ORIGINAL

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 DEVELOPMENTS LTD.

Cross-examination on Affidavit of LISA HENSON, sworn the 8th day of June, A.D. 2009, taken before Kim Morosse, CSR(A), RPR, Examiner pursuant to Rules 203, 728, 204(1) of the Court of Queen's Bench of Alberta, at the offices of Macleod Dixon LLP, Calgary, Alberta, on the 18th day of June, A.D. 2009.

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(Proceedings commenced at 11:10 a.m.)

MR. GORMAN: Before we get started, I want to introduce some of the people you'll see on your screen. My name is Howard Gorman. I'm the lawyer for Fairmont, so I'm going to be conducting most of this examination.

To my left here is Murray Moore, who you've spoken to, but I don't think have ever met before.

To his left is Larry Robinson, who is your lawyer, you maybe have spoken to.

MR. ROBINSON: Have never met. Hello, Lisa.

MR. GORMAN: Down at the far left of the table is David LeGeyt. He's the lawyer for Century Services, the DIP lender.

At the far end of the table, which is about all you can see, is a court reporter who is going to take a complete transcript, like on TV up in the front of the courtroom, and get us a transcript of what was said.

If at any time you want to talk to your lawyer without us present, just let me know and I will clear the room and you and Mr. Robinson can talk. So don't be concerned about that. If you need to discuss anything you think in private, just ask us for some time and we'll make that accommodation for you.

In addition, on the part of the screen you can't see are a few other counsel who might or might not have some questions at the end. If they do, they will introduce themselves.

Okay?

THE WITNESS: Very good.

MR. GORMAN: So then what we're going to need to do is ask you to take an oath and then we can get going with the examination.

THE WITNESS: Okay.

LISA HENSON (by video conference), sworn, cross-examined by Mr. Gorman:

Q. All right, can you confirm your name for the record, please.

A. Lisa Henson.

MR. ROBINSON: Perhaps, Howard, before we get any farther, just for the record, I think my client and I would like to record our appreciation that counsel have all accommodated Ms. Henson and allowed this examination to take place by video conference; Ms. Henson residing in Syracuse, New York.

(DISCUSSION OFF THE RECORD)

Q. MR. GORMAN: Ms. Henson, you've taken an oath this morning?

A. Yes.

Q. Notwithstanding that we're over a television feed, you understand that oath to be binding on your conscience so that you'll be giving us truthful answers related to the Alberta Court of Queen's Bench proceeding?

A. Yes.

Q. You swore an affidavit in the Fairmont Resort

Properties Ltd. CCAA proceedings sworn June 8, 2009?
A. Yes.
Q. You have a copy of that affidavit in front of you?
A. Yes.
Q. You swore that affidavit and executed it on page 6 before a notary public, believing the contents to be true?
A. Yes.
Q. Have you seen an affidavit from Murray Moore dated June 17, related to the Resort Funding matter?
A. I'm just looking for the date. Yes.
Q. What you just were holding up looked a little bit too thin. So do you have --
A. I don't have the attachment to it. I just have the affidavit piece right here.
MR. ROBINSON: I believe what Ms. Henson has seen is the affidavit that you were kind enough to forward to me in advance of swearing and filing, which we understand is identical to the document that was ultimately filed with exhibits attached.
Is that correct, Lisa?
A. Yes.
Q. MR. GORMAN: I understand you're the president and chief operating officer of Resort Funding?
A. Yes.
Q. How many employees does Resort Funding have?
A. 45.
Q. How many would have had involvement with respect to

