Form 49
[Rule 13.19]

COURT FILE NUMBER	**1201-08478**	Clerk's Stamp CLERK OF THE COURT FILED DEC 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	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: RGurofsky@blg.com File No. 439537-000004	

AFFIDAVIT OF GARY L. BENTHAM

Sworn on December 23rd 2015

I, Gary L. Bentham, of the City of Calgary in the Province of Alberta, Chartered Professional 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.

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 12, 2016.

Background

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.

4. 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.

5. There remain three avenues of recovery for the Companies described in the previous affidavit I swore in these proceedings, the pursuit of which necessitates the extension of the stay of proceedings. These include:

(a) Foundation Homes Inc. – FM1 sought and obtained a bankruptcy order in respect of Foundation Homes Inc. ("FHI"), a related party that received a number of Related Party Loans. On January 8, 2015, FM1 submitted a proof of claim in the bankruptcy asserting an unsecured claim in the amount of $1,343,069.00. I was appointed an Inspector on FHI bankrupt estate and have approved, subject to review and approval by the Official

Receiver, final distributions of $298,924.85 to the creditors of FHI. FM1 will receive a distribution of $200,773.03. I expect that distribution to occur in early 2016.

(b) 1330075 Alberta Ltd./Calmar Lands – FM1 holds a mortgage registered in third and fourth position over two parcels known as the Calmar lands, owned by 1330075 Alberta Ltd., a related party that is currently in receivership. The mortgage was registered in the principal amount of $2,727,402.18. An application with respect to the enforceability of certain mortgages registered ahead of FM1's mortgage was heard by the Court on November 17, 2014. FM1 continues to await a decision on this application, the outcome of which will determine the amount payable to FM1 in the event of a sale.

(c) 1357686 Alberta Ltd./Calaway Lands – the Companies each hold mortgages against these lands as security for various loans granted by the Companies to 1357686 Alberta Ltd., a related party, totalling $5,700,000 plus accrued interest. The lands were sold on May 30, 2014 for consideration of $8,450,000 cash and a vendor take back mortgage ("VTB Mortgage") of $1,800,000 convertible in to equity units of the purchaser, or redeemed at the option of the purchaser for $3,150,000. The cash consideration was used to pay prior debtor-in-possession financing registered on the lands as well as CCAA operating expenses. The purchaser has advised me of their intention to convert the VTB Mortgage in to equity units of the purchaser on or before December 31, 2015. Certain related party creditors are contesting the validity and priority of the Companies' mortgages. That dispute was put on hold pending the VTB Mortgage being repaid or converted to equity units of the purchaser. As conversion to equity units will now occur by December 31, 2015 the Companies will address in early 2016 the dispute regarding the validity and priority of the mortgages.

6. The above summaries are intended to provide the Court with an understanding of the three outstanding issues requiring resolution to demonstrate that a stay extension is warranted in the circumstances. I believe it would benefit the stakeholders of the Companies to remain in the within CCAA proceedings as the most cost effective means of realizing on the remaining avenues of recovery, as opposed to pursuing some other insolvency proceeding.

7. I believe that the Companies have been acting in good faith and with due diligence in these proceedings and that a stay is appropriate in the circumstances to allow for a resolution of the three outstanding recovery options. I understand that the Monitor is supportive of the relief sought and concurs

with my view that remaining in the CCAA proceeding is most efficient and beneficial to the Companies and their stakeholders.

8. I make this Affidavit in support of an application by FM1 and FM2 for an order of this Honourable Court extending the stay of proceedings up to and including June 30, 2016. If the three outstanding issues are resolved prior to the proposed stay extension date of June 30, 2016, I expect the Companies will wind down the proceedings in advance of that date.

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

LEAH MANGANO
A Commissioner for Oaths in and for Alberta
Lawyer, Notary Public