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.

ELEVENTH REPORT OF THE MONITOR

ERNST & YOUNG INC.

JUNE 17, 2010

TABLE OF CONTENTS OF THE ELEVENTH REPORT

LISTING OF APPENDICES TO THE ELEVENTH REPORT

INTRODUCTION

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

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

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

   (a) a restructuring update since the tenth report of the Monitor dated May 26, 2010 (the "Tenth Report") on:

      i. the progression towards finalizing the materials of the Offer (as defined in the ninth report of the Monitor (the "Ninth Report") through an Order granted by this Honourable Court dated April 27, 2010 (the "Initial Approval Order") authorizing and directing FRP, LOR and LORV to accept the Offer by Northwynd LP to acquire certain secured assets and its underlying documents (the "Foreclosed Assets"); and

      ii. the execution and completion of the foreclosure agreement dated June 15, 2010 (the "Foreclosure Agreement") entered into by FRP, LOR, LORV and Northwynd LP in accordance with the Initial Approval Order;

(b) an operational update since the Tenth Report;

(c) the revised cash flow projections from June 12, 2010 to July 30, 2010 (the "Forecast Period");

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

(e) the Monitor's recommendations.

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

BACKGROUND

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

acquisition of product for future sale and the operation of resort properties, including hotel operations at Kelowna, Belize and Hawaii.

7. FRP is the ultimate parent company to additional entities that are currently not under CCAA protection (the "Fairmont Resort Non-CCAA Debtors"); however these entities are dependent on administration and certain financial support of FRP to operate effectively.

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

RESTRUCTURING UPDATE

Foreclosure Agreement

Background

9. Since the Tenth Report, the Monitor understands that the Fairmont Group finalized the terms of the Offer with Northwynd LP and completed and executed the Foreclosure Agreement. As part of the Foreclsoure Agreement, a proposed form of vesting order (the "Vesting Order") was prepared to allow for the Foreclosed Assets to be vested to the Northwynd Affiliated LPs (defined below).

10. A copy of the Foreclosure Agreement is attached to the June 15, 2010 affidavit of Mr. Gary L. Bentham (the "June 15th Bentham Affidavit").

11. The Monitor understands that the main terms of the Offer have been incorporated into the Foreclosure Agreement and have not materially changed since the granting of the Initial Approval Order, with the exception of the following terms:

    (a) Northwynd LP shall immediately pay to the Fairmont Group, once the Vesting Order is granted by this Honourable Court, all amounts:

i. outstanding under the debtor-in-possession credit facility dated May 27, 2009 ("DIP Financing");

ii. due under the key employee retention plan ("KERP"), as previously discussed in the third report of the Monitor dated July 27, 2009 (the "Third Report");

iii. secured by the Directors' and Administration Charges; and

iv. Northwynd LP will assume liability for payment of suppliers that have supplied goods or services to the Fairmont Group during the period from the date of the Initial Order to the Vesting Date (as defined in the Foreclosure Agreement), but who have not been paid;

(b) The Foreclosed Assets listed in the Foreclosure Agreement have been expanded to provide for the segregation of acquired assets by their proposed limited partnerships (the "Northwynd Affiliated LPs") and the addition of certain prepaid expenses and houseboats; and

(c) The assignment of a builder's lien filed by AC Ltd. against FRP of approximately $645,000 to Northwynd LP. The Monitor understands that funds will be set aside in trust by Northwynd LP to allow the Vesting Order to be granted by this Honourable Court in relation to the Foreclosure Agreement. The Monitor further understands that FRP has filed a statement of defence and counter-claim in the Supreme Court of British Columbia on June 16, 2010 in relation to this builder's lien.

<u>Monitor's Analysis of the Foreclosure Agreement</u>

12. The Monitor believes that it is appropriate for FRP, LOR and LORV to complete the Foreclosure Agreement with Northwynd LP and supports the motion presented by Northwynd LP, as it will allow for:

(a) the maximum recovery to the economic stakeholders which is better than the estimated recovery in liquidation or bankruptcy, as previously discussed in the Ninth Report;

(b) Northwynd LP will continue to operate the majority of the existing business of the Fairmont Group as a going-concern;

(c) the retention of employees' jobs will continue for most of its staff;

(d) management and administration of the Fairmont Group and the remaining Fairmont Resort Non-CCAA Debtor entities will continue without significant interruption;

(e) timeshare usage being essentially unchanged for the more than 15,000 time share owners who have purchased timeshare interests from the Fairmont Group;

(f) Northwynd LP to take responsibility (as contemplated in the Offer) for the repair of the Building 7000; and

(g) Northwynd LP to assume all liability that was incurred by the Fairmont Group of its suppliers after the date of the Initial Order up to the Vesting Date.