the Fairmont Resort group of companies?
A. From what standpoint?
Q. With respect to negotiating any agreements.
A. Probably one or two.
Q. What about with respect to administering any promissory notes or loan balances and that sort of day-to-day administration?
A. The consumer receivables and notes, probably two or three people.
Q. Now, is Resort Funding's business restricted to the funding of timeshare projects?
A. No, we've gone outside of timeshare a little bit.
Q. Recreational property, though?
A. Yes.
Q. Approximately how many timeshare projects would Resort Funding be involved with?
A. Approximately 70.
Q. How many of those are in Canada?
A. Two. Well, if you count Lake Okanagan as two, then it would be three.
Q. What is the third one, then, besides the Fairmont Group?
A. A different developer.
Q. Were you involved in that project before or after the Lake Okanagan group?
A. After.
Q. Now, it's my understanding, Resort Funding acquired

the Fairmont Group indebtedness from Equivest Capital; is that correct?
A. Yes.
Q. That was by way of an assignment in March 26, 2004?
A. Yes.
Q. Is Equivest somehow related to Resort Funding?
A. The assets of Equivest were purchased by Resort Funding through an asset purchase agreement.
Q. For example, I notice that you were the president of Equivest at the time of the original loan agreement with Fairmont in 2003.
A. Right.
Q. So is it that Resort Funding bought Equivest's group of timeshare financing business, including the Fairmont project?
A. Yes.
Q. So you personally and perhaps --
A. Sorry, we did a management buyout of the company from Cendant Corporation.
Q. So your personal involvement with respect to the Fairmont Group goes back to Equivest, back to 2003?
A. Yes.
Q. Now, it's my understanding that Resort Funding charges the Fairmont Group interest at the rate of prime plus 2.25 percent or 7 percent, whichever is higher? Does that meet your recollection?
A. Yes.

Q. Prime has been below 4.75 percent, so it's the 7 percent rate that's been operative for the past year or longer?
A. If that's what it is, then yes.
Q. Has Resort Funding projected interest rates going forward? Is that part of your business consideration or business model?
A. No.
Q. Is it your understanding that the Fairmont Group is obliged to obtain interest rates from their customers of at least 12 percent?
A. Yes.
Q. So with the current interest rate scenario, there would be a 5 percent delta between the interest rate that Fairmont is obtaining from its customers, and that Fairmont is obliged to pay Resort Funding? Is that your understanding?
A. Yes.
Q. To be an eligible underlying promissory note, there must be at least a 10 percent down payment?
A. I'm just waiting for you to ask the question. I'm not sure whether you want me to answer. I don't mean to . . .
Q. Pretty much any time my lips stop moving, I'm looking for a response.
A. All right.
Q. So is it also your understanding that there must be at least a 10 percent down payment?

A. Yes.
Q. And that the customers must meet acceptable credit standards, including not having been bankrupt recently and a few other standards set out in the agreement?
A. Yes.
Q. So with respect to the portfolio of promissory notes, interest is currently accruing from the customers at a rate at least 5 percent greater than Fairmont's obligations to Resort Funding; is that right?
A. It appears to be right. I don't have the portfolio in front of me to verify that, so if that is what the loan agreement says, that is what Fairmont was supposed to provide to us.
Q. In addition, Resort Funding agreed only to advance 85 percent of the principal amounts owing by the timeshare purchasers?
A. Yes.
Q. So we know that with respect to any particular unit, there's supposed to be at least a 10 percent down payment; and even after the 10 percent payment, Resort Funding would only advance 85 percent of the amount of the promissory note?
A. That's correct, but it's not of the unit, it's the interval.
Q. Correct, the timeshare interest in the unit, 'X' number of weeks?
A. Correct.

Q. Approximately $7.8 million Canadian is owing from the Fairmont Group to Resort Funding?

A. Yes.

Q. Are you now aware that the Fairmont Group owes FRPL advance in excess of $60 million?

A. Yes.

Q. Did the Fairmont Group provide financial information from time to time to Resort Funding which would have contained that type of information?

A. I'm not sure what you mean by that as far as . . .

Q. Well, did the Fairmont Group provide balance sheet information to Resort Funding from time to time?

A. They are required to. I did not look at our compliance list to see the latest financial statements that were provided from Fairmont, so I can't say for certain what dates we do have. They're required to.

