Form 49
[Rule 13.19]

CLERK OF THE COURT
FILED
AUG 01 2012
JUDICIAL CENTRE
OF CALGARY

COURT FILE NUMBER	**1201-08478**
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./John L. Ircandia Q.C. Borden Ladner Gervais LLP 1900, 520 3rd Ave. S.W. Calgary, AB T2P 0R3 Telephone: (403) 232-9441 Facsimile: (403) 266-1395 Email: PMccarthy@blg.com File No. 439537-000004

BLG
Borden Ladner Gervais

AFFIDAVIT OF GARY L. BENTHAM

Sworn on July 31, 2012

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., which has been appointed as the Chief Restructuring Office (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.

FM1 and FM2 Update

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"). The stay of proceedings granted in the Initial Order expires on August 5, 2012.

3. As CRO of the Companies, I have been working diligently over the last month to review the Companies' mortgage loans and other loans to third parties and related companies, in order to better understand the nature and value of the Companies' assets and to assess, on a preliminary basis, both sale and restructuring opportunities available to the Companies. In doing so, I have been working closely with Noel Winter, the real estate professional who has been assisting the Companies and certain related entities with their restructuring efforts, with a view to determining how best to preserve and maximize value for the Companies' stakeholders.

4. I have also commenced a thorough review of the Companies' books and records, in order to gain a better understanding of the transactions entered into by the Companies over the course of the last several years. I am still in the process of completing this review. In undertaking this review, I spoken to the accountant in Lethbridge previously engaged with the Companies to ensure that all financial records are available for my review, and if necessary, for review by the Monitor.

5. I have provided preliminary reporting to the Monitor outlining the Sources and Uses of Funds for each of the Companies and I understand the Monitor has commenced its review of that information. I will provide to the Monitor the conclusion of my loan review and my assessment of the Companies' restructuring options in the next two weeks.

6. As part of my review of the Companies' books and records thus far I discovered that a mortgage granted to FM2 over real property in Medicine Hat, Alberta had not been registered at Land Titles. I have since taken steps to register the mortgage on title to the property.

7. I have, with the knowledge and support of the Monitor been in contact with a number of the Companies' bondholders and have formed an advisory group (the "Advisory Group") consisting of five bondholders with some of the largest investments in each of FM1 and FM2. I have formed the Advisory Group to provide me with a cost-efficient and effective line of communication with some of the

Companies' stakeholders regarding the business and affairs and the restructuring efforts of the Companies. Confidentiality agreements have been provided to and executed by four of the five Advisory Group members respecting the receipt and use by the Advisory Group of confidential information concerning the Companies.

8. After having several preliminary discussions with the Advisory Group, I convened a meeting on July 19th, 2012 (the "July Meeting") with the Advisory Group to discuss the CCAA process and the results of my review of the Companies' books and records to date. I expect to be in a position to provide a more thorough report to the Advisory Group regarding the Companies' assets in approximately two weeks. Neil Narfason and Cassie Hern of the Monitor's office were in attendance at the July Meeting and I intend for them to continue to be involved in regular meetings with myself and the Advisory Group.

No Unsecured Creditors' Committee Required

9. I am advised by my counsel, Patrick McCarthy at Borden Ladner Gervais LLP ("BLG") that a formal Unsecured Creditors' Committee ("UCC") was created pursuant to an Order dated January 19, 2012, as amended (the "UCC Order") in CCAA Action No. 1101-17318 (the "Other Action") in respect of certain debtors who are related to the Companies (the "Other Debtors"). I am further advised by BLG that counsel for the UCC is taking the position that the UCC Order applies to the Companies in these proceedings.

10. It is my belief that the involvement of the UCC in these proceedings is inappropriate and unnecessary, that the UCC Order does not apply to the present proceedings and that the UCC has no rights or obligations with respect to either of FM1 or FM2.

11. I understand from discussions with BLG that the UCC was originally created in the Other Action to address concerns regarding:

(a) a general lack of communication between management and the bondholders of the Other Debtors; and

(b) the manner in which management had run the business of the Other Debtors prior to filing for CCAA protection.

12. I do not believe that the issues identified above concerning the Other Debtors represent issues currently facing the Companies in the within CCAA proceedings. Whereas management of the Other Debtors remained the same after filing for CCAA protection, day to day management of the Companies

has been transferred to BTM as CRO pursuant to the CRO Order. I am working closely with the Monitor to ensure that all steps taken by the Companies in these proceedings are done in a transparent manner with guidance from the Monitor.

13. Pursuant to the terms of the CRO Order, BTM is authorized to manage the business, affairs and restructuring of the Companies, and is authorized to inform and seek the input and advice of the larger or more material investors in the Companies regarding restructuring efforts. In that regard, and pursuant to the authority granted in the CRO Order, I have formed the Advisory Group for the purposes of communicating and consulting with the bondholders. In addition to speaking to each Advisory Group member individually, I convened the July Meeting with the members of the Advisory Group and the Monitor to provide an update on the status of the CRO's review of the Companies' books and records.

14. Further, I am making efforts as CRO to ensure that the larger body of bondholders is kept apprised of the steps taken in these proceedings and am setting up the necessary infrastructure to ensure regular communications are issued to the bondholders as a whole regarding these CCAA proceedings.

15. More recently, I contacted each member of the Advisory Group to determine whether they felt it was appropriate to involve the UCC in these proceedings. Four out of five Advisory Group members have replied to me so far, all of whom have advised that they see no reason to involve the UCC, given the appointment of a CRO, the presence of the Monitor and the formation of the Advisory Group.

