

TAB M

April 14, 2009



The Rosseau Resort Developments Inc.
110 Hannover Drive
Suite 203B, P.O. Box 24091
St. Catharines, ON L2W 1A4
Attention: President

Dear Sirs:

Re: Red Leaves

We refer to the credit agreement dated as of February 1, 2007 (as amended from time to time, the "Credit Agreement") by and among The Rosseau Resort Developments Inc., as Borrower, the financial institutions from time to time parties thereto, as Lenders, and West LB AG, Toronto Branch, as Administrative Agent. Capitalized terms not defined in this letter have the meanings given in the Credit Agreement.

The Borrower has requested an additional Credit Extension in the amount of C\$1,164,882 notwithstanding the fact that the Longview/Paignton House Commitment Amount has been fully advanced and the Golf Residences Commitment and the Waterfront Residences Commitment have been cancelled. Furthermore, the Events of Default listed in Schedule "A" have occurred and are continuing.

Notwithstanding the foregoing, the Lenders have agreed to advance the requested C\$1,164,882 under the Credit Agreement, plus the C\$6,363 shortfall from the advance made on April 9, 2009 (for a total advance of C\$1,171,185) subject to (a) your acceptance of the terms hereof, (b) the discharge of any construction lien affecting any of the Project Security prior to such further advance, and (c) the use of the proceeds of such advance solely to pay the amounts to the payees listed in Schedule "B" hereto. For greater certainty, the agreement by the Lenders to make this additional advance does not constitute a waiver of any of the continuing Events of Default.

By its execution hereof and in consideration of the mutual agreements contained herein and other accommodations granted to the Borrower hereunder, each of the Borrower and the Guarantor hereby expressly forever waives, releases and discharges any and all claims (including, without limitation, cross-claims, counterclaims, third party claims and rights of setoff), causes of action (whether direct or derivative in nature), demands, suits, costs, expenses and damages (collectively, the "Claims") any of them may have or allege to have as of the date of this Agreement (and all defenses that may arise out of any of the foregoing) of any nature, description, or kind whatsoever, based in whole or in part on facts, whether actual,

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200 Bay Street
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www.westlb.com

Managing Board:
Heinz Hilgert (Chairman),
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Klemens Breuer, Thomas Groß,
Dr. Hans-Jürgen Niehaus, Werner Taiber

Head of the Supervisory Board:
Michael Breuer

Reg. Amtsgerichte
Düsseldorf, HRB 42975
Münster, HRB 6400
Registered Office:
Düsseldorf/ Münster

contingent or otherwise, now known, unknown, or subsequently discovered, whether arising in law, at equity or otherwise, against the Administrative Agent or any Lender, their respective Affiliates, agents, principals, managers, shareholders, directors, officers, employees, attorneys, consultants, advisors or agents of each of the foregoing (collectively, the "Released Parties") involving or otherwise relating to this Agreement or any of the other agreements entered into in connection herewith, the Credit Agreement, the Loan Documents or any or all of the actions and transactions contemplated hereby or thereby including, without limitation, any actual or alleged performance or non-performance by any of the Released Parties hereunder or thereunder. Each of the Borrower and the Guarantor hereby acknowledges that these agreements are intended to be in full satisfaction of all or any alleged injuries or damages arising in connection with the Claims. In entering into this Agreement, each of the Borrower and the Guarantor expressly disclaims any reliance on any representations, acts, or omissions by any of the Released Parties and hereby agrees and acknowledges that the validity and effectiveness of the releases set forth above does not depend in any way on any such representation, acts and/or omissions or the accuracy, completeness, or validity thereof. The provisions of this paragraph will survive the termination or expiration of the waiver period contemplated herein, the termination of the Loan Documents and the payment in full of all obligations of the Borrower and the Guarantor under or in respect of the Credit Agreement and other Loan Documents and all other amounts owing thereunder.

In consideration of the mutual agreements contained herein and other accommodations granted to the Borrower hereunder, each of the Borrower and the Guarantor hereby acknowledges that:

- (a) it has carefully read and fully understood all of the terms and conditions of this Agreement, and considers the terms hereof to be fair and reasonable;
- (b) it has consulted with, or had a full and fair opportunity to consult with, and has been advised by, fully competent counsel in the negotiation, execution and delivery of this Agreement;
- (c) it has had a full and fair opportunity to participate in the drafting of this Agreement and that no provision of this Agreement will be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of any party hereto having or being deemed to have structured, dictated or drafted such provision;
- (d) it is freely, voluntarily, knowingly and intelligently entering into this Agreement;
- (e) none of the Lenders or the Agent has a fiduciary relationship to any Credit Party, and the relationship between Agent and the Lenders, on the one hand, and the Credit Parties, on the other, is solely that of creditor and debtor, and that the Administrative Agent and the Lenders have not acted in a managerial capacity with respect to the Borrower or the Guarantor; and
- (f) no joint venture exists among the Credit Parties, the Agent and the Lenders.

Except as specifically stated herein, the Credit Agreement and the other Loan Documents will continue in full force and effect in accordance with the provisions thereof, as amended herein, and all Loan Documents issued or granted in connection therewith are hereby ratified and

confirmed and will continue in full force and effect. After this Agreement becomes effective as provided herein, any reference to the Credit Agreement or a Loan Document will refer to the Credit Agreement and Loan Document as amended hereby. This Agreement is a "Loan Document", as defined under the Credit Agreement. Any failure by the Borrower to observe or perform any covenant, condition or agreement herein will constitute an immediate Event of Default under the Credit Agreement.

