3,473	2,844	(629)	-18%
Timeshare receipts	2,830	2,363	(467)	-17%
Reversionary Program	8,355	2,939	(5,416)	-65%
Total receipts	14,658	8,146	(6,512)	-44%
Disbursements				
COGS	648	574	(74)	-11%
Marketing expenses	276	71	(205)	-74%
Wages & Benefits	2,871	2,596	(275)	-10%
Direct Expenses	1,169	425	(744)	-64%
Professional and Consulting	390	164	(226)	-58%
Repairs & Mtce	281	313	32	11%
Office Expenses	285	113	(172)	-60%
Utilities	537	651	114	21%
Overhead	2,361	1,789	(572)	-24%
General & administration expenses	7,894	6,051	(1,843)	-23%
Disbursements related to the Reversionary Program	5,300	620	(4,680)	-88%
Disbursements from non-CCAA Debtors	300	571	271	90%
Restructuring fees	1,288	1,008	(280)	-22%
Total disbursements	15,706	8,895	(6,811)	-43%
Foreign exchage adjustment	-	124	124	#DIV/0!
Receipts / Disbursements related to DIP Financing	3,500	2,650	(850)	-24%
Transfers to reversionary program in FFI Trust account	3,053	2,264	(789)	-26%
Net Cash Flow	(601)	(239)	362	-60%

FRP Corporate (excluding Reversionary cash)				
Opening balance	726	726	-	0%
Change in net cash flow from operations	(601)	(239)	362	-60%
Closing Balance	125	487	362	

Reversionary cash (FFI Balance)				
Opening balance	17	-	(17)	-100%
Net change in reversionary cash	3,155	2,264	(891)	-28%
Closing Balance	3,172	2,264	(908)	

Total available Cash	3,297	2,751	546	

APPENDIX B

Cash Flow Forecast
October 17, 2009 – February 26, 2010

Fairmont Group of Companies
Rolling cashflow forecast
October 17, 2009 to February 26, 2010
CDN $

(000s)

	Forecast Week 30	Forecast Week 31	Forecast Week 32	Forecast Week 33	Forecast Week 34	Forecast Week 35	Forecast Week 36	Forecast Week 37	Forecast Week 38	Forecast Week 39
	23-Oct-09	30-Oct-09	6-Nov-09	13-Nov-09	20-Nov-09	27-Nov-09	4-Dec-09	11-Dec-09	18-Dec-09	25-Dec-09
CASH FLOW										
Receipts										
Receipts of timeshare	152	154	139	138	138	138	134	134	134	134
Receipts of remainder	192	242	248	248	248	248	256	256	255	255
Receipts of fees, hotel rooms, golf revenue, etc	50	50	30	30	30	26	25	25	25	25
Other receipts	-	-	-	-	-	-	-	-	-	-
Total Receipts	394	446	418	417	417	413	415	415	414	414
Disbursements										
Cost of sales	15	15	3	3	3	3	2	2	2	2
Wages & benefits	100	-	163	-	143	-	143	-	141	-
Marketing & Commissions "non remainder"	87	5	88	5	55	4	54	4	37	5
Marketing & Commissions "remainder"	160	55	14	14	174	54	14	14	174	54
Professional and Consulting	60	-	83	3	11	3	83	3	11	3
Other disbursements	265	78	188	72	98	77	93	68	90	67
Operating Expenses Subtotal	687	153	538	97	484	141	390	91	454	131
Intercompany transfers - Non CCAA Entities										
Makaha	-	130	-	110	-	130	-	110	-	166
RVM	-	-	150	-	-	-	-	-	-	-
Other (Mexico, Rancho)	-	-	-	-	150	-	-	-	-	-
Total Non CCAA - Intercompany	-	130	150	110	150	130	-	110	-	166
Restructuring Costs	250	50	90	-	160	-	90	-	160	-
DIP Interest payments	14	15	15	8	8	9	9	9	8	9
Total Disbursements	951	348	794	215	802	280	488	210	622	305
Net change in cash flow	(557)	98	(376)	202	(385)	133	(73)	206	(208)	109
Open cash - including FFI	2,751	2,794	2,893	100	100	100	159	100	100	100
Net change in cash flow	(557)	98	(376)	202	(385)	133	(73)	206	(208)	109
DIP Advances/Repayments	600	-	(2,417)	(202)	385	(74)	14	(206)	208	(81)
Ending Cash - including FFI	2,794	2,893	100	100	100	159	100	100	100	128
DIP Loan Reconciliation										
Opening Balance	4,650	5,250	5,250	2,833	2,631	3,016	2,942	2,956	2,750	2,958
Borrow on Dip	600	-	65	33	619	-	209	37	450	-
Principal repayments on DIP	-	-	2,482	234	234	74	194	242	242	81
Ending Balance	5,250	5,250	2,833	2,631	3,016	2,942	2,956	2,750	2,958	2,877
Maximun limit under amended DIP loan	5,250	5,250	4,381	4,299	4,217	4,191	4,123	4,038	3,954	3,925
Available credit under amended DIP loan	-	-	1,548	1,668	1,201	1,249	1,167	1,288	995	1,048