16. One of the concerns I have regarding the involvement of the UCC in these proceedings relates to the significant costs associated with the UCC. I am advised by Neil Narfason of Ernst and Young Inc., the court appointed Monitor of the Other Debtors, and do verily believe that the fees claimed by the UCC's legal counsel in the Other Action amount to just over $450,000 as at June 30, 2012. As evidenced by the cash flow statements attached hereto and to the First Report of the Monitor, there is simply no cash available to fund the UCC's legal costs in these proceedings. Further, I am very concerned that the inclusion of the UCC's legal fees in the present administration charge will result in significant erosion to the value of the Companies' assets, thereby limiting recoveries that may otherwise be available to the bondholders in a restructuring.

17. Taking into consideration BTM's appointment as CRO of the Companies, the formation of the Advisory Group and the lack of cash available to fund the UCC, I respectfully submit that the involvement of the UCC in the present proceedings is unnecessary, inappropriate and does not serve the best interests of the Companies' stakeholders, consisting primarily of the unsecured bondholders.

Claims Process

18. The Companies are in the preliminary stages of developing formal plans of arrangement and compromise for distribution to their creditors. Before any such plan may be distributed, I believe that it is important for the Companies, with the assistance of the Monitor, to undertake claims processes to confirm the identity, status and amounts of all creditor claims, including those of the bondholders who represent the principal unsecured creditors of FM1 and FM2. Because the creditors are different for each of the Companies, I believe that it is essential that a separate claims process be undertaken with respect to each corporate entity.

19. Following discussions among FM1, FM2, the Monitor and their respective legal counsel, the claims processes described in detail in the forms of claims process orders attached hereto as Exhibit "A" with respect to FM1 and Exhibit "B" with respect to FM2, were deemed appropriate in the circumstances. In view of the fact that the creditors of both FM1 and FM2 are predominantly identified bondholders, the orders contemplate a "negative" claims process, with a response or proof of claim from the claimant required only in the event the claim identified by the Companies is improperly stated.

20. The claims process orders attached prescribe the following details and deadlines:

(a) Notice to Creditors of accepted claims of each of FM1 and FM2 by August 20, 2012;

(b) Notice to Creditors by advertising of the claims process respecting the Companies to be published by August 20, 2012 in the Calgary Herald newspaper;

(c) Proof of Claim by objecting creditors by September 17, 2012;

(d) Notice of Dispute of Proof of Claim by FM1 or FM2;

(e) Written objection by creditors of Notice of Dispute within fifteen (15) days of receipt;

(f) Application and supporting Affidavit respecting disputed claims to be filed by disputing creditors within ten (10) calendar days of written objection.

21. The Monitor has reviewed and is agreeable to the claims processes and the details and deadlines described above as well as the form of claims process orders attached as exhibits hereto.

Cash Flow Update

22. Cash flow statements are attached hereto and marked as Exhibit "C" to this my Affidavit. The Companies have approximately $100,000 in cash on hand which has carried over from the previous month. This cash on hand has been allocated toward funding these proceedings and the Companies' operations over the course of the next month.

23. The Companies are currently evaluating the options available for Debtor-In-Possession ("DIP") financing beyond the next month. It is anticipated that an application will be made by the Companies in approximately one month to approve a DIP facility.

Extension of Stay Period

24. Each of FM1 and FM2 have been working diligently and in good faith with their advisors and the Monitor toward identifying the nature and value of their assets and developing plans for presentation to their creditors. FM1 and FM2 seek an extension of the stay period granted in the Initial Order, from August 5, 2012 up to and including September 4, 2012.

Relief Requested

25. I make this Affidavit in support of applications by FM1 and FM2 for orders of this Honourable Court:

(a) Declaring that the authority of the Unsecured Creditors' Committee does not extend to the Companies;

(b) Undertaking the claims processes described herein; and

(c) Extending the stay of proceedings up to and including September 4, 2012.

SWORN BEFORE ME at Calgary, Alberta, this 31 day of July, 2012.	)	
Commissioner for Oaths in and for the Province of Alberta	)	GARY L. BENTHAM
ROBYN GUROFSKY BARRISTER & SOLICITOR		

COURT FILE NUMBER	**1201-08478**	Clerk's Stamp
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	**ORDER** **(Claims Process Foundation Mortgage Corporation)**	

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) 232-9441/232-9774
Facsimile: (403) 266-1395
Email: RGurofsky@blg.com
File No. 439537-000004

This is Exhibit "A" referred to in the Affidavit of Gary L. Bentham
Sworn before me this 31 day of July A.D. 2012

A Commissioner for Oaths in and for the Province of Alberta
ROBYN GUROFSKY
BARRISTER & SOLICITOR

DATE ON WHICH ORDER WAS PRONOUNCED: August ___, 2012

LOCATION WHERE ORDER WAS PRONOUNCED: Calgary, Alberta

NAME OF JUSTICE WHO MADE THIS ORDER: Justice B.E.C. Romaine

UPON the application of Foundation Mortgage Corporation ("FM1"); AND UPON having read the Affidavit of Gary L. Bentham dated July ___, 2012 with respect to the proposed claims process for FM1, filed, and such other pleadings and affidavits filed in the within proceeding; AND UPON hearing the submissions of counsel for FM1, Ernst & Young Inc. in its capacity as monitor of FM1 (the "Monitor") and any other counsel in attendance at the hearing of this matter;

IT IS HEREBY ORDERED THAT:

1. The Monitor shall on or before August 20, 2012, in cooperation with FM1, send a notice by regular mail, email, courier service or facsimile to each known creditor of FM1 (sometimes referred to herein as the "Creditors"), as identified to it by FM1, indicating the amount of such creditor's claim against FM1 as of July 5, 2012 (the "Notice to Creditor"). In the circumstance of creditors whose claims are disputed, a Notice to Creditor will be sent containing the amount which FM1 is prepared to allow as a claim by such creditor. The Notice to Creditor shall state whether a creditor's claim is secured or unsecured. Notices to Creditor substantially in the form attached as Schedule "A" to this Order is hereby approved with respect to FM1.

