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.

FIFTH REPORT OF THE MONITOR

ERNST & YOUNG INC.

JANUARY 22, 2010

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INTRODUCTION

1. On March 30, 2009, FRPL Finance Ltd. ("Finance") and FRPL Management Ltd. ("FRPLM") (collectively the "Applicants") applied to the Alberta Court of Queen's Bench (the "Court"), with the consent of the Fairmont Group (defined below), to seek and obtain creditor protection for Fairmont Resort Properties Ltd. ("FRP"), Lake Okanagan Resort Vacation (2001) Ltd. ("LORV"), Lake Okanagan Resort (2001) Ltd. ("LOR"), and LL Developments Ltd.("LLD") (collectively the "Fairmont Group") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36, as amended, (the "*CCAA*") pursuant to an order of this Honourable Court dated March 30, 2009 (the "Initial Order").

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

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

    (a) An operational and restructuring update since the fourth report of the Monitor (the "Fourth Report");

    (b) An analysis of the budget to actual cash flow results for the period from October 17, 2009 to January 15, 2010 (the "Reporting Period");

    (c) The revised cash flow forecast (the "Forecast") from January 16, 2010 through to April 16, 2010 (the "Forecast Period");

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

    (e) Update on Resort Funding LLC ("RFI");

    (f) The Fairmont Group's request for an extension of the Stay Period; and

(g) The Monitor's recommendation.

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

BACKGROUND

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

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

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

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

OPERATIONAL UPDATE

General operations

9. The Fairmont Group's' operations have continued with no material adverse changes since the date of the Fourth 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. During the Reporting Period, the Fairmont Group and the Fairmont Resort Non-CCAA Debtors, with the assistance of the Monitor, continued to evaluate and implement various cost-cutting measures to free up cash flow for their operations as discussed further below.

DIP Financing

11. 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 explored restructuring alternatives through the CCAA process.

12. As further discussed in the Fourth Report, this Honourable Court approved certain amendments to the DIP Loan (the "Amended DIP Loan Agreement"), where the DIP Lender required:

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

(b) All Reversionary Receipts were to be placed into trust and were to be transferred to the DIP Lender once a week as a reduction of the facility, as described above. Concurrent with this weekly loan reduction to the DIP Lender, the Fairmont Group may request that the DIP Lender advance funds under the credit facility as needed.

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

DIP Loan Reconciliation As at January 15, 2010	**FORECAST $000**	**ACTUAL $000**	**VARIANCE $000**
Opening balance	4,669	4,669	-
Borrow on DIP - during Reporting Period	2,328	1,630	(698)
Principal repayments	(4,061)	(3,516)	545
Ending DIP Balance	**2,936**	**2,783**	**(153)**
Maximum Limit under DIP Loan	**4,078**	**4,269**	**191**
Available credit under DIP Loan	**1,142**	**1,486**	**344**

14. As shown in the above table, since the date of the Initial Order to January 15, 2010, FRP has drawn approximately $6.3 million under the DIP Loan and has made repayments of approximately $3.5 million, resulting in an ending DIP Loan obligation of approximately $2.78 million. Based on the Amended DIP Loan Agreement, the maximum limit under the DIP Loan has been reduced from $5.5 million to $4.26 million, which leaves an available credit under the DIP Loan of approximately $1.48 million to be drawn, if required.

15. The variance in the DIP Loan from forecast is explained further below.

16. The Fairmont Group is required to meet certain weekly and monthly reporting requirements 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 its reporting requirements during the Reporting Period.

Update on LORV Operations

17. As previously discussed in prior reports, there are certain time share purchasers who have asserted that they were provided with certain inducements or undocumented additional rights to acquire further time share interests.

18. The Monitor understands that the Fairmont Group is currently reviewing these assertions to determine their substance and merit and what priority these assertions would have among the LORV creditors.

Update on Makaha Hotel and Resort Inc. ("Makaha")

Sales Process

19. As previously reported in the first report of the Monitor (the "First Report"), Makaha is a wholly-owned subsidiary of FRP. Makaha owns a resort property and golf course in Oahu, Hawaii.