This Agreement will be construed in accordance with and governed by the laws of Ontario.

This Agreement may be executed in any number of counterparts, each of which will be an original but all of which, when taken together, will constitute one instrument. Delivery of an executed counterpart of a signature page of this Agreement by facsimile will be effective as delivery of a manually executed counterpart of this Agreement.

The Borrower agrees to reimburse the Lender for its reasonable out-of-pocket expenses in connection with this Agreement, including the reasonable legal fees and disbursements of Blake, Cassels & Graydon LLP, counsel for the Lender.

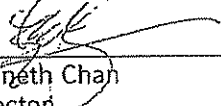
Balance of page intentionally left blank; signature page follows.

Please confirm your agreement with the foregoing by signing a copy of this letter in the space provided below and returning it to the attention of Robert Dyck at the Administrative Agent's branch in Toronto, Ontario.

Yours truly,

WESTLB AG, TORONTO BRANCH,
as Administrative Agent

By: 
Robert L. Dyck
Executive Director

By: 
Kenneth Chan
Director

As Borrower, we confirm our agreement with the foregoing.
THE ROSSEAU RESORT DEVELOPMENTS INC.

By: _____

As Guarantor, we acknowledge the foregoing and agree with the foregoing terms to the extent they relate specifically to the Guarantor

KEN FOWLER ENTERPRISES LIMITED, as Guarantor

By: _____

cc: Stikeman, Elliott LLP
199 Bay Street, CCW
Suite 5300
Toronto, ON M5L 1B9
Attention: John R. Dow

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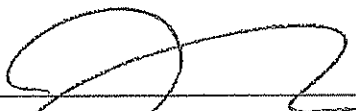
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By: _____
Robert L. Dyck
Executive Director

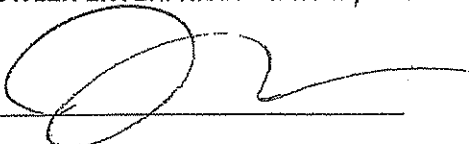
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SCHEDULE A

CURRENT OUTSTANDING DEFAULTS OR POTENTIAL DEFAULTS UNDER WESTLB LOAN DOCUMENTS

1. The Borrower and KFE are in default under the Loan Documents in failing to fund overruns of project costs associated with the Longview/Paignton House Construction Phase (the "Project") and, accordingly, the following provisions of the Loan Documents have not been complied with:
 - (a) Loan Agreement:
 - (i) Section 6.5.13 - the Budget for the Project is not In Balance;
 - (ii) Section 7.33 - the Budget is not In Balance;
 - (iii) Section 8.1.8 - the Budget is not In Balance and the Borrower has defaulted in paying the amounts required to bring the Budget In Balance;
 - (iv) Section 9.1.3 - the Borrower has defaulted in the performance of its obligations under Section 8.1.8;
 - (v) Section 9.1.12 - KFE has failed to comply with its obligations under the Budget.
 - (b) Section 9.1.4 of the Loan Agreement and KFE Guaranty of Completion and Performance:
 - (i) KFE has failed to pay the amounts required to ensure completion of construction of the Project or cause the Borrower to pay such costs and put the Budget into Balance. KFE is currently not able to comply with these obligations which must be funded by the Lenders.
2. The following provisions of the Loan Agreement are not complied with or are in default relating to the Budget:
 - (a) Section 7.35 - The current Budget for the Project does not accurately reflect all costs required for completion of the Project.
 - (b) Section 8.1.18 - The Borrower has provided to the Hotel Manager the working capital required by the Pre-Commencement Addendum to the Hotel Management Agreement. The Hotel Manager has advised that the Owner and Manager must agree upon a new amount of working capital.
 - (c) Section 8.2.1(e) - The capital required for the Project, as well as the normal operation of the Rental Pool and the Borrower's obligations under the lease-back transactions, is greater than was projected and has not been funded by the Borrower.