2. The Monitor shall also send, together with the Notice to Creditor, a Proof of Claim to each creditor or possible creditor described above. If a creditor wishes to dispute FM1's assessment of its claim in the Notice to Creditor, it must complete and forward to FM1 on or before September 17, 2012, with a copy to the Monitor, a completed Proof of Claim advancing a claim in a different amount, and/or claiming secured status if applicable, supported by appropriate documentation. In the event that a Proof of Claim is not received by FM1 as the case may be, by September 17, 2012, the amount of such creditor's claim and its status as secured or unsecured will, unless otherwise ordered by this Court, be conclusively deemed to be as shown in the Notice to Creditor sent by FM1. Proofs of Claim substantially in the form attached as Schedule "B" to this order are hereby approved for each of FM1.

3. The Monitor shall also:

a) arrange to publish a Notice to Creditor Advertisement in the Calgary Herald newspaper on or before August 20, 2012, (an advertisement substantially in the form of Notice to Creditor Advertisement attached as Schedule "C" to this Order is hereby approved); and

b) arrange to have a copy of this order, the form of Notice to Creditor and Proof of Claim available on its website.

4. Any party who does not receive a Notice to Creditor and who wishes to advance a claim against FM1 must complete and forward to FM1 a completed Proof of Claim supported by appropriate documentation advancing its claim and claiming secured status if applicable, with a copy to the Monitor, on or before September 17, 2012.

5. Where a Proof of Claim is sent to FM1 by a creditor prior to the deadline referred to herein, either as a result of disagreement with the Notice to Creditor or otherwise, then the Monitor, with input from FM1, shall review the Proof of Claim and provide to the creditor a notice in writing by regular mail, email, courier service or facsimile as to whether the claim set out in the Proof of Claim is accepted by FM1, disputed in whole, or disputed in part. Where the claim is disputed in whole or in part, the Monitor, with the assistance of FM1, shall issue a Notice of Dispute indicating the reasons for the dispute. Notices of Dispute substantially in the form attached as Schedule "D" to this Order is hereby approved with respect to FM1.

6. Where a creditor wishes to challenge the Notice of Dispute, the creditor must notify FM1 with a copy to the Monitor, of its objection in writing by registered mail, courier service or facsimile within fifteen (15) days of receipt of the Notice of Dispute. The creditor shall thereafter serve on FM1, with a copy to the Monitor, a filed Application together with supporting Affidavit in these proceedings returnable within ten (10) days after it gave its notice of objection, for the determination by the Court of the claim in dispute. Creditors not filing an objection to a Notice of Dispute issued by FM1, or failing to file an Application with supporting Affidavit in FM1 accordance within the time period set out above shall, unless otherwise ordered by this Court, be conclusively deemed to have FM1 accepted the assessment of their claims set out in such Notice of Dispute.

7. Claims not proven in FM1 in accordance with the procedures set out above shall, unless otherwise ordered by this Court, be deemed to be forever barred and may not thereafter be advanced against FM1 in the event that a plan of arrangement is approved by creditors, sanctioned by this Honourable Court, and implemented.

8. FM1 shall serve a copy of this Order on all parties attending at the hearing of the within application and the Monitor shall post a copy of this Order on its website and include the address of the website with the materials sent to creditors and claimants of FM1, which together shall be deemed good and sufficient service of this Order upon all interested parties.

J.C.Q.B.A.

SCHEDULE “A” – Notice to Creditor

SCHEDULE “B” – Proof of Claim

SCHEDULE “C” – Notice to Creditor Advertisement

SCHEDULE “D” – Notice of Dispute

Schedule "A"

NOTICE TO CREDITOR OF FOUNDATION MORTGAGE CORPORATION

TO: [NAME AND ADDRESS OF CREDITOR]

On July 5, 2012, Foundation Mortgage Corporation ("FM1") applied for and received protection from its creditors by order of the Court of Queen's Bench of Alberta (the "Court) pursuant to the *Companies Creditors' Arrangements Act* (the "CCAA"). Ernst & Young Inc. was appointed Monitor of FM1 (the "Monitor"). It is the intention of FM1 to propose a plan of compromise and arrangement to its creditors.

On August ●, 2012, the Court granted a further order prescribing a process by which the identity and status of all creditors of FM1 and the amounts of their claims will be established for purposes of the CCAA proceedings (the "Claims Process Order"). A copy of the Claims Process Order may be viewed at www.ey.com/ca/foundationgroup.

Pursuant to the Claims Process Order, the Monitor, in cooperation with FM1 is to send a notice to each known creditor of FM1 (the "Notice to Creditor") indicating the amount of such creditor's claim as of July 5, 2012. In the case of the claims of creditors whose claims are disputed, a Notice to Creditor will be sent containing the amount which FM1 is prepared to allow as a claim by such creditor.

All claims against FM1 are listed as unsecured based on the records of FM1.

FM1 HAS REVIEWED ITS RECORDS AND ACCEPTS THAT YOUR CLAIM AGAINST FM1, AS OF JULY 5, 2012, WAS AN UNSECURED CLAIM IN THE AMOUNT OF $________.