20. Between the date of the Initial Order and the end of this Reporting Period (as discussed further below), FRP has advanced approximately $2,422,622 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.

21. As previously discussed in the Fourth 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. On August 24, 2009, FRP and a prospective purchaser (the "Purchaser") executed and signed a Letter of Intent ("LOI") to purchase the assets of Makaha.

22. On November 4, 2009, the Purchaser provided FRP with notice that it had terminated its due diligence review under the LOI and that it would not proceed with the acquisition of Makaha's assets.

23. To date, the Monitor understands that there have been no further offers to purchase the Makaha assets.

Operations

24. Since the Fourth Report, the Fairmont Group has taken steps to reduce the cash burn in Makaha. Steps by FRP to reduce the Makaha cash burn include, but are not limited to, shutting down approximately 130 of the 193 available rooms and reducing staffing levels from 51 to 27 individuals (full & part-time staff combined), which includes golf course, management and maintenance staff.

25. As a result of these steps, the monthly cash flow burn in Makaha has been reduced from approximately $242,000 per month (from the start of the CCAA process) to approximately $30,000 per month.

26. During the Forecast Period Makaha will require advances of approximately $110,000 from the Fairmont Group to help sustain its operations until a decision is made regarding the future of the Makaha operations. With the additional $110,000 to be advanced, the total advances will be approximately $2.5 million (the "Makaha Advances").

27. The advances from the Fairmont Group to Makaha continue to be assessed by the Fairmont Group and the Monitor on an ongoing basis. The Monitor is concerned that the value of Makaha, if liquidated, may not be sufficient to allow for full recovery of the Makaha Advances and has raised this concern with both the Fairmont Group and its major secured lender, Finance. The Monitor understands that Finance is supportive of the further advances of $110,000 during the Forecast Period as this will allow for the possibility of a restructuring of Makaha with a better recovery to the stakeholders as well as a recovery of the Makaha Advances

and avoids an immediate liquidation. Based on the input of Finance and the potential for a restructuring of Makaha, the Monitor also supports the further Makaha advances of $110,000 during the Forecast Period.

Schinnour Matkin Pichette Law Office ("SMP")

28. In April 2009, the Fairmont Group entered into a retainer agreement with SMP (the "SMP Retainer Agreement") for SMP's professional services during the CCAA process, as previously discussed in the First Report. SMP has historically been the Fairmont Group's external legal counsel.

29. The SMP Retainer Agreement expired, by its terms, on December 31, 2009.

30. As a result of the recent decrease in use of SMP legal services during the CCAA process, the Fairmont Group, with the support of the Monitor, notified SMP in November 2009 that it would not be renewing the SMP Retainer Agreement after December 31, 2009, but would continue to use SMP services on a fee for service basis (i.e. hourly rate). This change is viewed by the Fairmont Group as a cost reduction measure.

Chief Restructuring Officer ("CRO") Contract

31. On June 29, 2009 this Honourable Court approved the terms and conditions of a compensation agreement (the "Compensation Agreement") between FRP and 835786 Alberta Ltd. ("835"), an entity controlled by Mr. Murray Moore, for the services of Mr. Moore, as the CRO of the Fairmont Group.

32. By the terms of the Compensation Agreement it could be terminated after December 1, 2009 by either FRP or 835 upon not less than 30 days written notice to the other party.

33. The Fairmont Group and the Monitor have been in discussions with Mr. Moore regarding his continued role as the Fairmont Group's CRO and his current compensation. The Fairmont Group and Mr. Moore have come to a verbal

agreement, with the support of the Monitor and the Applicants, to continue using the services of Mr. Moore as CRO, but at a reduced compensation rate of $15,000 per month, effective February 1, 2010.

34. This revised compensation level represents a reduction of $14,500 per month from the compensation previously approved by this Honourable Court.

35. The Monitor and the Fairmont Group are currently working on finalizing amendments to the Compensation Agreement to reflect the change in Mr. Moore's compensation and certain of his non-CRO roles and responsibilities.

RESTRUCTURING UPDATE

General update

36. During the Reporting Period, the Fairmont Group, with the assistance of the Monitor and input from the Applicants, continue to assess the various restructuring options available for the Fairmont Group and its creditors.

