Form 49
[Rule 13.19]

COURT FILE NUMBER	**1201-08478**	CLERK OF THE COURT FILED SEP 26 2014 CALGARY, ALBERTA
COURT	COURT OF QUEEN'S BENCH OF ALBERTA	
JUDICIAL CENTRE	Calgary	
APPLICANTS	**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, as amended** **AND IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, R.S.A. 2000, c. B-9** **AND IN THE MATTER OF FOUNDATION MORTGAGE CORPORATION and FOUNDATION MORTGAGE "2" CORPORATION**	
DOCUMENT	**AFFIDAVIT**	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	Patrick T. McCarthy Q.C./Robyn Gurofsky Borden Ladner Gervais LLP 1900, 520 3rd Ave. S.W. Calgary, AB T2P 0R3 Telephone: (403) 232-9774 Facsimile: (403) 266-1395 Email: PMccarthy@blg.com File No. 439537-000004	

AFFIDAVIT OF GARY L. BENTHAM

Sworn on September 26, 2014

I, Gary L. Bentham, of the City of Calgary in the Province of Alberta, chartered accountant, SWEAR AND SAY THAT:

1. I am the president of BTM Advisory Services Inc. ("BTM"), which has been appointed as the Chief Restructuring Officer (the "CRO") of each of Foundation Mortgage Corporation ("FM1") and Foundation Mortgage "2" Corporation ("FM2") pursuant to an Order dated July 5, 2012 (the "CRO Order"). As such, I have personal knowledge of the matters and facts hereinafter deposed to, except

where stated to be based on information and belief and where so stated, I verily believe the same to be true.

Background

2. FM1 and FM2 (together, sometimes referred to herein as the "Companies") sought and obtained creditor protection under the *Companies' Creditors Arrangement Act* (the "CCAA") pursuant to an initial order dated July 5, 2012 (the "Initial Order"). Ernst & Young Inc. was appointed as monitor (the "Monitor") of the Companies pursuant to the Initial Order. The stay of proceedings granted in the Initial Order has been extended and currently expires on September 30, 2014.

3. Prior to filing for CCAA protection, and as outlined in previous affidavits filed in these proceedings, the Companies raised money from investors through various offering memoranda for the purpose of providing loans to related parties. The related party loans were to be used either as deposits on bare land real estate acquisitions, or to provide mortgage financing on certain real estate development projects. The investors purchased unsecured bonds pursuant to the offering memoranda, a large number of whom hold the bonds in Registered Retirement Savings Plan accounts.

FM1 and FM2 Update

4. As CRO of the Companies, I have been working diligently since the last stay extension to further assess the Companies' loans to related companies in order to determine, in light of those companies' restructuring plans, the asset sale and restructuring opportunities available to the Companies. In doing so, I have been working closely with the Monitor, Norton Rose Fulbright Canada LLP who is counsel for some of the related companies who own the mortgaged lands, and Borden Ladner Gervais LLP ("BLG"), counsel for the CRO, with a view to determining how best to preserve and maximize value for the Companies' stakeholders, consisting primarily of unsecured bondholders.

5. The nature of the transactions and inter-company loans is very complex. Further, the Companies' mortgage security is generally subordinate to various third party mortgages, or is unsecured, which has added additional complexity to the negotiation of debt restructuring. As a result, it has taken longer than anticipated to negotiate acceptable development and disposition plans for the assets securing the Companies' mortgage loans.

Recoveries from Foundation Homes Inc.

6. One of the parties who received loans from the Companies over time is Foundation Homes Inc. ("FHI"), the directors of which include Ronald Aitkens and his son, Kenneth Aitkens. Ronald Aitkens was, prior to these CCAA proceedings, the sole director and directing mind of the Companies.

7. As outlined in my previous affidavit, FM1 has brought a bankruptcy application as against FHI. The proceedings, originally brought in Calgary, were moved to Lethbridge. Due to scheduling issues and the Lethbridge trial coordinator's advice that it was difficult to obtain a commercial justice to hear the matter in Lethbridge, FHI brought an application to move the proceedings back to Calgary. Master Robertson heard that application in June, but did not grant the order sought as the original consent order moving the proceedings to Lethbridge was executed by a justice. FM1 and FHI then agreed to have the bankruptcy application heard before a registrar and an application was scheduled in Lethbridge on September 18, 2014. I am advised by counsel for the CRO and do verily believe that the Registrar's office contacted counsel and advised that despite the consent of the parties, the Registrar was not prepared to hear the application and believed it should go before a justice. FM1 has scheduled the application for September 29, 2014.