IN THE EVENT THAT YOU AGREE WITH FM1'S ASSESSMENT OF YOUR CLAIM, YOU NEED TAKE NO FURTHER ACTION.

HOWEVER, IF YOU WISH TO DISPUTE FM1'S ASSESSMENT OF YOUR CLAIM, YOU MUST TAKE THE STEPS OUTLINED BELOW.

The Claims Process Order provides that if a creditor disagrees with the assessment of its claim set out in this Notice to Creditor, the creditor must complete and return to FM1, with a copy to the Monitor, a completed Proof of Claim advancing a claim in a different amount and/or claiming secured status if applicable, supported by appropriate documentation. A blank Proof of Claim form is enclosed. The Proof of Claim with supporting documentation must be received by FM1 and the Monitor no later than **September 17, 2012.** If no such Proof of Claim is received by FM1 and the Monitor by that date the amount of such creditor's claim and its status as secured or unsecured will be, subject to further order of the Court, conclusively deemed to be as shown in this Notice to Creditor.

The Claims Process Order also provides that any party who does not receive a Notice to Creditor and who wishes to advance a claim against FM1must complete and forward to FM1, a completed Proof of Claim supported by appropriate documentation advancing its claim and claiming secured status if applicable, with a copy to the Monitor, on or before **September 17, 2012**.

Claims not proven in accordance with the procedures set out above shall, unless otherwise ordered by the Court, be deemed to be forever barred and may not thereafter be advanced against FM1.

Where a Proof of Claim is sent to FM1 by a creditor, FM1 and the Monitor will review the Proof of Claim and provide to the creditor a notice in writing by registered mail, by courier service, email or by facsimile as to whether the claim set out in the Proof of Claim is accepted, disputed in whole, or disputed in part. Where the claim is disputed in whole or in part, FM1 or the Monitor will issue a Notice of Dispute indicating the reasons for the dispute.

The Claims Process Order further provides that where a creditor objects to a Notice of Dispute, the creditor must notify FM1, with a copy to the Monitor, of the objection in writing by registered mail, courier service, email or facsimile within fifteen (15) days of receipt of the Notice of Dispute. The creditor shall thereafter serve on FM1, with a copy to the Monitor, a filed Application with a supporting Affidavit in FM1's CCAA proceedings, returnable within ten (10) calendar days after it gave its notice of objection, for the determination by the Court of the claim in dispute.

If you have any questions regarding the claims process or the attached materials, please contact Jessica Caden of Ernst & Young Inc. at (403) 206-5394.

Dated the ______ day of July, 2012 in Calgary, Alberta

Ernst & Young Inc., in its capacity as
Monitor of Foundation Mortgage Corporation

per:

____

Schedule "A"

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 THE *BUSINESS CORPORATIONS ACT*, R.S.A. 2000, c. B-9

AND IN THE MATTER OF
FOUNDATION MORTGAGE CORPORATION AND FOUNDATION MORTGAGE "2" CORPORATION

Proof of Claim FOUNDATION MORTGAGE CORPORATION ("FM1")
For Claims Arising Before July 5, 2012
(See Reverse for Instructions)

Regarding the claim of ____(referred to in this form as "the creditor") **(name of creditor)**

All notices or correspondence regarding this claim to be forwarded to the creditor at the following address:

____

____

____

Telephone: ______________________ Fax:______________________

I, ______________________ **(name of person signing claim)** residing in the______________________ **(city, town, etc.)**

of ______________________ **(name of city, town, etc.)** in the Province of ______________________

Do hereby certify that:

1. ☐ I am the creditor
   or
   ☐ I am ______________________________________ of the creditor.
   (if an officer or employee of the company, state position or title)

2. I have knowledge of all the circumstances connected with the claim referred to in this form.

3. A. FM1 was, as at July 5, 2012, and still is indebted to the creditor in the sum of **$**__________________ as shown by the statement of account attached hereto and marked "Schedule A". Claims should **not** include the value of goods and/or services supplied or claims arising after July 5, 2012. If a creditor's claim is to be reduced by deducting any counter claims to which FM1 is entitled and/or amounts associated with the return of equipment and/or assets by FM1, please specify.

   The statement of account must specify the vouchers or other evidence in support of the claim including the date and location of the delivery of all services and materials. Any claim for interest must be supported by contractual documentation evidencing the entitlement to interest.

   B. The indebtedness referred to in paragraph 3. A. is in the following currency:

   ☐ Canadian Dollars

   ☐ United States Dollars

4. A.☐ **Unsecured claim.** $________________________. In respect to the said debt, the creditor does not and has not since July 5, 2012, held any assets of FM1 as security.

   B.☐ **Secured claim.** $________________________. In respect of the said debt, the creditor holds assets of FM1 valued at $ ________________ as security:

Schedule "A"

Instructions for Completing Proof of Claim Forms

In completing the attached form, your attention is directed to the notes on the form and to the following requirements:

Proof of Claim:

1. The form must be completed by an individual and not by a corporation. If you are acting for a corporation or other person, you must state the capacity in which you are acting, such as, "Credit Manager", "Treasurer", "Authorized Agent", etc., and the full legal name of the party you represent.

2. The person signing the form must have knowledge of the circumstances connected with the claim.

3. A. A Statement of Account containing details of secured and unsecured claims, and if applicable, of the amount due in respect of property claims, and must be attached and marked Schedule "A". Claims should **not** include the value of goods and/or services arising after July 5, 2012. It is necessary that all creditors indicate the date and location of the delivery of all goods and/or services. Any amounts claimed as interest should be clearly noted as being for interest.