Q. But certainly you're not aware of any problems in the six or so years that you've been administering the accounts, that you weren't getting financial statements?

A. You know, offhand, we have a compliance officer that handles that, so if financial statements came in late, I wouldn't know without contacting him.

Q. I'm not questioning exact timing, but over the six years, you know that the Fairmont Group had provided some general financial statements, which include balance sheets?

A. They did provide some financial statements, yes. I don't know when the last time we received them is.

Q. Now, the underlying notes with respect to the $7.8 million indebtedness have a current value outstanding of approximately $12 million?
A. Maybe a little bit less just due to delinquencies.
Q. So if it's a little bit less, we're talking about approximately a 66 percent ratio of advances to the underlying collateral notes?
A. Yes, I don't know if 56 *[sic]* percent is the number.
Q. Would you agree that it's well under the 85 percent threshold?
A. It appears to be under the 85 percent threshold as of May 31.
Q. Now, if you turn to Exhibit J of your affidavit.
A. Okay.
Q. That is the form of collateral assignment of notes receivable that was exchanged between the Fairmont Group and Resort Funding, as bundles of customers' agreements and notes were assigned to Resort Funding for financing?
A. Yes.
Q. Would they be bundled up on a weekly or monthly basis? How often would you receive this type of agreement, the schedule of notes?
A. With each batch of receivables submitted by Fairmont for funding.
Q. Is this a form of document that was prepared by Resort Funding?
A. No, it's a form prepared by counsel.

Q. Counsel for Resort Funding or counsel for Fairmont?
A. Yes, for Resort Funding.
Q. So this is the standard type document you'd use on the other 70 projects as well?
A. Yes.
Q. If we turn back one page, there is a document, which is the third page of Exhibit I, entitled "Fairmont Resort Properties Ltd. Promissory Note and Installment Sales Contract."
Do you have that in front of you, Ms. Henson?
A. Which exhibit is that one?
Q. It's Exhibit I, but it's the second document. The first document of Exhibit I is called LaLonge (phonetic), and the second one is the document I want to look at.
A. I don't have that one.
Q. It's Exhibit I to your affidavit.
A. Yes, I have got Exhibit I to my affidavit, and Exhibit I that I have is the collateral assignment of notes receivable, which is four pages.
Q. No, I think you went the wrong way. That's J.
A. Oh, that's J. Sorry. Exhibit I, the LaLonge, okay.
Q. Right, and then the next page --
A. Right, promissory note.
Q. This is an example of the form of documents that are assigned in bundles from time to time by Fairmont Group to Resort Funding?
A. Yes.

Q. Now, is this a standard form agreement that you are familiar with, or is this unique to the Fairmont Group?
A. This is a Fairmont form.
Q. But on an industry basis, is this relatively standard to what you seem to deal with?
A. It's similar. They're all different. You know, this one has a promissory note, it looks like. There's no truth-in-lending on the promissory note, so they're all a little bit different.
Q. Now, looking at this note and installment sales contract, can you tell me how much this purchaser owes the Fairmont Group?
A. 10,300 was the loan. Purchase price was 11,445.
Q. I understand that. I'm asking you, today, how much is owing under this promissory note and installment sales contract?
A. No idea.
Q. When you, as I understand, obtained financing from your financiers, you would pledge these types of agreement again?
A. Say that again?
Q. I understand that the bundle of agreements that have come from Fairmont, you've now bundled up and passed on to Merrill Lynch; is that correct?
A. We pledged them as collateral for the loan between Resort Funding and Merrill Lynch.
Q. How much did you tell Merrill Lynch was owing under