37. In order to adequately assess whether or not a plan of arrangement and/or compromise could be achieved under these CCAA Proceedings, the Fairmont Group:

   (a) with the assistance of the Monitor, prepared a comprehensive go-forward business/restructuring plan and financial models for the Fairmont Group and the Fairmont Resort Non-CCAA Debtors (the "Restructuring Alternative");

   (b) reviewed, commented upon and provided feedback towards a study completed by Scottford Enterprises (an external US based third party who has extensive international experience in resort/recreational real estate businesses) on assessing possible different business structures as well as providing input on the current business models/plans of LOR and Makaha;

(c) worked with the Monitor and its affiliate, Ernst & Young Real Estate Services Inc. ("EYR") to allow the Monitor prepare an independent valuation of the assets of the Fairmont Group and the Fairmont Resort Non-CCAA Debtors; and

(d) reviewed, commented upon and provided extensive input into a detailed liquidation analysis prepared by the Monitor of the estimated recovery of the Fairmont Group's creditors in both an orderly liquidation and a forced liquidation scenario (the "Liquidation Alternative").

Input from the Applicants

38. The Monitor understands that the Applicants anticipate holding meetings of their investors (the "Investors Meetings") in late March 2010 to discuss the progress of the Fairmont Group's restructuring efforts, to outline to their investors the options available to them, and to seek direction from the investors regarding the recovery of amounts owed by the Fairmont Group. The Monitor understands that the Applicants' investors comprise approximately 1,800 individuals and that the Applicants must comply with specific notice requirements in calling the Investors Meetings, which preclude those meetings being called on short notice.

39. At the Investors Meetings, the Monitor understands that the Applicants will present the alternatives believed to be available to the investors, being an orderly liquidation of the Fairmont Group's assets through a receivership or other process, or possibly a CCAA plan of arrangement involving some or most of the assets of the members of the Fairmont Group. Although preservation of the core elements of the Fairmont Group's business as a going concern, with minimal disruption to the time share owners, customers, employees and suppliers of the Fairmont Group will be a priority, the Monitor does not anticipate that the parent company, FRP, will be restructured. It is anticipated that under any of the alternatives available, the investors would, directly or indirectly, take ownership and control of the majority of the business and assets of the Fairmont

Group, subject to any prior ranking rights and secured claims.

40. The Monitor believes that it will be very difficult to develop a plan of compromise and arrangement under the CCAA for the Fairmont Group, which provides material recoveries to unsecured creditors. This is the case in part because of the limited business prospects and challenging business environment faced by the Fairmont Group, and in part because of the sizeable shortfall which the Monitor believes, based upon its analysis, will be suffered by at least some of the Fairmont Group's secured creditors.

41. Notwithstanding that concern, however, the Monitor is of the view that the continuation of these CCAA Proceedings for a relatively short period of time in order to allow for the input of the Applicants' stakeholders is reasonable, balanced against the relatively small negative impact of an extension on the Fairmont Group's stakeholders.

42. The Monitor intends to prepare a more detailed report to this Honourable Court outlining its view of the Restructuring and Liquidation Alternatives, as well as reporting on the outcome from the Investors Meetings. The Monitor expects to issue that report in early April, 2010 before expiry of the proposed stay extension.

BUDGET TO ACTUAL RESULTS - OCTOBER 17, 2009 TO JANUARY 15, 2010

43. The cash flow budget to actual presented at Appendix "A" for the Reporting Period (October 17, 2009 to January 15, 2010) contains the actual cash receipts and disbursements relating to the Fairmont Group and its net investment in Fairmont Resort Non-CCAA Debtors that include, Makaha, 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 Fourth Report (the "Fourth Report Forecast"). The table below provides a summary of the budget to actual cash flow:

Actual to Budget Variance October 17, 2009 - January 15, 2010 (the "Reporting Period")	FORECAST **$000**	ACTUAL **$000**	VARIANCE **$000**
Receipts	**5,303**	**6,356**	**1,053**
Disbursements			
Disbursements from operations	3,716	3,590	126
Intercompany transfers - Non-CCAA entities	1,046	731	315
Restructuring costs	1,050	1,237	(187)
DIP interest payments	132	156	(24)
Total disbursements	**5,944**	**5,714**	**230**
Net change in cash	(641)	642	**1,283**
Opening cash (including FFI)	2,751	2,751	-
Building 7000 Trust Account	(301)	(769)	
DIP advances/(repayments) - net	(1,733)	(1,886)	153
Ending available cash	**76**	**738**	**1,436**