   B. Tick the appropriate currency.

4. The nature of the claim must be indicated by ticking the type of claim which applies. e.g. -

   Ticking (A) indicates the claim is unsecured;

   Ticking (B) indicates the claim is secured, such as a mortgage, lease, or other security interest, and the value at which the creditor assesses the security must be inserted, together with the basis of valuation. Details of each item of security held should be attached as Schedule "B" and submitted with a copy of the chattel mortgage, conditional sales contract, security agreement, etc.;

   A creditor may have separate claims in different categories, in which case a separate claim form must be submitted for each claim.

5. The person signing the form must insert the place and date in the space provided, and the signature must be witnessed.

Send a copy of the completed Proof of Claim, by September 17, 2012, to both FM1 and the Monitor at the below addresses:

Foundation Mortgage Corporation
Attn: Robyn Gurofsky
1900, 520 3rd Ave SW
Calgary, AB T2P 0R3

Ernst & Young Inc.
Attn: Jessica Caden
1000,440 2nd Ave SW
Calgary, AB T2P 5E9

Additional information regarding FM1 and the CCAA process, as well as copies of claims documents may be obtained at http://www.ey.com/ca/foundationgroup. If there are any questions in completing the Proof of Claim, please contact Jessica Caden of Ernst & Young Inc. at (403) 206-5394.

Schedule "D"

Notice of Dispute of Claim

by

FOUNDATION MORTGAGE "2" CORPORATION ("FM2")

Take note that the **NOTICE OF CLAIM of**

____ **("Creditor") is**

DISPUTED

FM2 disputes:

___ the whole amount of your claim; or

___ part of your claim in the amount of $___________**(Amount disallowed)**; and/or

___ your claim of secured status;

for the following reason(s):

If you wish to challenge this Notice of Dispute you <u>must</u>:

- within fifteen (15) days of receipt of this Notice of Dispute, notify FM2, with a copy to the Monitor, in writing of your objection to this Notice of Dispute by registered mail, courier service or facsimile to the address or fax number below; and,

- within ten (10) calendar days after you give your notice of objection to FM2 and the Monitor you must file with the Court of Queen's Bench of Alberta and serve on FM2 (with a copy to the Monitor), an Application in FM2's proceedings under the *Companies' Creditors Arrangements Act* and an Affidavit containing all supporting documentation for the determination by the Court of your disputed claim.

If you do not file an objection to this Notice of Dispute or if you fail to file an Application with supporting Affidavit within the period prescribed above, thereafter you will, otherwise ordered by the Court, be conclusively deemed to have accepted the assessment of your claims set out in this Notice of Dispute.

Schedule "D"

Address for Service of Objections to Notice of Dispute and Application:

Foundation Mortgage "2" Corporation,	Ernst & Young Inc., as Court appointed Monitor of FM2
1900, 520 – 3rd Avenue SW	1000, 440 2nd Avenue SW
Calgary, Alberta T2P 0R3	Calgary, Alberta T2P 5E9
Attention: Robyn Gurofsky	Attention: Jessica Caden
Email: rgurofsky@blg.com	Email: jessica.caden@ca.ey.com
Telephone: (403) 232 -9774	Telephone: (403) 206-5394
Fax: (403) 266 -1395	Fax: (403) 206-5075

Dated at Calgary, Alberta this ____ day of _____________, 2012.

Foundation Mortgage "2" Corporation

Per: ________________________________

cc Borden Ladner Gervais – Attention: Robyn Gurofsky

Cash Flow Forecast
August 5, 2012 - September 4, 2012

	Notes	Foundation Mortgage Corporation (FM1)	Foundation Mortgage "2" Corporation (FM2)
RECEIPTS	1		
Mortgage payments	2	$ 68,000	$ -
Advance from FM1	3	(86,400)	86,400
Total receipts		**(18,400)**	**86,400**
DISBURSEMENTS			
Salaries, consulting fees and operating expenses	4	15,000	15,000
CCAA professional fees	5	86,000	86,000
Administrative charge offset	6	(14,600)	(14,600)
Total disbursements		**86,400**	**86,400**
NET CASH FLOWS		**(104,800)**	**-**
OPENING CASH	6	104,800	-
NET CHANGE IN CASH FLOWS		(104,800)	-
ENDING CASH		$ -	$ -

Notes and Assumptions

1. The FMs have no operating revenues
2. Expected repayment of mortgage by Foundation Homes Inc.
3. FM1 will advance sufficient cash for FM2 to meet its share of the disbursement obligations.
4. Salaries, consulting fees and office expenses comprise the cost of operating the Foundation Mortgage Corporation office for one month.
5. Estimated professional fees, which include estimated amounts of $87,000 incurred but not paid.
6. An Administrative Charge will be required to offset professional fees.