- (d) Section 8.2.18 - During construction of the Hotel, the Borrower has modified the amounts allocated to the Line Items of the Budget, the Construction Schedule and the total cost of the Project. No Guaranteed Maximum Price for the Project has been determined. Accordingly, the procedures outlined in Section 8.2.18 have not, to date, been followed or complied with in constructing the Project.
 - (e) Section 9.1.3 - The Borrower has not complied with the requirements of Section 8.2.18 as noted above.
- 3. The Borrower has provided to the Lenders the current outstanding unit sales contracts and schedules summarizing the terms and conditions and status of those sales contracts. Such contracts are approved by the Lenders even though such contracts reveal the following non-compliance with the following provisions of the Loan Agreement:
 - (a) Sections 3.1.1(c), 8.2.10(c) and 8.2.13(f)(ii) - On closing of the disposition of Units, the closing proceeds to be paid to the Lenders at the time of closing may not be equal to the Minimum Release Price;
 - (b) Sections 8.2.7 and 8.2.13 - In respect of certain of the Units, the Borrower has entered into sale/leaseback transactions, as disclosed to the Lenders, which do not comply with these provisions of the Loan Agreement.
 - (c) The sales contracts do not all comply with the deposit structure required by the definition of Bona Fide Sales Contracts.
- 4. In entering into construction contracts for the Project, the Borrower has not complied with certain requirements of the Loan Agreement, including the fact that there is no Guaranteed Maximum Price General Contract for the Project. Instead, the Project has been undertaken with a construction management contract entered into between the Borrower and Rock Ridge Contractors Inc. (the "Construction Manager") as an agent for and on behalf of the Borrower, which retained the trade contractors performing work on the Project. The following provisions of the Loan Agreement have not been complied with:
 - (a) Sections 5.4.1 and 6.6.4 - These provisions are not relevant to the construction contract program actually engaged in by the Borrower. The Borrower has entered into individual construction contracts with each trade contractor. Accordingly, there will be separate substantial completion arrangements for each separate trade contractor. For those trade contractors who have achieved substantial performance (as defined in the *Construction Lien Act* (Ontario), the Construction Manager has certified substantial performance and the trade contractor has published notice of substantial performance in compliance with the *Construction Lien Act* (Ontario). The procedures set forth in Section 5.4.1 have not been followed in this certification process. The Project Architect has been engaged to ensure building code compliance only and has not provided certificates relating to the progress of completion of construction.
 - (b) Section 7.26 - This warranty provides that the Administrative Agent has received a true, complete and correct copy of each Project Document. The

definition of "Project Document" includes all construction contracts as well as the Budget, the Construction Schedule and any contract with a contract price in excess of \$2,000,000.00. The construction contracts have not been signed by the trade contractors and are being signed.

- (c) Section 7.36 - The Construction Schedule does not comply with the requirements of this warranty, both with respect to the anticipated date of final completion and the work to be performed in each calendar month of each Construction Phase.
 - (d) Section 8.2.16 - The Borrower has approved many change orders under the trade contracts without complying with the change order procedure set forth in this provision.
 - (e) Section 8.2.17 - The Borrower had made Scope Changes without complying with this procedure. This is, in part, the cause of the Budget not being In Balance.
 - (f) Section 8.2.18 - The Borrower has approved change orders resulting in changes to the Construction Schedule without complying with the requirements of this provision.
- 5. Section 8.2.19 - The net operating income of the hotel is insufficient for the Borrower to comply with the Debt Service Coverage Ratio. The Borrower funded the sum of \$368,000.00 in working capital to the Hotel Operator prior to the Opening Date of the Hotel, but these funds have now been dissipated due to the fact that the Net Operating Income of the Hotel has been insufficient to maintain this level of working capital.
 - 6. Section 4(e) of the Payment Guaranty makes it an Event of Default that the daily average Net Worth of the Guarantor at any time during the term of the Guaranty is less than \$95,000,000.00. It is unclear as to whether or not the net worth requirement of this Guaranty will be sustained.
 - 7. The Borrower has disclosed to the Lenders the details of its outstanding, unsecured trade payables. Many of these unsecured trade payables have been outstanding for longer than 45 days and, accordingly, do not constitute indebtedness permitted pursuant to the provisions of Section 8.2.2(e) and may be a breach of Section 9.1.5.
 - 8. The Borrower failed to pay interest on April 1, 2009 as required under Section 3.2.3.
 - 9. The foregoing matters which have been disclosed to the Lenders have the following consequences:
 - (a) They may constitute a Material Adverse Effect and thereby be a breach of Sections 6.5.1(c), 7.12 and 9.1.16;
 - (b) The Borrower's knowledge of the foregoing matters will constitute a breach of the warranty in Section 7.31;

- (c) The provisions of Section 4(b) of the KFE Guaranty of Completion and Performance and Section 4(b) of the Non-Recourse Carve-Out Guaranty of KFE which, in respect of the foregoing matters, make it an Event of Default if any representation or warranty of the Guarantor under any Loan Document is incorrect when made or deemed to have been made in any material respect, may not have been complied with.
- (d) As disclosed to the Lenders, the Borrower has been unable to pay current outstanding project expenses without the advance of additional Credit Extensions. This may result in the Borrower being insolvent and cause a breach of the provisions of Section 2.01(b)(i) of the Non-Recourse Carve-Out Guaranty of KFE. In addition, the Borrower may be in breach of Section 2.01(b)(vii) due to the fact that the closing proceeds to be delivered to the Lenders may not, in all cases, constitute the Minimum Release Price for each Unit sold.
- (e) Section 9.1.12 - In respect of the defaults outlined in this Schedule, the Borrower and KFE have not complied with the provisions of the Loan Agreement or the Guarantees to which such breaches relate.

They may have constituted a material misrepresentation by the Borrower or KFE pursuant to Section 2.01(b)(vi) of the KFE Non-Recourse Cave-Out Guaranty.



SCHEDULE B

<u>Payee</u>	<u>Amount</u>	<u>Line Item</u>	<u>Line Item Category</u>

14-2009179370 - Request - McManis/Alton Budget/Funding Request 2/Alton Invoice Summary - Funding Request Support Apr 13 09 - 8 Lines

TAB N



April 21, 2009

The Rosseau Resort Developments Inc.
110 Hannover Drive
Suite 203B, P.O. Box 24091
St. Catharines, ON L2W 1A4

Attention: President

Dear Sirs:

Re: Red Leaves

We refer to the credit agreement dated as of February 1, 2007 (as amended from time to time, the "Credit Agreement") by and among The Rosseau Resort Developments Inc., as Borrower, the financial institutions from time to time parties thereto, as Lenders, and West LB AG, Toronto Branch, as Administrative Agent. Capitalized terms not defined in this letter have the meanings given in the Credit Agreement.