44. Receipts for the Reporting Period totalled approximately $6.4 million, representing a favourable variance of approximately $1 million from the receipts set out in the Fourth Report Forecast. This positive variance was primarily due to:

(a) a positive variance in receipts from the Reversionary Program accounting for approximately $833,000, as discussed in detail in the January 22, 2010 Affidavit of Murray Moore (the "January 22nd Moore Affidavit");

(b) higher than expected membership, golf and amenity receipts of approximately $106,000 reflecting higher than forecast use of the FRP and LOR amenities during the Reporting Period; and

(c) lower than forecast timeshare sales of approximately $54,000 due to FRP's prioritization of its sales teams on sales of Reversionary Program, and general economic conditions.

45. Disbursements for the Reporting Period totalled approximately $5.7 million representing a favourable variance of $230,000. This variance was primarily due:

(a) positive variance of approximately $126,000 from the reduction of certain general and operating costs;

(b) positive variance of approximately $316,000 in lower than expected intercompany transfers to its Fairmont Resort Non-CCAA Debtors, mainly resulting from the scaled down operations of Makaha;

(c) negative variance of approximately $187,000 in restructuring costs relating to the higher than forecast professional fees required in assisting the Fairmont Group in its business plan and financial modeling efforts; and

(d) negative variance of approximately $24,000 relating to the timing of DIP Loan funds for operations.

46. The building 7000 trust account (the "Building 7000 Trust Account") relate to the transfer of certain funds required to be set aside as required in the Fairmont Resort Properties disclosure document ("FRP Disclosure Document") dated July 3, 2009

and later amended on August 6, 2009. Under the FRP Disclosure Document, FRP is required to sets aside $400 for every inventory timeshare and Reversionary Program week sold within FRP, in trust, for the capital improvements towards one of its buildings – Building 7000. The Monitor understands that these funds are held in a separate trust account with SMP, and are not comingled with general operating accounts. To January 15, 2010, approximately $769,000 exists in this trust account.

47. The ending total available cash balance as at January 15, 2010 was $738,000 compared to the forecasted cash balance amount of $76,000, which is due to the variances discussed above.

48. From the commencement of these CCAA proceedings, the Fairmont Group has been monetizing certain assets (i.e. timeshare inventory, Remainder Program) through sales efforts in order to generate cash flow for its operations.

49. These are sales of capital assets which are underlying security for the Applicants' claims against the Fairmont Group. The Monitor understands that the Applicants support the monetization of those assets because the erosion of underlying security value may be offset by preserving the Fairmont Group's going-concern value.

50. One of the reason the Applicants are convening the Investors Meetings is that at this point in the restructuring, the Applicants wish to obtain direction from their respective stakeholders as to whether continued monetization of their security in order for the Fairmont Group to affect a plan for all stakeholders is in their best interests. In other words, if the Applicants' investors conclude that they no longer want to have their assets sold to support a CCAA restructuring, then the Fairmont Group has no alternatives available to funds its operations and will not be able to continue to operate as a going concern outside of a receivership.

Related company advances

51. During the Reporting Period, approximately $730,000 has been advanced by FRP to companies within the Fairmont Group, as follows:

    (a) $379,000 to Makaha to certain operating and payroll related costs, as previously discussed;

    (b) $190,000 to Resort Villa Management Ltd. ("RVM") relating to working capital requirements (principally payroll); and

    (c) approximately $161,000 to Rancho, as defined in the First Report, to cover operating costs.

REVISED CASH FLOW FORECAST THROUGH APRIL 16, 2010

52. Attached as Appendix "B" to this Fifth Report is a copy of the Forecast for the period from January 16, 2010 through April 16, 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.