BTM Advisory Services Inc.
Chief Restructuring Officer

Date

COURT FILE NUMBER	**1201-08478**	Clerk's Stamp
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	**ORDER** **(Claims Process Foundation Mortgage "2" Corporation)**	

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Patrick T. McCarthy Q.C./Robyn Gurofsky
Borden Ladner Gervais LLP
1900, 520 3rd Ave. S.W.
Calgary, AB T2P 0R3
Telephone: (403) 232-9441/232-9774
Facsimile: (403) 266-1395
Email: RGurofsky@blg.com
File No. 439537-000004

This is Exhibit "B" referred to in the Affidavit of Gary L. Bentham
Sworn before me this 31 day of July A.D. 2012
A Commissioner for Oaths in and for the Province of Alberta
ROBYN GUROFSKY
BARRISTER & SOLICITOR

DATE ON WHICH ORDER WAS PRONOUNCED: August ●, 2012

LOCATION WHERE ORDER WAS PRONOUNCED: Calgary, Alberta

NAME OF JUSTICE WHO MADE THIS ORDER: Justice B.E.C. Romaine

UPON the application of Foundation Mortgage "2" Corporation ("FM2"); AND UPON having read the Affidavit of Gary L. Bentham dated July ___, 2012 with respect to the proposed claims process for FM2, filed, and such other pleadings and affidavits filed in the within proceeding; AND UPON hearing the submissions of counsel for FM2, Ernst & Young Inc. in its capacity as monitor of FM2 (the "Monitor") and any other counsel in attendance at the hearing of this matter;

IT IS HEREBY ORDERED THAT:

1. The Monitor shall on or before August 20, 2012, in cooperation with FM2, send a notice by regular mail, email, courier service or facsimile to each known creditor of FM2 (sometimes referred to herein as the "Creditors"), as identified to it by FM2, indicating the amount of such creditor's claim against FM2 as of July 5, 2012 (the "Notice to Creditor"). In the circumstance of creditors whose claims are disputed, a Notice to Creditor will be sent containing the amount which FM2 is prepared to allow as a claim by such creditor. The Notice to Creditor shall state whether a creditor's claim is secured or unsecured. Notices to Creditor substantially in the form attached as Schedule "A" to this Order is hereby approved with respect to FM2.

2. The Monitor shall also send, together with the Notice to Creditor, a Proof of Claim to each creditor or possible creditor described above. If a creditor wishes to dispute FM2's assessment of its claim in the Notice to Creditor, it must complete and forward to FM2 on or before September 17, 2012, with a copy to the Monitor, a completed Proof of Claim advancing a claim in a different amount, and/or claiming secured status if applicable, supported by appropriate documentation. In the event that a Proof of Claim is not received by FM2 as the case may be, by September 17, 2012, the amount of such creditor's claim and its status as secured or unsecured will, unless otherwise ordered by this Court, be conclusively deemed to be as shown in the Notice to Creditor sent by FM2. Proofs of Claim substantially in the form attached as Schedule "B" to this order are hereby approved for each of FM2.

3. The Monitor shall also:

a) arrange to publish a Notice to Creditor Advertisement in the Calgary Herald newspaper on or before August 20, 2012, (an advertisement substantially in the form of Notice to Creditor Advertisement attached as Schedule "C" to this Order is hereby approved); and

b) arrange to have a copy of this order, the form of Notice to Creditor and Proof of Claim available on its website.

4. Any party who does not receive a Notice to Creditor and who wishes to advance a claim against FM2 must complete and forward to FM2 a completed Proof of Claim supported by appropriate documentation advancing its claim and claiming secured status if applicable, with a copy to the Monitor, on or before September 17, 2012.

5. Where a Proof of Claim is sent to FM2 by a creditor prior to the deadline referred to herein, either as a result of disagreement with the Notice to Creditor or otherwise, then the Monitor, with input from FM2, shall review the Proof of Claim and provide to the creditor a notice in writing by regular mail, email, courier service or facsimile as to whether the claim set out in the Proof of Claim is accepted by FM2, disputed in whole, or disputed in part. Where the claim is disputed in whole or in part, the Monitor, with the assistance of FM2, shall issue a Notice of Dispute indicating the reasons for the dispute. Notices of Dispute substantially in the form attached as Schedule "D" to this Order is hereby approved with respect to FM2.

6. Where a creditor wishes to challenge the Notice of Dispute, the creditor must notify FM2 with a copy to the Monitor, of its objection in writing by registered mail, courier service or facsimile within fifteen (15) days of receipt of the Notice of Dispute. The creditor shall thereafter serve on FM2, with a copy to the Monitor, a filed Application together with supporting Affidavit in these proceedings returnable within ten (10) days after it gave its notice of objection, for the determination by the Court of the claim in dispute. Creditors not filing an objection to a Notice of Dispute issued by FM2, or failing to file an Application with supporting Affidavit in FM2 accordance within the time period set out above shall, unless otherwise ordered by this Court, be conclusively deemed to have FM2 accepted the assessment of their claims set out in such Notice of Dispute.

7. Claims not proven in FM2 in accordance with the procedures set out above shall, unless otherwise ordered by this Court, be deemed to be forever barred and may not thereafter be advanced against FM2 in the event that a plan of arrangement is approved by creditors, sanctioned by this Honourable Court, and implemented.

8. FM2 shall serve a copy of this Order on all parties attending at the hearing of the within application and the Monitor shall post a copy of this Order on its website and include the address of the website with the materials sent to creditors and claimants of FM2, which together shall be deemed good and sufficient service of this Order upon all interested parties.

J.C.Q.B.A.

SCHEDULE “A” – Notice to Creditor

SCHEDULE “B” – Proof of Claim

SCHEDULE “C” – Notice to Creditor Advertisement

SCHEDULE “D” – Notice of Dispute

Schedule "A"

NOTICE TO CREDITOR OF FOUNDATION MORTGAGE "2" CORPORATION

TO: [NAME AND ADDRESS OF CREDITOR]

On July 5, 2012, Foundation Mortgage "2" Corporation ("FM2") applied for and received protection from its creditors by order of the Court of Queen's Bench of Alberta (the "Court) pursuant to the *Companies Creditors' Arrangements Act* (the "CCAA"). Ernst & Young Inc. was appointed Monitor of FM2 (the "Monitor"). It is the intention of FM2 to propose a plan of compromise and arrangement to its creditors.