The Borrower has requested an additional Credit Extension in the amount of C\$1,966,370.37 notwithstanding the fact that the Longview/Paignton House Commitment Amount has been fully advanced and the Golf Residences Commitment and the Waterfront Residences Commitment have been cancelled. Furthermore, the Events of Default listed in Schedule "A" have occurred and are continuing.

Notwithstanding the foregoing, the Lenders have agreed to advance the requested C\$1,966,370.37.

under the Credit Agreement, subject to (a) your acceptance of the terms hereof, (b) the discharge of any construction lien affecting any of the Project Security prior to such further advance, and (c) the use of the proceeds of such advance solely to pay the amounts to the payees listed in Schedule "B" hereto. For greater certainty, the agreement by the Lenders to make this additional advance does not constitute a waiver of any of the continuing Events of Default and does not constitute an express or implied agreement on the part of the Lenders to advance any further funds under the Credit Agreement.

By its execution hereof and in consideration of the mutual agreements contained herein and other accommodations granted to the Borrower hereunder, each of the Borrower and the Guarantor hereby expressly forever waives, releases and discharges

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In consideration of the mutual agreements contained herein and other accommodations granted to the Borrower hereunder, each of the Borrower and the Guarantor hereby acknowledges that:

- (a) it has carefully read and fully understood all of the terms and conditions of this Agreement, and considers the terms hereof to be fair and reasonable;
- (b) it has consulted with, or had a full and fair opportunity to consult with, and has been advised by, fully competent counsel in the negotiation, execution and delivery of this Agreement;
- (c) it has had a full and fair opportunity to participate in the drafting of this Agreement and that no provision of this Agreement will be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of any party hereto having or being deemed to have structured, dictated or drafted such provision;

- (d) it is freely, voluntarily, knowingly and intelligently entering into this Agreement;
- (e) none of the Lenders or the Agent has a fiduciary relationship to any Credit Party, and the relationship between Agent and the Lenders, on the one hand, and the Credit Parties, on the other, is solely that of creditor and debtor, and that the Administrative Agent and the Lenders have not acted in a managerial capacity with respect to the Borrower or the Guarantor; and
- (f) no joint venture exists among the Credit Parties, the Agent and the Lenders.

Except as specifically stated herein, the Credit Agreement and the other Loan Documents will continue in full force and effect in accordance with the provisions thereof, as amended herein, and all Loan Documents issued or granted in connection therewith are hereby ratified and confirmed and will continue in full force and effect. After this Agreement becomes effective as provided herein, any reference to the Credit Agreement or a Loan Document will refer to the Credit Agreement and Loan Document as amended hereby. This Agreement is a "Loan Document", as defined under the Credit Agreement. Any failure by the Borrower to observe or perform any covenant, condition or agreement herein will constitute an immediate Event of Default under the Credit Agreement.

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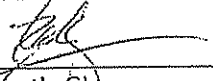
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Yours truly,

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as Administrative Agent

By: 
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Executive Director

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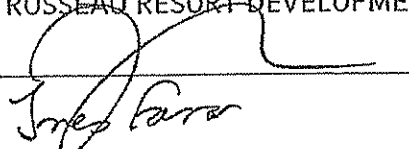
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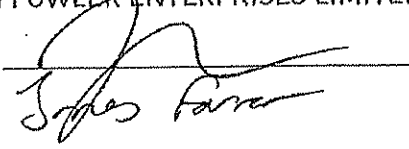
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SCHEDULE A

CURRENT OUTSTANDING DEFAULTS OR POTENTIAL DEFAULTS UNDER WESTLB LOAN DOCUMENTS

1. The Borrower and KFE are in default under the Loan Documents in failing to fund overruns of project costs associated with the Longview/Paignton House Construction Phase (the "Project") and, accordingly, the following provisions of the Loan Documents have not been complied with:
 - (a) Loan Agreement:
 - (i) Section 6.5.13 - the Budget for the Project is not In Balance;
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 - (iii) Section 8.1.8 - the Budget is not In Balance and the Borrower has defaulted in paying the amounts required to bring the Budget In Balance;
 - (iv) Section 9.1.3 - the Borrower has defaulted in the performance of its obligations under Section 8.1.8;
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 - (i) KFE has failed to pay the amounts required to ensure completion of construction of the Project or cause the Borrower to pay such costs and put the Budget into Balance. KFE is currently not able to comply with these obligations which must be funded by the Lenders.
2. The following provisions of the Loan Agreement are not complied with or are in default relating to the Budget:
 - (a) Section 7.35 - The current Budget for the Project does not accurately reflect all costs required for completion of the Project.
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 - (c) Section 8.2.1(e) - The capital required for the Project, as well as the normal operation of the Rental Pool and the Borrower's obligations under

the lease-back transactions, is greater than was projected and has not been funded by the Borrower.