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

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

Fairmont - Revised Forecast January 16, 2010 to April 16, 2010	Forecast $000
Receipts	4,230
Disbursements	
Disbursements from operations	3,025
Intercompany transfers - Non-CCAA entities	110
Restructuring costs	1,491
DIP interest payments	75
Total disbursements	4,701
Net change in cash	(471)
Less: funds transferred out to building 7000 trust	(260)
Adjusted net change in cash	(731)
Opening cash balance - operations	738
DIP advances/(repayments) - net	192
Adjusted net change in cash - operations	(731)
Ending cash balance - operations	199
DIP Loan Reconciliation	
Opening balance	2,782
Borrowings on DIP	1,500
Principal repayments	(1,308)
Ending DIP Balance	2,974
DIP Availability as at April 16, 2010	
Maximum borrowing limit	3,811
Availabilty	837

55. As summarized above, the Fairmont Group is projecting total cash receipts of approximately $4.2 million, cash disbursements from operations of approximately $4.7 million, transfer of operating funds to the Building 7000 Trust Account of approximately $260,000 resulting in a net decrease in cash from operations of approximately $731,000 in the Forecast Period.

56. The Monitor has reviewed the assumptions supporting the Forecast with Management and believes the assumptions to be reasonable.

57. Significant assumptions made by Management with respect to the Forecast are:

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

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

(c) Approximately $110,000 in inter-company transfers to Makaha will be required during the Forecast Period. These advances are required to cover general and operating costs that will be subject to additional discussion and appraisal by the DIP Lender and the Monitor;

(d) Interest relating to the DIP Loan is estimated at approximately $75,000;

(e) Professional fees during the Forecast Period have been estimated at approximately $1.5 million, which includes catch up payments of costs incurred prior to the Forecast Period and costs expected to be incurred during the Forecast Period; and

(f) Approximately $260,000 in fund transfers to the restricted Building 7000 Trust Account as required per the FRP Disclosure Document.

58. As previously discussed in the Fourth Report, and if applicable during the Forecast Period, the Fairmont Group, along with the Monitor, will continue to assess prior to any transfer of funds from a CCAA entity to a Fairmont Resort Non-CCAA Debtor (with the exception of Makaha as discussed above) whether the Fairmont Group is adequately secured in terms of the eventual recovery of the advances, including:

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

(b) Ensuring sufficient equity exists such that the advances to 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.

59. Over the course of the Forecast Period, the Fairmont Group anticipates using an additional $1.5 million of the DIP Loan and repaying approximately $1.31 million with $458,500 of that amount being a permanent repayment. This will leave the Amended DIP Loan maximum limit at $3.8 million at the end of the Forecast Period, meaning the Fairmont Group will have the ability to borrow up to $837,000 in future periods.

60. The Monitor is of the view that if the stay extension is granted by this Honourable Court, no stakeholders other than Finance will be prejudiced and/or materially adversely affected, based on the projected cash flows over the Forecast Period. At present, the Monitor understands that one secured creditor, RFI, which had previously unsuccessfully challenged the Applicant's security position may be taking additional steps to attempt to assert a claim in priority to the secured claim of Finance, however at this point the Monitor's understanding is that RFI's claims rank behind those of Finance.

61. From January 15, 2010 to March 31, 2010, the Fairmont Group anticipates that it will collect approximately $665,000 on notes receivables for which RFI claims security on (the "RFI Notes Receivable"). These proceeds are used by the Fairmont Group in the Forecast. However, commencing April 1, 2010, the Forecast does not use any further proceeds from the RFI Notes Receivable to fund its operations.

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

REVERSIONARY PROGRAM UPDATE

Background

63. As previously discussed in the Fourth Report, this Honourable Court approved the Fairmont Group's request to implement the Reversionary Program. The individual programs that make up the Reversionary Program consist of the Remainder, Monetization and Conversion Programs, as defined in the Fourth Report.

64. An update of the Reversionary Program is contained in the January 22nd Moore Affidavit.

Reporting Period Results

65. The Fairmont Group previously budgeted for receipts and disbursements from the Reversionary Program in the Reporting Period of approximately $3.0 million and $769,000, respectively, with respect to its time share properties at Kelowna (LORV) and Fairmont, BC, resulting in forecast net receipts of approximately $2.3 million. Actual results from this program were approximately $3.9 million in disbursements and $2.9 million in receipts during the Reporting Period.

