Form 49
[Rule 13.19]

COURT FILE NUMBER	**1201-08478**	Clerk's Stamp CLERK OF THE COURT FILED JAN 23 2015 JUDICIAL CENTRE OF CALGARY
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 January 23rd, 2015

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 Corporate Advisory 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 January 31, 2015.

3. Prior to filing for CCAA protection, and as outlined in previous affidavits I swore 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"). 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. In some cases the Related Party Loans were secured by way of mortgages as intended by the offering memoranda, but in other cases, they were not.

FM1 and FM2 Update

4. As CRO of the Companies, I have been working diligently since the last stay extension to further assess and realize under the Related Party Loans and other transactions undertaken by the Company, in order to determine a solution to best maximize value in these proceedings. In doing so, I have been working closely with the Monitor and Borden Ladner Gervais LLP ("BLG"), counsel for the CRO, with a view to determining how best to enforce the Companies' rights in respect of the Related Party Loans and to preserve and maximize value for the Companies' stakeholders, consisting primarily of unsecured bondholders.

5. The nature of the transactions and Related Party Loans entered into by the Companies is very complex. Further, any mortgage security held by the Companies is generally subordinate to various third party mortgages. Other transactions are simply unsecured and generally involve related parties which are also in some form of insolvency proceeding. All of this 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' loans and Related Party 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. I had sworn in previous affidavits filed in these proceedings that FM1 had brought a bankruptcy application as against FHI but faced considerable opposition from that company, as well as difficulties scheduling the application before a commercial justice in Lethbridge.

8. Over the last stay period, FM1 successfully obtained a bankruptcy order as against FHI and Ernst and Young has been appointed as the Trustee in Bankruptcy. FM1 filed a proof of claim in the FHI bankruptcy on January 8, 2015, claiming an unsecured amount of $1,343,069.00. Further, I attended FHI's first meeting of creditors on behalf of FM1, which occurred on January 8, 2015. At that time, I was appointed on behalf of FM1 as an inspector of FHI's bankrupt estate.

9. I am advised by the Trustee in Bankruptcy of FHI that before any distribution to creditors can occur, they have to:

(a) Complete their review of the books and records of FHI;

(b) Determine if there are any reviewable transactions involving FHI;

(c) Properly assess the proofs of claim submitted; and

(d) Take steps to reconstruct financial records and file GST and tax returns and determine if any claim by Canada Revenue Agency exists.

10. In discussions with the Trustee in Bankruptcy, I believe it will take approximately two months for the administration of the bankrupt's estate to conclude and a distribution to occur.

Possible Recoveries from 1330075 Alberta Ltd. – Calmar Lands

11. As outlined in my previous affidavits filed herein, 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 $5,837,000.00. The FM1 mortgage is registered in third and fourth place on titles to the Calmar lands.

12. 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 on September 3, 2013 for a determination on the enforceability of those mortgages was finally heard on November 17, 2014. Justice Nixon reserved his decision. The outcome of that application will determine the amount payable to FM1, in the event the Calmar lands are sold. Prior to the November 17 application, and as reported in my previous affidavits, FM1 worked 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. A large number of the UDI Mortgagees accepted the proposal, which means that regardless of the outcome of the November 17, 2014 decision, if the Calmar lands are sold, there will be recoveries to FM1.

13. The Calmar lands remain listed for sale and I understand that Talisman Energy is currently attending to environmental reclamation on the lands. I am hopeful that once the reclamation is completed, the Calmar lands will be sold. The Companies' require a lengthy extension of the stay of proceedings to allow this to occur.

Possible Recoveries from 1357686 Alberta Ltd. – Calaway Lands

14. As outlined in my previous affidavits filed herein, the Calaway lands are 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.

15. 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. In addition, appraisals have been obtained and the Companies are, together with the Receiver, attempting to clarify

some statements in the appraisals which will impact on the outcome of the priority dispute outlined above.

16. 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

17. While it is clear at this stage of the proceedings that the Companies are seeking to liquidate whatever remaining assets are available as opposed to effecting a plan of arrangement, I have determined in part based on discussions with the Monitor, that it is beneficial for the Companies to remain in these proceedings, as opposed to appointing a receiver as the costs associated with doing so are estimated to be higher than simply extending the stay and continuing to liquidate or await distributions in respect of the Companies' remaining assets. As such, the best way to maximize value for the benefit of the bondholders is in my view, to remain in the CCAA proceedings and continue to await distributions or otherwise resolve the outstanding issues described above.

18. As such, the Companies are seeking an extension of the stay of proceedings to i) obtain a distribution in the FHI bankruptcy; ii) receive a decision in the mortgage enforceability hearing on the Calmar lands and obtain a sale of those lands; and iii) resolve 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 one year stay extension is appropriate in the circumstances.

19. 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, which has been determined to be the best way to maximize value for the Companies' bondholders in the circumstances.

Relief Requested

20. 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 December 31, 2015.

SWORN BEFORE ME at Calgary, Alberta, this 23 day of January, 2015.	)))	
Commissioner for Oaths in and for the Province of Alberta	)))	GARY L. BENTHAM

CHRISTINE DOWLING
BARRISTER & SOLICITOR