- (d) Section 8.2.18 - During construction of the Hotel, the Borrower has modified the amounts allocated to the Line Items of the Budget, the Construction Schedule and the total cost of the Project. No Guaranteed Maximum Price for the Project has been determined. Accordingly, the procedures outlined in Section 8.2.18 have not, to date, been followed or complied with in constructing the Project.
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certified substantial performance and the trade contractor has published notice of substantial performance in compliance with the *Construction Lien Act* (Ontario). The procedures set forth in Section 5.4.1 have not been followed in this certification process. The Project Architect has been engaged to ensure building code compliance only and has not provided certificates relating to the progress of completion of construction.

- (b) Section 7.26 - This warranty provides that the Administrative Agent has received a true, complete and correct copy of each Project Document. The definition of "Project Document" includes all construction contracts as well as the Budget, the Construction Schedule and any contract with a contract price in excess of \$2,000,000.00. The construction contracts have not been signed by the trade contractors and are being signed.
 - (c) Section 7.36 - The Construction Schedule does not comply with the requirements of this warranty, both with respect to the anticipated date of final completion and the work to be performed in each calendar month of each Construction Phase.
 - (d) Section 8.2.16 - The Borrower has approved many change orders under the trade contracts without complying with the change order procedure set forth in this provision.
 - (e) Section 8.2.17 - The Borrower had made Scope Changes without complying with this procedure. This is, in part, the cause of the Budget not being In Balance.
 - (f) Section 8.2.18 - The Borrower has approved change orders resulting in changes to the Construction Schedule without complying with the requirements of this provision.
- 5. Section 8.2.19 - The net operating income of the hotel is insufficient for the Borrower to comply with the Debt Service Coverage Ratio. The Borrower funded the sum of \$368,000.00 in working capital to the Hotel Operator prior to the Opening Date of the Hotel, but these funds have now been dissipated due to the fact that the Net Operating Income of the Hotel has been insufficient to maintain this level of working capital.
 - 6. Section 4(e) of the Payment Guaranty makes it an Event of Default that the daily average Net Worth of the Guarantor at any time during the term of the Guarantee is less than \$95,000,000.00. It is unclear as to whether or not the net worth requirement of this Guaranty will be sustained.
 - 7. The Borrower has disclosed to the Lenders the details of its outstanding, unsecured trade payables. Many of these unsecured trade payables have been outstanding for longer than 45 days and, accordingly, do not constitute

indebtedness permitted pursuant to the provisions of Section 8.2.2(e) and may be a breach of Section 9.1.5.

8. The Borrower failed to pay interest on April 1, 2009 as required under Section 3.2.3.
9. The foregoing matters which have been disclosed to the Lenders have the following consequences:
 - (a) They may constitute a Material Adverse Effect and thereby be a breach of Sections 6.5.1(c), 7.12 and 9.1.16;
 - (b) The Borrower's knowledge of the foregoing matters will constitute a breach of the warranty in Section 7.31;
 - (c) The provisions of Section 4(b) of the KFE Guaranty of Completion and Performance and Section 4(b) of the Non-Recourse Carve-Out Guaranty of KFE which, in respect of the foregoing matters, make it an Event of Default if any representation or warranty of the Guarantor under any Loan Document is incorrect when made or deemed to have been made in any material respect, may not have been complied with.
 - (d) As disclosed to the Lenders, the Borrower has been unable to pay current outstanding project expenses without the advance of additional Credit Extensions. This may result in the Borrower being insolvent and cause a breach of the provisions of Section 2.01(b)(i) of the Non-Recourse Carve-Out Guaranty of KFE. In addition, the Borrower may be in breach of Section 2.01(b)(vii) due to the fact that the closing proceeds to be delivered to the Lenders may not, in all cases, constitute the Minimum Release Price for each Unit sold.
 - (e) Section 9.1.12 - In respect of the defaults outlined in this Schedule, the Borrower and KFE have not complied with the provisions of the Loan Agreement or the Guarantees to which such breaches relate.

They may have constituted a material misrepresentation by the Borrower or KFE pursuant to Section 2.01(b)(vi) of the KFE Non-Recourse Cave-Out Guaranty.

TAB 0

[On the Letterhead of WestLB AG, Toronto Branch]

May 12, 2009

The Rosseau Resort Developments Inc.
110 Hannover Drive
Suite 203B, P.O. Box 24091
St. Catharines, ON L2W 1A4

Attention: President

Dear Sirs:

Re: Red Leaves

We refer to the credit agreement dated as of February 1, 2007 (as amended from time to time, the "Credit Agreement") by and among The Rosseau Resort Developments Inc., as Borrower, the financial institutions from time to time parties thereto, as Lenders, and West LB AG, Toronto Branch, as Administrative Agent. Capitalized terms not defined in this letter have the meanings given in the Credit Agreement.

The Borrower has requested an additional Credit Extension in the amount of C\$24,739.31 notwithstanding the fact that the Longview/Paignton House Commitment Amount has been fully advanced and the Golf Residences Commitment and the Waterfront Residences Commitment have been cancelled. Furthermore, the Events of Default listed in Schedule "A" have occurred and are continuing.