66. The reason for this positive variance of approximately $593,000 in receipts is principally due to improved sales performance as a result of an amended approach to the sales team and sales territory structure during the Reporting Period. A further discussion on the performance of the Reversionary Program is contained in the January 22nd Moore Affidavit.

Reversionary Program Forecast Period

67. The table below summarizes Management's forecast revenues, net revenues and cash flow from the Reversionary Program for the period from January 16, 2010 through April 16, 2010 (the "Program Forecast Period"):

Program Forecast (January 16, 2010 to April 16, 2010)	Reversionary Program
Sales & Interest Revenue	1,908
Expenses (allocated based on revenues)	477
Net revenue	**1,431**
Composition of net revenue	
Collections during Program Forecast	1,856
Program expenses paid during Program Forecast	(477)
Accounts receivable as at March 26, 2010	416
Accounts receivable as at March 26, 2010	(364)
	1,431

68. As illustrated in the table above, management estimates that total revenues from the Reversionary Programs for that period will be $1.9 million. Total net revenues estimated from the Reversionary Programs are approximately $1.4 million, comprising:

(a) $1.38 million in net cash receipts during the Program Forecast Period; and

(b) $32,000 decrease in receivables relating to the financed portion of sales.

69. 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 receivable).

Net Cash Receipts from the Program Forecast Period

70. Approximately $1.38 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	1,856
Disbursements		
Administration and other expenses	b	384
GST (net)	c	93
Total disbursements		477
Net cash receipts from Reversionary Programs		1,379

(a) Total receipts from the collection of sales during the Program Forecast Period are $1.9 million, with the remaining sales to be collected over the financing period set out under the Reversionary Program;

(b) Administration and other expenses of $384,000 comprising marketing and communication expenses are 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 $93,000 (relating primarily to GST collected on sales).

Receivables generated from the Reversionary Program

71. As discussed above, a considerable quantity of accounts receivable may be generated and outstanding as at April 16, 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	364
Sales	1,901
Interest on notes	7
Collections	(1,856)
Closing AR balance	**416**

72. The table above indicates that as at April 16, 2010, there will be approximately $416,000 in receivables relating to the Reversionary Program.

RFI UPDATE

73. The Monitor understands that RFI may seek leave of this Honourable Court to lift the stay of proceedings against FRP and LORV to permit RFI to challenge the general security agreements granted by FRP and LORV to the Applicants pursuant to a forbearance agreement (the "Forbearance Security") on February 18, 2009.

74. The Monitor is advised that the Fairmont Group has consented to the lifting of the stay of proceedings to allow RFI to file its statement of claim should it choose to do so. The Monitor has likewise agreed to consent to the lifting of the stay of proceedings with respect to RFI wishing to file its statement of claim.

75. As at December 31, 2009, the face amount of the RFI Notes Receivable was $8,611,408. As at that date the amount owed to RFI was approximately $8,072,940. Accrued interest and estimated lender and legal fees of $50,000 have

been incorporated in the interest charge in February 2010. Based on the current rate of collection of the RFI Notes Receivable, it appears that the RFI loan obligation will exceed the amount payable under the RFI Notes Receivable on or near March 31, 2010 as shown in the schedule below:

	Outstanding RFI Note Receivable				Outstanding RFI Obligation		
Months	Opening balance	Interest	Payments Received	Closing Balance	Opening balance	Interest	Closing Balance
December 2009	8,822,194	105,214	266,000	8,661,408	8,024,459	48,481	8,072,940
January 2010	8,661,408	97,441	266,000	8,492,849	8,072,940	48,774	8,121,714
February 2010	8,492,849	95,545	266,000	8,322,394	8,121,714	99,069	8,220,783
March 2010	**8,322,394**	**93,627**	**266,000**	**8,150,021**	**8,220,783**	**49,667**	**8,270,450**
April 2010	8,150,021	91,688	266,000	7,975,708	8,270,450	49,967	8,320,417

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

76. Pursuant to the Initial Order, as amended, the Stay Period continues to and including January 29, 2010. The Fairmont Group is seeking an extension of the Stay Period to and including, April 16, 2010 (the "Stay Extension").