On August ●, 2012, the Court granted a further order prescribing a process by which the identity and status of all creditors of FM2 and the amounts of their claims will be established for purposes of the CCAA proceedings (the "Claims Process Order"). A copy of the Claims Process Order may be viewed at *www.ey.com/ca/foundationgroup*.

Pursuant to the Claims Process Order, the Monitor, in cooperation with FM2 is to send a notice to each known creditor of FM2 (the "Notice to Creditor") indicating the amount of such creditor's claim as of July 5, 2012. In the case of the claims of creditors whose claims are disputed, a Notice to Creditor will be sent containing the amount which FM2 is prepared to allow as a claim by such creditor.

All claims against FM2 are listed as unsecured based on the records of FM2.

FM2 HAS REVIEWED ITS RECORDS AND ACCEPTS THAT YOUR CLAIM AGAINST FM2, AS OF JULY 5, 2012, WAS AN UNSECURED CLAIM IN THE AMOUNT OF $________.

IN THE EVENT THAT YOU AGREE WITH FM2'S ASSESSMENT OF YOUR CLAIM, YOU NEED TAKE NO FURTHER ACTION.

HOWEVER, IF YOU WISH TO DISPUTE FM2'S ASSESSMENT OF YOUR CLAIM, YOU MUST TAKE THE STEPS OUTLINED BELOW.

The Claims Process Order provides that if a creditor disagrees with the assessment of its claim set out in this Notice to Creditor, the creditor must complete and return to FM2, with a copy to the Monitor, a completed Proof of Claim advancing a claim in a different amount and/or claiming secured status if applicable, supported by appropriate documentation. A blank Proof of Claim form is enclosed. The Proof of Claim with supporting documentation must be received by FM2 and the Monitor no later than **September 17, 2012**. If no such Proof of Claim is received by FM2 and the Monitor by that date the amount of such creditor's claim and its status as secured or unsecured will

be, subject to further order of the Court, conclusively deemed to be as shown in this Notice to Creditor.
The Claims Process Order also provides that any party who does not receive a Notice to Creditor and who wishes to advance a claim against FM2must complete and forward to FM2, a completed Proof of Claim supported by appropriate documentation advancing its claim and claiming secured status if applicable, with a copy to the Monitor, on or before **September 17, 2012**.

Claims not proven in accordance with the procedures set out above shall, unless otherwise ordered by the Court, be deemed to be forever barred and may not thereafter be advanced against FM2.

Where a Proof of Claim is sent to FM2 by a creditor, FM2 and the Monitor will review the Proof of Claim and provide to the creditor a notice in writing by registered mail, by courier service, email or by facsimile as to whether the claim set out in the Proof of Claim is accepted, disputed in whole, or disputed in part. Where the claim is disputed in whole or in part, FM2 or the Monitor will issue a Notice of Dispute indicating the reasons for the dispute.

The Claims Process Order further provides that where a creditor objects to a Notice of Dispute, the creditor must notify FM2, with a copy to the Monitor, of the objection in writing by registered mail, courier service, email or facsimile within fifteen (15) days of receipt of the Notice of Dispute. The creditor shall thereafter serve on FM2, with a copy to the Monitor, a filed Application with a supporting Affidavit in FM2's CCAA proceedings, returnable within ten (10) calendar days after it gave its notice of objection, for the determination by the Court of the claim in dispute.

If you have any questions regarding the claims process or the attached materials, please contact Jessica Caden of Ernst & Young Inc. at (403) 206-5394.

Dated the ______ day of July, 2012 in Calgary, Alberta

Ernst & Young Inc., in its capacity as
Monitor of Foundation Mortgage "2" Corporation

per:

____

Schedule "B"

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 THE *BUSINESS CORPORATIONS ACT*, R.S.A. 2000, c. B-9

AND IN THE MATTER OF
FOUNDATION MORTGAGE CORPORATION AND FOUNDATION MORTGAGE "2" CORPORATION

Proof of Claim FOUNDATION MORTGAGE "2" CORPORATION ("FM2")
For Claims Arising Before July 5, 2012
(See Reverse for Instructions)

Regarding the claim of ______________________________(referred to in this form as "the creditor") **(name of creditor)**

All notices or correspondence regarding this claim to be forwarded to the creditor at the following address:

____

____

____

Telephone: ______________________ Fax:______________________

I, ______________________ residing in the______________________
(name of person signing claim) **(city, town, etc.)**

of ______________________ in the Province of ______________________
(name of city, town, etc.)

Do hereby certify that:

1. ☐ I am the creditor
   or
   ☐ I am ______________________ of the creditor.
   (if an officer or employee of the company, state position or title)

2. I have knowledge of all the circumstances connected with the claim referred to in this form.

3. A. FM2 was, as at July 5, 2012, and still is indebted to the creditor in the sum of $______________ as shown by the statement of account attached hereto and marked "Schedule A". Claims should **not** include the value of goods and/or services supplied or claims arising after July 5, 2012. If a creditor's claim is to be reduced by deducting any counter claims to which FM2 is entitled and/or amounts associated with the return of equipment and/or assets by FM2, please specify.

   The statement of account must specify the vouchers or other evidence in support of the claim including the date and location of the delivery of all services and materials. Any claim for interest must be supported by contractual documentation evidencing the entitlement to interest.

   B. The indebtedness referred to in paragraph 3. A. is in the following currency:

   ☐ Canadian Dollars

   ☐ United States Dollars

4. A.☐ **Unsecured claim.** $______________________. In respect to the said debt, the creditor does not and has not since July 5, 2012, held any assets of FM2 as security.