this agreement?
A.   At what point?
Q.   At the point --
A.   The balances change, and the balances are reported on a monthly basis.
Q.   So when you are dealing with your creditors, in addition to the document, you also have to provide additional information as to what the current balance is, what payments were made; and this changes every month?
A.   Right.
Q.   So it's unlike a cheque for some certain -- the amounts change under these promissory notes and installment sales contracts from time to time?
A.   If the customer makes payment, then the balance is reduced, if that's your question.
Q.   Correct. So you need information beyond the face of this document, to know what the balance is?
A.   Correct.
Q.   Now, with respect to Resort Funding's interest in Fairmont Resorts, how much money has Resort Funding borrowed from Merrill Lynch?
A.   Don't know.
Q.   Do you know if it's in excess of the amount that the Fairmont Group owes to Resort Funding?
A.   I don't have the dollar amount in front of me. We don't borrow on a resort by resort basis. We borrow against our availability from a warehouse line.

Q. So to that, do I understand it that Resort Funding has one facility with Merrill Lynch, and agreements with respect to numerous resorts are pledged from time to time?
A. Right.
Q. Is it all of the assignments that Resort Funding has from all of their clients, or are there some amounts delivered from time to time?
A. I don't know that I understand that question.
Q. Okay. Is your practice with Merrill Lynch, if you got a bundle from Fairmont, you would pass them on? Or does Merrill Lynch call from time to time, saying we need more contracts, and you look to see what's available?
MR. ROBINSON: Ms. Henson, I'm sort of relying on you at this point to tell me if there's a point in time where Mr. Gorman is getting too far into your private business with Merrill Lynch and too far away from your business with Fairmont, such that you object to answering the question.
Short of that, I'm happy to let Mr. Gorman go as far as he wants to go in this enquiry.
A. Right. I think what I'm trying to explain to you is it's not a one-for-one loan between Resort Funding and Merrill Lynch for Fairmont specifically. We have the ability to draw on availability of collateral and funds, and the receivables we have from Fairmont are pledged to Merrill Lynch as security under the loan. We just may not borrow all the funds. I don't know specifically how much

is outstanding for the Fairmont loan with Merrill.

Q. MR. GORMAN: Have all of the Fairmont Group contracts been pledged on to Merrill Lynch?

A. Yes.

Q. Is that done under some sort of collateral assignment of notes receivable that looks perhaps like the one from Fairmont to you?

A. Yes.

Q. Do you use the same form of agreement?

A. No, it's a different form.

Q. So your position at Resort Funding is that the Fairmont Group has delivered its interest in the notes to Resort Funding, such that it's no longer the Fairmont Group's property?

A. Yes.

Q. But haven't you just told me that Resort Funding has similarly passed them on to Merrill Lynch? So under that logic, wouldn't it no longer be Resort Funding's property, but Merrill Lynch's?

MR. ROBINSON: I'm not sure that my client cares to comment on the logic of the situation. She's described the relationship, described it frankly in her affidavit. I'm not sure she's prepared to answer questions about where logic leads you from that relationship.

OBJECTION TAKEN to answering the following question: "But haven't you just told me that Resort Funding has similarly passed them on to Merrill Lynch? So under that logic,

wouldn't it no longer be Resort Funding's property, but Merrill Lynch's?"
Q. MR. GORMAN: Has Merrill Lynch ever advised Resort Funding that they want to pursue the interest directly as against the Fairmont Group's customers?
A. Pursue what again? Fairmont customers?
Q. Pursue recovery under the notes and agreements.
A. They assume we're doing that.
Q. Is my reading of your paragraph 16 correct, that all of the amounts that have been paid by the Fairmont Group has been passed over to Merrill Lynch?
MR. ROBINSON: Sorry, maybe you could ask the question again. You said "all of the amounts paid by the Fairmont Group."
Q. MR. GORMAN: Right, I'm looking at your paragraph 16, where it says:

> "Resort Funding has endorsed and delivered the notes, including all payments made thereon."

So my question is to confirm that I'm properly reading "all payments," such that all of the money that has been paid by the Fairmont Group to date has been passed on from Resort Funding to Merrill Lynch.
A. Yes.
Q. Now, in paragraph 11 of your affidavit, it provides that:

"Despite the provisions of the amended loan agreement, the monthly payments on the notes were not deposited in the trust account."