13. The Monitor believes that the terms and conditions set forth within the Foreclosure Agreement and Vesting Order are fair and reasonable under the circumstances.

Exit Facility

14. The Monitor understands that Northwynd LP signed an agreement on May 7, 2010, with a financing lender (the "Exit Facility") that would provide the necessary funds for Northwynd LP to satisfy the terms of the Forbearance Agreement (i.e. advance of funds to the Fairmont Group to pay in full its DIP Financing, KERP, Administrative and Director Charges) should the Vesting

Order be granted by this Honourable Court.

15. A portion of the Exit Facility received by Northwynd LP, will be advanced to the Fairmont Group and has been included in the Fairmont Group's cash flow forecast (as discussed further below). The Monitor believes the funding from Northwynd LP from the Exit Facility will be sufficient to satisfy the payments required by the Fairmont Group upon termination of these CCAA Proceedings.

Enhance powers of the Chief Restructuring Officer ("CRO")

16. The Monitor understands and supports that the Fairmont Group is seeking an order to amend, extend and augment the powers of the CRO (the "CRO Enhancement Order") to allow the CRO to make an assignment in bankruptcy and execute all related documents pursuant to section 49 of the Bankruptcy Insolvency Act of any or all of the Fairmont Group, as further discussed in the June 16, 2010 affidavit of Mr. Murray Moore (the "June 16th Moore Affidavit").

OPERATIONAL UPDATE

General operations

17. The Fairmont Groups' operations have continued with no material adverse changes since the date of the Tenth Report. The Fairmont Group has been able to retain its core employees and arrange for the continuation of services from its suppliers.

DIP Financing

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

DIP Loan Reconciliation As at June 11, 2010	FORECAST $000	ACTUAL $000	VARIANCE $000
Opening balance	2,198	2,198	-
Borrow on DIP - during Reporting Period	350	608	(258)
Principal repayments	(357)	(159)	198
Ending DIP Balance	**2,191**	**2,647**	**(60)**
Maximum Limit under DIP Loan	**3,368**	**3,457**	**89**
Available credit under DIP Loan	**1,177**	**810**	**(367)**

19. As shown in the above table, since the Tenth Report to June 11, 2010, FRP has drawn approximately $608,000 under the DIP Loan and has made payments of approximately $159,000, resulting in an ending DIP Loan obligation of approximately $2.6 million. Based on the Amended DIP Loan Agreement, the maximum limit under the DIP Loan has been reduced from $5.5 million to $3.4 million, which leaves an available credit under the DIP Loan of approximately $810,000 to be drawn, if required.

20. The Fairmont Group is required to meet certain weekly and monthly reporting requirements to be submitted to the DIP Lender with copies to Resort Funding LLC ("RFI"), Northwynd LP and FRPLM. 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.

Resort Funding LLC ("RFI")

21. The Monitor understands that Northwynd LP and RFI continue to work towards finalization of a settlement agreement as to their respective priority claims. The Monitor further understands that such a settlement is a condition precedent to implementation of the Foreclosure Agreement.

BUDGET TO ACTUAL RESULTS – MAY 22, 2010 TO JUNE 11, 2010

22. The cash flow budget to actual presented at Appendix "A" for the Reporting Period (May 22, 2010 to June 11, 2010) contains the actual cash receipts and disbursements relating to the Fairmont Group and its net investment in Fairmont Resort Non-CCAA Debtors that include, Makaha Hotel and Resort Inc. ("Makaha"), Fairmont Rancho Banderas S.A. de C.V; Banderas Corporate Services S.A. de C.V; Rancho Operations S.A. de C.V; and Costa Maya Reef Resort as compared to the cash flow forecasts previously provided to this Honourable Court in the Tenth Report (the "Tenth Report Forecast"). The table below provides a summary of the budget to actual cash flow:

Actual to Budget Variance **May 22, 2010 to June 11, 2010** **(the "Reporting Period")**	FORECAST **$000**	ACTUAL **$000**	VARIANCE **$000**
Receipts	**805**	**847**	**42**
Disbursements			
Disbursements from operations	550	656	(106)
Intercompany transfers - Non-CCAA entities	175	321	(146)
Restructuring costs	425	408	17
DIP interest payments	36	35	1
Total disbursements	**1,186**	**1,420**	**(234)**
Net change in cash	(381)	(573)	**(192)**
Opening cash (including Building 7000 Trust Account)	1,652	1,652	-
Building 7000 Trust Account	(1,244)	(1,219)	(25)
DIP advances/(repayments) - net	(7)	449	(456)
Ending available cash	**20**	**309**	**(673)**

23. Receipts for the Reporting Period totalled approximately $0.8 million, representing a positive variance of approximately $42,000 from the receipts set out in the Tenth Report Forecast. This positive variance was primarily due to:

(a) a negative variance in receipts from the Reversionary Program accounting for approximately $166,000;

(b) higher than forecast unanticipated recoveries from operations of approximately $12,000;

(c) higher than forecast timeshare sales of approximately $138,000; and

(d) higher than forecast receipts from hotel operations and fees of approximately $58,000.