77. The Stay Extension is necessary to allow:

    (a) The Applicants to obtain the input from their stakeholders at the Investors Meetings; and

    (b) The Applicants and/or ~~the Fairmont~~ Group to prepare the necessary materials needed in order to implement the best course of action going forward in this restructuring.

78. The Monitor understands that the Applicants continue to support the Fairmont Group in its restructuring efforts.

79. The Stay Extension, if granted, will result in the value of the underlying security of RFI, which is currently subordinate the Applicants' security, declining below the outstanding obligation to RFI. In the event RFI were to succeed in its argument that the Applicants' security should be set aside with respect to the

Notes Receivable, then RFI would be prejudiced by the Stay Extension as the value of its underlying security will be eroded.

80. The Monitor has considered the prejudice that might occur to RFI if the Stay Extension is granted and has concluded that, based on the current information available to the Monitor and this Court, the benefit of the Stay Extension to the general stakeholders (e.g. the Applicants, employees, time share owners, ongoing suppliers) is greater than the potential prejudice that RFI might incur in the event it was successful in its action.

81. 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.

RECOMMENDATION

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

All of which is respectfully submitted this 22nd day of January 2010.

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

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

Orest Konowalchuk, CA
Manager

APPENDIX A

Cash Flow Budget to Actual
October 17, 2009 – January 15, 2010

FAIRMONT GROUP

OCTOBER 17, 2009 to January 15, 2010 (Reporting Period)

	Budget Cumulative	Actual Cumulative	Variance Cumulative
CASH FLOW			
Receipts			
Receipts of timeshare	1,812,654	1,758,621	(54,033)
Receipts of reversionary program	3,026,852	3,859,859	833,006
Receipts of fees, hotel rooms, golf revenue, etc	464,272	570,227	105,955
Other receipts	-	167,590	167,590
Total receipts	5,303,778	6,356,297	1,052,518
Disbursements			
Cost of sales	57,313	103,021	(45,708)
Wages & benefits	805,664	930,050	(124,386)
Marketing & Commisions "non reversionary program"	389,000	232,967	156,033
Marketing & Commisions "reversionary program"	769,000	786,423	(17,423)
General and Administrative expeneses	1,345,104	1,330,052	15,052
Operating expenses subtotal	3,716,081	3,589,550	126,531
Intercompany transfers to non-CCAA entities			
Makaha	746,000	379,086	366,914
RVM	150,000	190,130	(40,130)
Other (Mexico, Rancho)	150,000	161,213	(11,213)
Total non CCAA - intercompany transfers	1,046,000	730,429	315,571
Restructuring costs	1,050,000	1,236,565	(186,565)
DIP interest payments	132,411	155,758	(23,347)
Total disbursements	5,944,492	5,712,303	232,189
Net change in cash flow	(640,714)	643,994	1,284,708
Open cash - consolidated	2,750,769	2,750,769	-
Net change in cash flow	(640,714)	643,994	1,284,708
Less: building 7000 trust - ending cash	(301,600)	(769,490)	(467,890)
DIP fees	-	(595)	(595)
DIP advances/repayments	(1,733,303)	(1,886,328)	(153,025)
Ending cash - consolidated	75,153	738,350	663,197
Use of DIP loan			
Opening balance	4,668,698	4,668,698	-
Advances on DIP	2,328,000	1,630,341	(697,659)
Principal repayments on DIP	4,061,303	3,516,669	544,634
Ending balance	2,935,395	2,782,370	(153,025)
Maximum allowable draw	4,078,544	4,269,166	190,622

APPENDIX B

Cash Flow Forecast
January 16, 2010 – April 16, 2010

Fairmont Group of Companies
Rolling cashflow forecast
January 15, 2010 to April 16, 2010