You see that reference?

A. I know it's in here somewhere.

Q. It's paragraph 11.

A. Okay.

Q. Can you tell me where the trust account is?

A. It's supposed to be in Canada.

Q. I understand perhaps where the agreement says it's supposed to be. I'm asking you, is there such an account?

A. Canada. Well, my understanding is there is an account in Canada.

Q. So your understanding is that Resort Funding has an account, a trust account in Canada?

A. My understanding, an account was set up for the payment for the Canadian consumers to be deposited into, in Canada.

Q. In whose name is that account?

A. I don't know.

Q. Can you tell me what bank it's at?

A. No.

Q. If I was to suggest an understanding that Resort Funding chose not to set up such an account because of concerns over withholding tax, does that remind you that perhaps such account never was created?

A. That doesn't sound familiar at all.
Q. Do you recall ever complaining to the Fairmont Group that they were not depositing monies to a certain account?
A. We assumed they were.
Q. Well, every month, you were getting payments; weren't you?
A. A cheque.
Q. Where is the cheque delivered to? Wasn't it delivered to Syracuse?
A. Yes.
Q. So you were getting a cheque rather than having monies deposited into a trust account, and you were okay with that?
A. Well, it was our understanding a separate bank account was opened up in Canada for the Canadian purchasers, by Fairmont. I mean, this goes back years.
Q. But you can't tell me whether that's a Resort Funding account or a Fairmont Group account?
A. Correct.
Q. Did you have an understanding that, under the agreement, Resort Funding was supposed to set up a trust account?
A. No.
Q. Now, the promissory note and installment sales contract refers to a purchase of a vacation lease from Fairmont Resort Properties Ltd. Has Resort Financing *[sic]* seen the form of vacation lease agreement used by the

Fairmont Group?
A. I have no idea what you just said.
Q. The promissory note and installment sales contract.
A. Yes, I have it in front of me now.
Q. It talks about providing financing for the purchase of a vacation lease.
A. Okay.
Q. Have Resort Financing *[sic]* seen the form of underlying --
A. Hold on. What's Resort Financing? I don't know what you're referring to.
MR. ROBINSON: Resort Funding.
Q. MR. GORMAN: Sorry, Resort Funding.
A. I thought you were just putting something else out there.
Q. MR. GORMAN: Has Resort Funding seen copies of the vacation lease purchase agreements?
A. The promissory note that I have in front of me?
Q. The promissory note is because someone bought a timeshare interest.
A. Right.
Q. Have Resort Funding seen copies of the vacation lease agreements that the funding is related to?
A. It's not a part of this contract in front of me right here?
Q. It's not in front of you.
A. I can't say without looking at a file.

Q. Is Resort Funding aware that purchasers have certain rights of recision under their vacation lease agreements?
A. We are aware they have recision rights.
Q. Now, in your affidavit, you reference some Fitch Ratings, but I don't think you had attached the report you had seen. Can you tell me why?
A. Which section are you on?
Q. In your affidavit, paragraph 19.
A. 19, okay. I have got it now.
Q. You talk about Fitch Ratings.
A. Right.
Q. And a press release on or about May 6, 2009?
A. Okay.
Q. Yet the press release wasn't attached. Is this somehow confidential, or can you tell me why it wasn't attached?
A. No, it was just a release that I had read from the "U.S. Timeshare Loan ABS Default at an All-Time High," from the business wire press release.
Q. Do you know if Fitch Ratings differentiates between the U.S. and Canada?
A. I don't know.
Q. Do you know if they differentiate internally within the United States?
A. I don't know. It was a general release that they put out there.
Q. Okay, so it wasn't --