Fairmont Group of Companies
Rolling cashflow forecast
October 17, 2009 to February 26, 2010
CDN $

(000s)

	Forecast Week 40 1-Jan-10	Forecast Week 41 8-Jan-10	Forecast Week 42 15-Jan-10	Forecast Week 43 22-Jan-10	Forecast Week 44 29-Jan-10	Forecast Week 45 5-Feb-10	Forecast Week 46 12-Feb-10	Forecast Week 47 19-Feb-10	Forecast Week 48 26-Feb-10	Forecast Cumulative 17-Oct-09 to 26-Feb-10
CASH FLOW										
Receipts										
Receipts of timeshare	136	140	140	140	140	115	115	115	115	2,553
Receipts of remainder	192	193	193	193	193	218	218	218	218	4,286
Receipts of fees, hotel rooms, golf revenue, etc	108	19	19	19	19	105	22	22	22	673
Other receipts	-	-	-	-	-	-	-	-	-	-
Total Receipts	436	351	351	351	351	439	356	356	356	7,512
Disbursements										
Cost of sales	2	2	4	4	4	5	5	5	5	87
Wages & benefits	2	113	-	91	-	90	-	90	-	1,077
Marketing & Commissions "non remainder"	5	38	4	77	4	77	4	46	3	599
Marketing & Commissions "remainder"	14	14	14	175	54	14	14	175	54	1,255
Professional and Consulting	3	81	6	8	-	80	3	11	3	455
Other disbursements	114	53	81	53	50	99	45	70	43	1,703
Operating Expenses Subtotal	140	300	109	408	112	365	71	397	108	5,176
Intercompany transfers - Non CCAA Entities										
Makaha	-	100	-	-	-	100	-	-	-	846
RVM	-	-	-	-	-	-	-	-	-	150
Other (Mexico, Rancho)	-	-	-	-	-	-	-	-	-	150
Total Non CCAA - Intercompany	-	100	-	-	-	100	-	-	-	1,146
Restructuring Costs	90	-	160	-	-	90	-	160	-	1,300
DIP Interest payments	8	8	8	8	8	8	8	7	7	173
Total Disbursements	238	408	277	416	120	562	79	564	115	7,795
Net change in cash flow	198	(57)	74	(64)	232	(124)	277	(208)	240	(282)
Open cash - including FFI	128	124	100	100	100	314	100	173	100	2,751
Net change in cash flow	198	(57)	74	(64)	232	(124)	277	(208)	240	(282)
DIP Advances/Repayments	(201)	32	(74)	64	(18)	(90)	(204)	136	(43)	(2,172)
Ending Cash - including FFI	124	100	100	100	314	100	173	100	297	297
DIP Loan Reconciliation										
Opening Balance	2,877	2,676	2,709	2,635	2,699	2,681	2,591	2,386	2,522	4,650
Borrow on Dip	-	210	105	243	-	48	-	340	-	2,959
Principal repayments on DIP	201	178	179	179	18	139	204	204	43	5,131
Ending Balance	2,676	2,709	2,635	2,699	2,681	2,591	2,386	2,522	2,478	2,478
Maximun limit under amended DIP loan	3,855	3,792	3,730	3,667	3,661	3,613	3,541	3,469	3,454	3,454
Available credit under amended DIP loan	1,178	1,084	1,095	969	980	1,022	1,155	948	976	976

Action No.: 0901-04199

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF CALGARY

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF FAIRMONT RESORT PROPERTIES LTD., LAKE OKANAGAN RESORT VACATION (2001) LTD., LAKE OKANAGAN RESORT (2001) LTD., AND LL DEVELOPMENT LTD.

FOURTH REPORT OF THE MONITOR
ERNST & YOUNG INC.
OCTOBER 23, 2009

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