Notwithstanding the foregoing, the Lenders have agreed to advance the requested C\$24,739.31 under the Credit Agreement subject to (a) your acceptance of the terms hereof, and (b) the use of the proceeds of such advance solely to pay the amounts to the payees listed in Schedule "B" hereto. For greater certainty, the agreement by the Lenders to make this additional advance does not constitute a waiver of any of the continuing Events of Default.

By its execution hereof and in consideration of the mutual agreements contained herein and other accommodations granted to the Borrower hereunder, each of the Borrower and the Guarantor hereby expressly forever waives, releases and discharges any and all claims (including, without limitation, cross-claims, counterclaims, third party claims and rights of setoff), causes of action (whether direct or derivative in nature), demands, suits, costs, expenses and damages (collectively, the "Claims") any of them may have or allege to have as of the date of this Agreement (and all defenses that may arise out of any of the foregoing) of any nature, description, or kind whatsoever, based in whole or in part on facts, whether actual, contingent or otherwise, now known, unknown, or subsequently discovered, whether arising in law, at equity or otherwise, against the Administrative Agent or any Lender, their respective Affiliates, agents, principals, managers, shareholders, directors, officers, employees, attorneys, consultants, advisors or agents of each of the foregoing (collectively, the "Released Parties") involving or otherwise relating to this Agreement or any of the other agreements entered into in connection

contingent or otherwise, now known, unknown, or subsequently discovered, whether arising in law, at equity or otherwise, against the Administrative Agent or any Lender, their respective Affiliates, agents, principals, managers, shareholders, directors, officers, employees, attorneys, consultants, advisors or agents of each of the foregoing (collectively, the "Released Parties") involving or otherwise relating to this Agreement or any of the other agreements entered into in connection herewith, the Credit Agreement, the Loan Documents or any or all of the actions and transactions contemplated hereby or thereby including, without limitation, any actual or alleged performance or non-performance by any of the Released Parties hereunder or thereunder. Each of the Borrower and the Guarantor hereby acknowledges that these agreements are intended to be in full satisfaction of all or any alleged injuries or damages arising in connection with the Claims. In entering into this Agreement, each of the Borrower and the Guarantor expressly disclaims any reliance on any representations, acts, or omissions by any of the Released Parties and hereby agrees and acknowledges that the validity and effectiveness of the releases set forth above does not depend in any way on any such representation, acts and/or omissions or the accuracy, completeness, or validity thereof. The provisions of this paragraph will survive the termination of the Loan Documents and the payment in full of all obligations of the Borrower and the Guarantor under or in respect of the Credit Agreement and other Loan Documents and all other amounts owing thereunder.

In consideration of the mutual agreements contained herein and other accommodations granted to the Borrower hereunder, each of the Borrower and the Guarantor hereby acknowledges that:

- (a) it has carefully read and fully understood all of the terms and conditions of this Agreement, and considers the terms hereof to be fair and reasonable;
- (b) it has consulted with, or had a full and fair opportunity to consult with, and has been advised by, fully competent counsel in the negotiation, execution and delivery of this Agreement;
- (c) it has had a full and fair opportunity to participate in the drafting of this Agreement and that no provision of this Agreement will be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of any party hereto having or being deemed to have structured, dictated or drafted such provision;
- (d) it is freely, voluntarily, knowingly and intelligently entering into this Agreement;
- (e) none of the Lenders or the Agent has a fiduciary relationship to any Credit Party, and the relationship between Agent and the Lenders, on the one hand, and the Credit Parties, on the other, is solely that of creditor and debtor, and that the Administrative Agent and the Lenders have not acted in a managerial capacity with respect to the Borrower or the Guarantor; and
- (f) no joint venture exists among the Credit Parties, the Agent and the Lenders.

Except as specifically stated herein, the Credit Agreement and the other Loan Documents will continue in full force and effect in accordance with the provisions thereof, as amended herein; and all Loan Documents issued or granted in connection therewith are hereby ratified and confirmed and will continue in full force and effect. After this Agreement becomes effective as

provided herein, any reference to the Credit Agreement or a Loan Document will refer to the Credit Agreement and Loan Document as amended hereby. This Agreement is a "Loan Document", as defined under the Credit Agreement. Any failure by the Borrower to observe or perform any covenant, condition or agreement herein will constitute an immediate Event of Default under the Credit Agreement.

This Agreement will be construed in accordance with and governed by the laws of Ontario.

This Agreement may be executed in any number of counterparts, each of which will be an original but all of which, when taken together, will constitute one instrument. Delivery of an executed counterpart of a signature page of this Agreement by facsimile will be effective as delivery of a manually executed counterpart of this Agreement.

The Borrower agrees to reimburse the Lender for its reasonable out-of-pocket expenses in connection with this Agreement, including the reasonable legal fees and disbursements of Blake, Cassels & Graydon LLP, counsel for the Lender.

Balance of page intentionally left blank; signature page follows.

Please confirm your agreement with the foregoing by signing a copy of this letter in the space provided below and returning it to the attention of Robert Dyck at the Administrative Agent's branch in Toronto, Ontario.

Yours truly,

WESTLB AG, TORONTO BRANCH,
as Administrative Agent

By: _____

By: _____

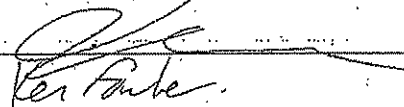
As Borrower, we confirm our agreement with the foregoing.

THE ROSSEAU RESORT DEVELOPMENTS INC.