8. I am hopeful that upon a bankruptcy order being made, FM1 will be in a position to recover at least a portion of the outstanding amounts owed by FHI to FM1.

Possible Recoveries from 1330075 Alberta Ltd. – Calmar Lands

9. FM1 holds a mortgage registered over a property known as the Calmar lands in the principal amount of $2,727,402.18. The Calmar lands are owned by 1330075 Alberta Ltd. ("1330075"), a party related to FM1 currently in receivership. Ernst & Young Inc. was appointed as receiver (the "Receiver") of 1330075 by order of the Court dated October 1, 2013. With accrued interest, the amount outstanding on the mortgage loan to 1330075 is approximately $4,845,000.00. The FM1 mortgage is registered in third and fourth place on titles to the Calmar lands.

10. The enforceability of certain mortgages, known as the UDI Mortgages, registered ahead of FM1's mortgage is in question and an application originally filed by the Receiver for a determination on the enforceability of those mortgages has been filed.

11. Over the course of the last few months, FM1 has been working with another mortgagee, Calmar Lands Ltd., to put forth a proposal to the holders of the UDI Mortgages (the "UDI Mortgagees") to settle the dispute regarding the UDI Mortgages. I understand that the proposal was issued to the UDI

Mortgagees through their counsel last week. The UDI Mortgagees have until October 30, 2014 to accept or reject the proposal. There is no mechanism in the proposal to bind all of the UDI Mortgagees and as such, in the event certain of the UDI Mortgagees reject the proposal, the application to determine the enforceability of the UDI Mortgages will proceed, with a settlement being entered into with those UDI Mortgagees who accepted the proposal. I believe that during this next proposed stay period, the dispute with the UDI Mortgagees will be either settled or resolved by the Courts.

12. I am advised by the Receiver that the offer it had accepted to purchase the Calmar Lands did not close and the lands remain for sale.

Possible Recoveries from 1357686 Alberta Ltd. – Calaway Lands

13. The Calaway lands were secured by mortgages registered in favour of each of FM1 and FM2, which mortgages were pledged as security for various loans totalling $5,700,000 granted by the Companies to 1357686 Alberta Ltd. ("135"), another related entity previously in CCAA proceedings, now in receivership. BTM was the CRO of 135 in the CCAA proceedings. The offer to purchase the Calaway lands reported in my previous affidavit was approved by the Court on April 30, 2014, and the sale closed on May 29, 2014. The net proceeds from the sale of the Calaway Lands remain subject to the mortgages registered in favour of FM1, FM2 and a third party.

14. Certain related party creditors are contesting the validity and priority of the FM1 and FM2 mortgages. Amounts recoverable by FM1 and FM2 will be dependent upon the determination of priority of the respective security interests of the FM1 and FM2 mortgages as well as a third party mortgage registered against the Calaway Lands. FM1 and FM2 have worked diligently over the last stay period to review the computer servers of the Harvest Group, putting facts together which I believe militate in favour of the validity and enforceability of their respective mortgages. Those facts are being presented to the Receiver in an attempt to resolve these issues in an efficient and economical manner. I am hopeful that over the next stay period, this issue will be resolved with a distribution of the sale proceeds being made in accordance with the resolution achieved by the parties.

Conclusion

15. The Companies are hopeful that a resolution in the various recovery proceedings, together with a sale of the Calmar Lands will generate sufficient proceeds to pay some portion of the Companies' loans. As such, the Companies require an extension of the stay of proceedings to resolve the outstanding issues including i) the FHI bankruptcy hearing; ii) the proposal to settle the UDI Mortgage dispute, together with

the mortgage enforceability hearing on the Calmar lands; and iii) the mortgage validity and priority issue on the Calaway lands. I have determined, based on my review of the various CCAA proceedings and on discussions with the Monitor, that a four month stay extension is appropriate in the circumstances.

16. I believe that the Companies continue to act in good faith and with due diligence in this process and that it is reasonable in the circumstances to extend the stay to allow me to continue working with the Monitor and the related entities to monetize the assets secured by the Companies, all with the purpose of working towards a plan of arrangement intended to maximize the value of the mortgage assets for the benefit of the bondholders.

Relief Requested

17. I make this Affidavit in support of applications by FM1 and FM2 for an order of this Honourable Court extending the stay of proceedings up to and including January 31, 2015.

SWORN BEFORE ME at Calgary, Alberta, this 26th day of September, 2014. ____________________ Commissioner for Oaths in and for the Province of Alberta ROBYN GUROFSKY BARRISTER & SOLICITOR	))))))	____________________ GARY L. BENTHAM