A. About the timeshare industry in general.
Q. So it was in general. It wasn't that they had been retained to look at the Fairmont Group or western Canada or anything in particular? This was sort of a general industry update?
A. Correct.
Q. Now, in your experience in the timeshare industry, would it be safe to say that some locations are under more financial stress than others?
A. Yes.
Q. Would Arizona and California be a real bad place to have a condominium or a timeshare these days?
A. You know, that's an interesting comment because we finance in Arizona and California as well; so some yes, some no. Some timeshares are doing very well.
Q. Okay. Wouldn't the Fairmont Group be in what you would summarize as timeshares that are doing very well?
A. I think they're doing average. The timeshare industry, you know, on average, just shows default between 10 and 20 percent.
Q. Things change on a project by project basis?
A. Yes.
Q. Now, in your affidavit, you suggest that default rates in the 15 to 20 percent range for timeshares is not unusual. That's still your current understanding?
A. I thought it was 10 percent. Are you referring to number 19?

Q. No, paragraph 22.
A. 22 now, okay.
Q. You conclude there, based upon your experience, default rates in the 15 to 20 percent range for timeshares is not unusual?
A. Yes.
Q. Did I hear you say you thought it might be in the 10 percent range as well? So should that answer more accurately be 10 to 20 percent?
A. No, I thought you were referring back to paragraph 19. I didn't know you changed paragraphs. Fitch Ratings rates it between 10 and 20.
Q. But your experience would suggest 15 to 20?
A. Yes.
Q. Is that part of the business rationale for only advancing 85 percent --
A. Yes.
Q. To have that 15 percent protection built in?
A. Yes.
Q. Now, in paragraph 25 - we're moving down to that paragraph - you reference that Mr. Moore, after conversations with him, that you believed that the facilities had sold sufficient timeshare vacation leases such that the properties would be self-sufficient.
Did Mr. Moore say that, or is that a conclusion you made based upon something he told you?
A. No, this is a discussion that we had had with Murray,

just talking about the operations of the resort and how they are different than the operations of the development themselves, and that the maintenance fees do pay for the operations of the resort.

Q. Having now seen his affidavit, do you have an understanding that the developer can't charge all of the fees to the sold units and must contribute the unsold portion?

A. No, because there weren't any details that were provided for that, to know what is considered substantial or when maintenance fees are due and owing and if anything was outstanding or prepaid. So no.

Q. So would it be fair to say, then, that Mr. Moore's affidavit provided more clarification to you on the issue, than your earlier discussions that your affidavit was based on?

A. No, I wouldn't say that. Our earlier discussion, I thought, was pretty clear when we discussed it with Murray.

And we have seen timeshare projects that have filed bankruptcy, where the developer filed bankruptcy and the consumers are untouched and even unaware of the bankruptcy itself.

Q. Would that have been in some U.S. proceedings, I would assume, because you only have the three Canadian projects?

A. Let's see, it was U.S., Aruba. Those are the two locations I can think of.

Q. Now, in addition to the management fees, do you

understand that the Fairmont Group also has overhead and restructuring fees to deal with as it goes forward?
A. What do you mean by "management fees"?
Q. The overhead, the people in the head office.
A. From the developer side of the business?
Q. From the business side generally.
A. I would assume there are fees on the business side.
Q. Those wouldn't have been included in your concept of whether the properties were self-sufficient?
A. Well, the properties being self-sufficient, the timeshare association has a budget that is typically prepared for the resort, and the operational cost for the resort are covered by the maintenance fees. And the maintenance frees are calculated by the operation cost of the resort.
Q. But these fees --
A. That would include the amenities and so forth.
Q. But those fees are calculated to keep the resort in operation, not the corporation in operation?
A. Right. The timeshare owners are separate from the developer.
Q. Now, is my understanding correct that Resort Funding agrees with the concept of the remainder conversion and monetization program that the Fairmont Group is pursuing?
A. Yes.
Q. You've seen that successfully provide additional financing to other projects in the past?