By:  _____

As Guarantor, we acknowledge the foregoing and agree with the foregoing terms to the extent they relate specifically to the Guarantor

KEN FOWLER ENTERPRISES LIMITED, as Guarantor

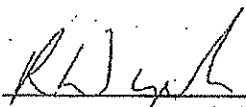
By:  _____

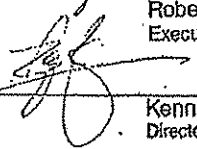
c: Stikeman, Elliott LLP
199 Bay Street, CCW
Suite 5300
Toronto, ON M5L 1B9
Attention: John R. Dow

Please confirm your agreement with the foregoing by signing a copy of this letter in the space provided below and returning it to the attention of Robert Dyck at the Administrative Agent's branch in Toronto, Ontario.

Yours truly,

WESTLB AG, TORONTO BRANCH,
as Administrative Agent

By: 
Robert L. Dyck
Executive Director

By: 
Kenneth Chan
Director, Credits America

As Borrower, we confirm our agreement with the foregoing.

THE ROSSEAU RESORT DEVELOPMENTS INC.

By: _____

As Guarantor, we acknowledge the foregoing and agree with the foregoing terms to the extent they relate specifically to the Guarantor

KEN FOWLER ENTERPRISES LIMITED, as Guarantor

By: _____

c: Stikeman, Elliott LLP
199 Bay Street, CCW
Suite 5300
Toronto, ON M5L 1B9
Attention: John R. Dow

SCHEDULE A

CURRENT OUTSTANDING DEFAULTS OR POTENTIAL DEFAULTS UNDER WESTLB LOAN DOCUMENTS

1. The Borrower and KFE are in default under the Loan Documents in failing to fund overruns of project costs associated with the Longview/Paignton House Construction Phase (the "Project") and, accordingly, the following provisions of the Loan Documents have not been complied with:
 - (a) Loan Agreement:
 - (i) Section 6.5.13 - the Budget for the Project is not In Balance;
 - (ii) Section 7.33 - the Budget is not In Balance;
 - (iii) Section 8.1.8 - the Budget is not In Balance and the Borrower has defaulted in paying the amounts required to bring the Budget In Balance;
 - (iv) Section 9.1.3 - the Borrower has defaulted in the performance of its obligations under Section 8.1.8;
 - (v) Section 9.1.12 - KFE has failed to comply with its obligations under the Budget.
 - (b) Section 9.1.4 of the Loan Agreement and KFE Guaranty of Completion and Performance:
 - (i) KFE has failed to pay the amounts required to ensure completion of construction of the Project or cause the Borrower to pay such costs and put the Budget into Balance. KFE is currently not able to comply with these obligations which must be funded by the Lenders.
2. The following provisions of the Loan Agreement are not complied with or are in default relating to the Budget:
 - (a) Section 7.35 - The current Budget for the Project does not accurately reflect all costs required for completion of the Project.
 - (b) Section 8.1.18 - The Borrower has provided to the Hotel Manager the working capital required by the Pre-Commencement Addendum to the Hotel Management Agreement. The Hotel Manager has advised that the Owner and Manager must agree upon a new amount of working capital.
 - (c) Section 8.2.1(e) - The capital required for the Project, as well as the normal operation of the Rental Pool and the Borrower's obligations under the lease-back transactions, is greater than was projected and has not been funded by the Borrower.

- (d) Section 8.2.18 - During construction of the Hotel, the Borrower has modified the amounts allocated to the Line Items of the Budget, the Construction Schedule and the total cost of the Project. No Guaranteed Maximum Price for the Project has been determined. Accordingly, the procedures outlined in Section 8.2.18 have not, to date, been followed or complied with in constructing the Project.
 - (e) Section 9.1.3 - The Borrower has not complied with the requirements of Section 8.2.18 as noted above.
3. The Borrower has provided to the Lenders the current outstanding unit sales contracts and schedules summarizing the terms and conditions and status of those sales contracts. Such contracts are approved by the Lenders even though such contracts reveal the following non-compliance with the following provisions of the Loan Agreement:
- (a) Sections 3.1.1(c), 8.2.10(c) and 8.2.13(f)(ii) - On closing of the disposition of Units, the closing proceeds to be paid to the Lenders at the time of closing may not be equal to the Minimum Release Price;
 - (b) Sections 8.2.7 and 8.2.13 - In respect of certain of the Units, the Borrower has entered into sale/leaseback transactions, as disclosed to the Lenders, which do not comply with these provisions of the Loan Agreement.
 - (c) The sales contracts do not all comply with the deposit structure required by the definition of Bona Fide Sales Contracts.
4. In entering into construction contracts for the Project, the Borrower has not complied with certain requirements of the Loan Agreement, including the fact that there is no Guaranteed Maximum Price General Contract for the Project. Instead, the Project has been undertaken with a construction management contract entered into between the Borrower and Rock Ridge Contractors Inc. (the "Construction Manager") as an agent for and on behalf of the Borrower, which retained the trade contractors performing work on the Project. The following provisions of the Loan Agreement have not been complied with:
- (a) Sections 5.4.1 and 6.6.4 - These provisions are not relevant to the construction contract program actually engaged in by the Borrower. The Borrower has entered into individual construction contracts with each trade contractor. Accordingly, there will be separate substantial completion arrangements for each separate trade contractor. For those trade contractors who have achieved substantial performance (as defined in the *Construction Lien Act* (Ontario), the Construction Manager has certified substantial performance and the trade contractor has published notice of substantial performance in compliance with the *Construction Lien Act* (Ontario). The procedures set forth in Section 5.4.1 have not been followed in this certification process. The Project Architect has been engaged to ensure building code compliance only and has not provided certificates relating to the progress of completion of construction.
 - (b) Section 7.26 - This warranty provides that the Administrative Agent has received a true, complete and correct copy of each Project Document. The