(000s) CDN $	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 Week 49 5-Mar-10	Forecast Week 50 12-Mar-10	Forecast Week 51 19-Mar-10	Forecast Week 52 26-Mar-10	Forecast Week 53 2-Apr-10	Forecast Week 54 9-Apr-10	Forecast Week 55 16-Apr-10	Forecast Cumulative 15-Jan-10 to 16-Apr-10
Receipts														
Receipts of timeshare	143	143	134	157	157	157	183	142	142	142	31	36	36	1,603
Receipts of reversion program	88	88	94	109	109	109	251	195	195	195	127	148	148	1,856
Receipts of fees, hotel rooms, golf revenue, etc	41	41	48	56	56	56	79	62	62	62	62	72	72	770
Other receipts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total receipts	273	273	276	322	322	322	513	399	399	399	220	256	256	4,230
Disbursements														
Cost of sales	4	4	6	7	7	7	11	8	8	8	11	13	13	108
Wages & benefits	-	-	152	-	152	-	150	-	150	-	164	-	164	932
Marketing & commisions "non reversion program"	20	20	20	23	23	23	20	15	15	15	10	12	12	230
Marketing & commisions "reversion program"	16	16	18	21	21	21	69	53	53	53	40	47	47	477
Professional and consulting	22	22	22	25	25	25	29	23	23	23	19	22	22	303
General & administrative expenses	52	52	73	86	86	86	102	79	79	79	60	71	71	975
Operating expenses subtotal	113	113	291	162	314	162	381	179	329	179	306	165	330	3,025
Intercompany transfers - non-CCAA entities														
Makaha	18	18	6	7	7	7	8	7	7	7	7	7	7	110
RVM	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (Mexico, Rancho)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non CCAA - intercompany	18	18	6	7	7	7	8	7	7	7	7	7	7	110
Restructuring costs	-	456	-	-	-	451	-	-	-	451	-	-	133	1,491
DIP fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DIP interest payments	8	8	7	7	7	7	8	8	8	7	-	-	-	75
Total disbursements	140	596	304	176	327	627	397	194	343	644	313	172	469	4,701
Net change in cash flow - operations	133	(323)	(27)	146	(5)	(305)	116	205	55	(245)	(93)	84	(213)	(471)
Less: funds transfered out to building 7000 trust	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(260)
Net change in cash available - operations	113	(343)	(47)	126	(25)	(325)	96	185	35	(265)	(113)	64	(233)	(731)
Opening cash balance - operations	738	851	186	87	157	164	171	298	321	235	249	164	162	738
Add: DIP advances	-	-	-	-	100	400	100	-	-	400	150	-	350	1,500
Deduct: DIP repayments	-	(322)	(52)	(56)	(68)	(68)	(68)	(162)	(121)	(121)	(121)	(67)	(81)	(1,308)
Net change in available cash - operations	113	(343)	(47)	126	(25)	(325)	96	185	35	(265)	(113)	64	(233)	(731)
Ending cash balance - operations	851	186	87	157	164	171	298	321	235	249	164	162	198	198
Opening available cash 7000 trust	769	789	809	829	849	869	889	909	929	949	969	989	1,009	769
Add: funds transfer in for building 7000 trust	20	20	20	20	20	20	20	20	20	20	20	20	20	260
Ending available cash - Building 7000 trust	789	809	829	849	869	889	909	929	949	969	989	1,009	1,029	1,029
Use of DIP Loan														
Opening Balance	2,782	2,782	2,460	2,408	2,353	2,384	2,716	2,748	2,586	2,464	2,743	2,772	2,705	2,782
Advances on Dip	-	-	-	-	100	400	100	-	-	400	150	-	350	1,500
Principal repayments on DIP	-	322	52	56	68	68	68	162	121	121	121	67	81	1,308
Ending Balance	2,782	2,460	2,408	2,353	2,384	2,716	2,748	2,586	2,464	2,743	2,772	2,705	2,974	2,974
Maximun limit under amended DIP loan	4,269	4,156	4,138	4,119	4,095	4,071	4,047	3,990	3,948	3,905	3,863	3,840	3,811	3,811
Available credit under amended DIP loan	1,487	1,696	1,730	1,766	1,711	1,355	1,299	1,405	1,483	1,162	1,091	1,135	837	837

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.

FIFTH REPORT OF THE MONITOR
ERNST & YOUNG INC.
JANUARY 22, 2010

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