24. Disbursements for the Reporting Period totalled approximately $1.4 million representing an unfavourable variance of $234,000. This negative variance was primarily due to:

(a) negative variance of approximately $106,000 relating to the timing of certain operating expenses;

(b) negative variance of approximately $146,000 in higher than expected intercompany transfers to the Fairmont Resort Non-CCAA Debtors; and

(c) positive variance of approximately $17,000 in restructuring costs relating to the timing of invoices that are anticipated to be paid in the Forecast Period (defined below);

25. The Building 7000 Trust Account (as defined in the Fifth Report) has accumulated to approximately $1.2 million, which resulted from setting aside the required $400 for every inventory time share and Reversionary Program week sold within FRP, in trust, for the capital improvements to the Building 7000.

26. The ending total available cash balance as at June 11, 2010 was $309,000 compared to the forecasted cash balance amount of approximately $20,000, which is due to the variances discussed above.

Related company advances

27. During the Reporting Period, approximately $320,000 has been advanced by FRP to Makaha to cover certain operating, consulting and payroll related costs.

REVISED CASH FLOW FORECAST THROUGH JULY 30, 2010

28. Attached as Appendix "B" to this Eleventh Report is a copy of the revised cash flow forecast for the period from June 12, 2010 through July 30, 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.

29. 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.

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

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

Fairmont - Revised Forecast June 12, 2010 to July 30, 2010	Forecast $000
Receipts	4,109
Disbursements	
Disbursements from operations	1,292
Intercompany transfers - Non-CCAA entities	-
Restructuring costs	430
DIP interest payments	15
Total disbursements	1,737
Net change in cash	2,372
Less: funds transferred out to building 7000 trust	(13)
Adjusted net change in cash	2,359
Opening cash balance - operations	309
DIP advances/(repayments) - net	(2,647)
Adjusted net change in cash - operations	2,359
Ending cash balance - operations	21
Opening available cash - building 7000 trust	1,219
Add: funds transfered in for building 7000 trust	13
Ending available cash - building 7000 trust	1,232
DIP Loan Reconciliation	
Opening balance	2,647
Borrowings on DIP	100
Principal repayments	(2,747)
Ending DIP Balance	-
DIP Availability as at July 30, 2010	
Maximum borrowing limit	-
Availabilty	-

32. As summarized above, the Fairmont Group is projecting total cash receipts of approximately $4.1 million, cash disbursements from operations of approximately $1.7 million, transfer of operating funds to the Building 7000 Trust Account of approximately $13,000 and a net increase in cash from operations of approximately $2.4 million in the Forecast Period.

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

34. 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) Northwynd LP will advance approximately $3.8 million to the Fairmont Group to cover its obligations under the Foreclosure Agreement from the $7 million Exit Facility upon receiving the Vesting Order as discussed above;

(c) Cost of goods sold, wages and benefits, professional and consulting, marketing and general administrative expenses were based on estimated revenues over the Forecast Period and historical results from prior periods;

(d) KERP of approximately $710,000 will be paid to certain key employees and the CRO, as discussed in the Third Report;

(e) Interest relating to the DIP Loan is estimated at approximately $15,000;

(f) Restructuring costs during the Forecast Period have been estimated at approximately $430,000, which includes catch up payments of costs incurred prior to the Forecast Period and costs expected to be incurred during the Forecast Period; and

(g) Approximately $13,000 in fund transfers to the restricted Building 7000 Trust Account.

35. 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.

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

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

37. The Stay Extension is necessary to conclude the sale of the Foreclosed Assets to Northwynd LP and to effect the transaction contemplated and authorized by this Honourable Court in the Initial Approval Order dated April 27, 2010.

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

RECOMMENDATIONS

39. The Monitor recommends that this Honourable Court approve the:

(a) Foreclosure Agreement;

(b) Vesting Order;

(c) CRO Enhancement Order; and

(d) Stay Extension.