definition of "Project Document" includes all construction contracts as well as the Budget, the Construction Schedule and any contract with a contract price in excess of \$2,000,000.00. The construction contracts have not been signed by the trade contractors and are being signed.

- (c) Section 7.36 - The Construction Schedule does not comply with the requirements of this warranty, both with respect to the anticipated date of final completion and the work to be performed in each calendar month of each Construction Phase.
 - (d) Section 8.2.16 - The Borrower has approved many change orders under the trade contracts without complying with the change order procedure set forth in this provision.
 - (e) Section 8.2.17 - The Borrower had made Scope Changes without complying with this procedure. This is, in part, the cause of the Budget not being in Balance.
 - (f) Section 8.2.18 - The Borrower has approved change orders resulting in changes to the Construction Schedule without complying with the requirements of this provision.
- 5. Section 8.2.19 - The net operating income of the hotel is insufficient for the Borrower to comply with the Debt Service Coverage Ratio. The Borrower funded the sum of \$368,000.00 in working capital to the Hotel Operator prior to the Opening Date of the Hotel, but these funds have now been dissipated due to the fact that the Net Operating Income of the Hotel has been insufficient to maintain this level of working capital.
 - 6. Section 4(e) of the Payment Guaranty makes it an Event of Default that the daily average Net Worth of the Guarantor at any time during the term of the Guaranty is less than \$95,000,000.00. It is unclear as to whether or not the net worth requirement of this Guaranty will be sustained.
 - 7. The Borrower has disclosed to the Lenders the details of its outstanding, unsecured trade payables. Many of these unsecured trade payables have been outstanding for longer than 45 days and, accordingly, do not constitute indebtedness permitted pursuant to the provisions of Section 8.2.2(e) and may be a breach of Section 9.1.5.
 - 8. The Borrower failed to pay interest on April 1, 2009 as required under Section 3.2.3.
 - 9. The Borrower failed to pay interest on May 1, 2009 as required under Section 3.2.3.
 - 10. The Borrower failed to pay fees, costs and other expenses, as required under Section 11.3.
 - 11. The foregoing matters which have been disclosed to the Lenders have the following consequences:
 - (a) They may constitute a Material Adverse Effect and thereby be a breach of Sections 6.5.1(c), 7.12 and 9.1.16;

- (b) The Borrower's knowledge of the foregoing matters will constitute a breach of the warranty in Section 7.31;
- (c) The provisions of Section 4(b) of the KFE Guaranty of Completion and Performance and Section 4(b) of the Non-Recourse Carve-Out Guaranty of KFE which, in respect of the foregoing matters, make it an Event of Default if any representation or warranty of the Guarantor under any Loan Document is incorrect when made or deemed to have been made in any material respect, may not have been complied with.
- (d) As disclosed to the Lenders, the Borrower has been unable to pay current outstanding project expenses without the advance of additional Credit Extensions. This may result in the Borrower being insolvent and cause a breach of the provisions of Section 2.01(b)(i) of the Non-Recourse Carve-Out Guaranty of KFE. In addition, the Borrower may be in breach of Section 2.01(b)(vii) due to the fact that the closing proceeds to be delivered to the Lenders may not, in all cases, constitute the Minimum Release Price for each Unit sold.
- (e) Section 9.1.12 - In respect of the defaults outlined in this Schedule, the Borrower and KFE have not complied with the provisions of the Loan Agreement or the Guarantees to which such breaches relate.

They may have constituted a material misrepresentation by the Borrower or KFE pursuant to Section 2.01(b)(vi) of the KFE Non-Recourse Carve-Out Guaranty.

SCHEDULE B

<u>Payee</u>	<u>Amount</u>	<u>Line Item</u>	<u>Line Item Category</u>

See attached.

SCHEDULE B

<u>Payee</u>	<u>Amount</u>	<u>Line Item</u>	<u>Line Item Category</u>
Bell Canada	1521.88	Overhead- Essential Services	Construction Disbursements
Bell Conferencing	185.95	Overhead – Essential Services	Construction Disbursements
Rogers Wireless	3524.80	Overhead – Essential Services	Construction Disbursements
Grand & Toy	936.74	Overhead – Essential Services	Construction Disbursements
Hydro One	11,138.78	Overhead – Essential Services	Construction Disbursements
Vianet	183.75	Overhead – Essential Services	Construction Disbursements
Muskoka Containerized Services	240.94	Overhead – Essential Services	Construction Disbursements
Bowman Fuels (Lakeside Lodge)	2006.47	Overhead – Essential Services	Overhead – Essential Services
Lakeside Lodge Labour	5000.00	Overhead – Essential Services	Overhead – Essential Services