A. We've seen upgraded programs be successful. It's just a matter of if you're going to get a 25 percent hit ratio, 50 percent. You don't know until you try to upgrade your base. I don't know how many times your base has been upgraded.
Q. With respect to that, the Fairmont Group, after the last court application, coordinated the forms of agreements with Resort Funding and their counsel? Are you aware of that?
A. I'm sorry?
Q. That the forms of agreements that are going to be taken to the market --
A. Yes.
Q. -- have been coordinated with Resort Funding and their counsel's input?
A. Yes.
MR. GORMAN: Let's just take a break and I will check my notes and have a discussion with Mr. Moore, and we'll see if I have any more questions or if any other counsel have some questions as well.
(BRIEF ADJOURNMENT)
Q. MR. GORMAN: Ms. Henson, to clarify the issue with respect to management fees -- maintenance fees, is it fair to say that Mr. Moore told you he believed the budget was accurate and that, so long as the developer contributed for the unsold units, there would be sufficient funds for those fees?

A. I don't recall that, and I don't know what the amount for the developer even is.

MR. GORMAN: All right, thank you, Ms. Henson. Those are all of my questions, but under our rules, other interested counsel have the opportunity to ask questions, and we'll find out around the table if someone else has a few more questions before we let you go.

THE WITNESS: Okay, very good.

MR. LeGEYT CROSS-EXAMINES THE WITNESS:

Q. Ms. Henson, it's David LeGeyt. I act for Century Services Inc., the debtor-in-possession lender. I have just a few questions.

Have you seen the Notice of Motion which your counsel filed in connection with your affidavit?

THE WITNESS: Did I, Larry? Was it attached?

MR. ROBINSON: I believe you did, but if you're asking whether you have a copy of it here or I have a copy, we don't.

I see Mr. LeGeyt has one, so we'll share.

A. I don't know that I have that.

Q. MR. LeGEYT: Are you aware that part of your application is that Resort Funding's security interest in the notes ranks higher than any other security interests?

A. Yes.

Q. Okay. Does that include the security interest which arise by court order and, in particular, Century's security interest and priority position?

MR. ROBINSON: I think you're stepping into an area perhaps of law. For the record, I will say that our application is to get a declaration. Absent a declaration, we have ownership interest, and we're not talking about security at all. Our application is clearly to get a declaration ranking our security interest as high as possible, recognizing that the Court has granted a DIP order, which may impact on that priority.

I don't think it's fair to ask Ms. Henson her view of the law as between her security interest claim and the DIP claim. I'm happy to tell you that.

OBJECTION TAKEN to answering the following question: "Does that include the security interest which arise by court order and, in particular, Century's security interest and priority position?" (Referring to Resort Funding's security interest in the notes ranking higher than any other security interests)

MR. LeGEYT: Okay, I understand. I don't think I have any other questions, and I'm trying to determine how much involvement Century needs to have next week, but I accept your answer.

MR. ROBINSON: I guess I would suggest that if the letter attached to Mr. Moore's affidavit is accurate and Century is going to cease funding if our application is successful, Century ought to have substantial involvement if they wish to keep funding.

MR. LeGEYT: Thank you.

With that, I don't have any further questions. I'm not sure if anyone else does.

MR. GORMAN: All right, Ms. Henson, we're done, then.

(DISCUSSION OFF THE RECORD)

(Proceedings adjourned at 11:55 a.m.)

PROCEEDINGS CONCLUDED

Certificate of Transcript

I, the undersigned, hereby certify that the foregoing pages 1 to 30 are a true and faithful transcript of the proceedings taken down by me in shorthand and transcribed from my shorthand notes to the best of my skill and ability.

Dated at the City of Calgary, Province of Alberta, this 18th day of June, A.D. 2009.

Kim Morosse, CSR(A) RPR
Official Court Reporter

CAT - Printed June 18, 2009
KM

- I N D E X -

The following is a listing of objections as interpreted by the Court Reporter present at the Examination of:

LISA HENSON, June 18, 2009.

OBJECTIONS TAKEN