All of which is respectfully submitted this 17th June 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
May 22, 2010 – June 11, 2010

Fairmont Group
Budget to actual cash flow
May 22, 2010 to June 11, 2010 (the "Reporting Period")

CASH FLOW	Budget	Actual	Variance
Receipts			
Receipts of timeshare	139,690	277,826	138,136
Receipts of reversionary	408,996	242,633	(166,363)
Receipts of fees, hotel rooms, golf revenue, etc	216,054	274,210	58,156
Other receipts	40,000	52,160	12,160
Total Receipts	804,740	846,828	42,088
Disbursements			
Cost of sales	39,773	35,036	4,737
Wages & benefits	179,611	197,720	(18,109)
Marketing & commissions "non reversionary"	36,009	28,476	7,533
Marketing & commissions "reversionary"	16,000	21,858	(5,858)
Professional and consulting	66,711	41,652	25,059
General & administrative expenses	211,709	331,588	(119,879)
Operating Expenses Subtotal	549,813	656,329	(106,516)
Intercompany Expenses - Non CCAA Entities			
Makaha	175,000	320,228	(145,228)
RVM	-	-	-
Other (Mexico, Rancho)	-	-	-
Total Non CCAA - Intercompany	175,000	320,228	(145,228)
Restructuring Costs	425,000	407,548	17,452
DIP Interest payments	36,000	34,515	1,485
Total Disbursements (excluding DIP)	1,185,813	1,418,621	(232,808)
Net change in cash from operations	(381,072)	(571,792)	190,720
Open cash - consolidated	1,652,047	1,652,047	-
Net change in cash from operations	(381,072)	(571,792)	190,720
Less: Building 7000 Trust - ending cash	(1,243,960)	(1,219,160)	24,800
DIP Advances / (Repayments)	(7,149)	448,720	455,869
Ending Cash - consolidated	19,865	309,815	289,950
Use of DIP Loan			
Opening Balance	2,198,527	2,198,527	-
Advances on DIP	350,000	607,986	(257,986)
Principal repayments on DIP	(357,149)	(159,266)	197,883
Ending Balance	2,191,378	2,647,247	(60,103)
Maximum allowable draw	3,368,800	3,457,727	88,927

APPENDIX B

Cash Flow Forecast
June 12, 2010 – July 30, 2010

APPENDIX B

Fairmont Group of Companies
Rolling cashflow forecast
June 12, 2010 to July 30, 2010

(000s) CDN $	Forecast Week 64 18-Jun-10	Forecast Week 65 25-Jun-10	Forecast Week 66 2-Jul-10	Forecast Week 67 9-Jul-10	Forecast Week 68 16-Jul-10	Forecast Week 69 23-Jul-10	Forecast Week 70 30-Jul-10	Forecast Cumulative June 12, 2010 to July 30, 2010
Receipts								
Receipts of timeshare	34	10	-	-	-	-	-	44
Receipts of reversionary program	100	20	-	-	-	-	-	120
Receipts of fees, hotel rooms, golf revenue, etc	78	25	-	-	-	-	-	103
Funding from Northwynd LP	-	3,842	-	-	-	-	-	3,842
Total receipts	212	3,897	-	-	-	-	-	4,109
Disbursements								
Cost of sales	19	6	-	-	-	-	-	25
Wages & benefits	180	5	-	-	-	-	-	185
Marketing & Commissions "non reversionary program"	22	1	-	-	-	-	-	23
Marketing & Commissions "reversionary program"	75	5	-	-	-	-	-	80
Professional and consulting	88	50	-	-	-	-	-	138
General & administrative expenses	92	10	-	-	-	-	-	102
KERP	-	710	-	-	-	-	-	710
DIP charges	-	30	-	-	-	-	-	30
Disbursements Subtotal	475	817	-	-	-	-	-	1,292
Restructuring costs	200	150	80	-	-	-	-	430
DIP interest payments	-	15	-	-	-	-	-	15
Total disbursements	675	982	80	-	-	-	-	1,737
Net change in cash flow - operations	(464)	2,915	(80)	-	-	-	-	2,371
Less: funds transfered out to building 7000 trust	(11)	(2)	-	-	-	-	-	(14)
Net change in cash available - operations	(475)	2,913	(80)	-	-	-	-	2,358
Opening cash balance - operations	309	(125)	100	20	20	20	20	309
Add: DIP advances	100	-	-	-		-	-	100
Deduct: DIP repayments	(59)	(2,688)	-	-	-	-	-	(2,747)
Net change in available cash - operations	(475)	2,913	(80)	-	-	-	-	2,358
Ending cash balance - operations	(125)	100	20	20	20	20	20	20
Opening available cash 7000 trust	1,219	1,231	1,233	1,233	1,233	1,233	1,233	1,219
Add: funds transfer in for building 7000 trust	11	2	-	-	-	-	-	14
Ending available cash - Building 7000 trust	1,231	1,233	1,233	1,233	1,233	1,233	1,233	1,233
Use of DIP Loan								
Opening Balance	2,647	2,688	-	-	-	-	-	2,647
Advances on Dip	100	-						100
Principal repayments on DIP	(59)	(2,688)						(2,747)
Ending Balance	2,688	-	-	-	-	-	-	-
Maximun limit under amended DIP loan	3,422	-						-
Available credit under amended DIP loan	734	-						-

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