   B.☐ **Secured claim.** $______________________. In respect of the said debt, the creditor holds assets of FM2 valued at $ ______________ as security:

Schedule "B"

Instructions for Completing Proof of Claim Forms

In completing the attached form, your attention is directed to the notes on the form and to the following requirements:

Proof of Claim:

1. The form must be completed by an individual and not by a corporation. If you are acting for a corporation or other person, you must state the capacity in which you are acting, such as, "Credit Manager", "Treasurer", "Authorized Agent", etc., and the full legal name of the party you represent.

2. The person signing the form must have knowledge of the circumstances connected with the claim.

3. A. A Statement of Account containing details of secured and unsecured claims, and if applicable, of the amount due in respect of property claims, and must be attached and marked Schedule "A". Claims should **not** include the value of goods and/or services arising after July 5, 2012. It is necessary that all creditors indicate the date and location of the delivery of all goods and/or services. Any amounts claimed as interest should be clearly noted as being for interest.

   B. Tick the appropriate currency.

4. The nature of the claim must be indicated by ticking the type of claim which applies. e.g. -

   Ticking (A) indicates the claim is unsecured;

   Ticking (B) indicates the claim is secured, such as a mortgage, lease, or other security interest, and the value at which the creditor assesses the security must be inserted, together with the basis of valuation. Details of each item of security held should be attached as Schedule "B" and submitted with a copy of the chattel mortgage, conditional sales contract, security agreement, etc.;

      A creditor may have separate claims in different categories, in which case a separate claim form must be submitted for each claim.

5. The person signing the form must insert the place and date in the space provided, and the signature must be witnessed.

Send a copy of the completed Proof of Claim, by September 17, 2012, to both FM2 and the Monitor at the below addresses:

Foundation Mortgage "2" Corporation
Attn: Robyn Gurofsky
1900, 520 3rd Ave SW
Calgary, AB T2P 0R3

Ernst & Young Inc.
Attn: Jessica Caden
1000,440 2nd Ave SW
Calgary, AB T2P 5E9

Additional information regarding FM2 and the CCAA process, as well as copies of claims documents may be obtained at http://www.ey.com/ca/foundationgroup. If there are any questions in completing the Proof of Claim, please contact Jessica Caden of Ernst & Young Inc. at (403) 206-5394.

Schedule "D"

Notice of Dispute of Claim

by

FOUNDATION MORTGAGE CORPORATION ("FM1")

Take note that the **NOTICE OF CLAIM of**

____ **("Creditor") is**

DISPUTED

FM1 disputes:

___ the whole amount of your claim; or

___ part of your claim in the amount of $____________**(Amount disallowed)**; and/or

___ your claim of secured status;

for the following reason(s):

If you wish to challenge this Notice of Dispute you <u>must</u>:

- within fifteen (15) days of receipt of this Notice of Dispute, notify FM1, with a copy to the Monitor, in writing of your objection to this Notice of Dispute by registered mail, courier service or facsimile to the address or fax number below; and,

- within ten (10) calendar days after you give your notice of objection to FM1 and the Monitor you must file with the Court of Queen's Bench of Alberta and serve on FM1 (with a copy to the Monitor), an Application in FM1's proceedings under the *Companies' Creditors Arrangements Act* and an Affidavit containing all supporting documentation for the determination by the Court of your disputed claim.

If you do not file an objection to this Notice of Dispute or if you fail to file an Application with supporting Affidavit within the period prescribed above, thereafter you will, otherwise ordered by the Court, be conclusively deemed to have accepted the assessment of your claims set out in this Notice of Dispute.

Schedule "D"

Address for Service of Objections to Notice of Dispute and Application:

Foundation Mortgage Corporation,	Ernst & Young Inc., as Court appointed Monitor of FM1
1900, 520 – 3rd Avenue SW	1000, 440 2nd Avenue SW
Calgary, Alberta T2P 0R3	Calgary, Alberta T2P 5E9
Attention: Robyn Gurofsky	Attention: Jessica Caden
Email: rgurofsky@blg.com	Email: jessica.caden@ca.ey.com
Telephone: (403) 232 -9774	Telephone: (403) 206-5394
Fax: (403) 266 -1395	Fax: (403) 206-5075

Dated at Calgary, Alberta this ____ day of ______________, 2012.

Foundation Mortgage Corporation

Per: ________________________________

cc Borden Ladner Gervais – Attention: Robyn Gurofsky

Cash Flow Forecast August 5, 2012 - September 4, 2012	Notes	Foundation Mortgage Corporation (FM1)	Foundation Mortgage "2" Corporation (FM2)
RECEIPTS	1		
Mortgage payments	2	$ 68,000	$ -
Advance from FM1	3	(86,400)	86,400
Total receipts		**(18,400)**	**86,400**
DISBURSEMENTS			
Salaries, consulting fees and operating expenses	4	15,000	15,000
CCAA professional fees	5	86,000	86,000
Administrative charge offset	6	(14,600)	(14,600)
Total disbursements		**86,400**	**86,400**
NET CASH FLOWS		**(104,800)**	**-**
OPENING CASH	6	104,800	-
NET CHANGE IN CASH FLOWS		(104,800)	-
ENDING CASH		$ -	$ -

Notes and Assumptions

1. The FMs have no operating revenues
2. Expected repayment of mortgage by Foundation Homes Inc.
3. FM1 will advance sufficient cash for FM2 to meet its share of the disbursement obligations.
4. Salaries, consulting fees and office expenses comprise the cost of operating the Foundation Mortgage Corporation office for one month.
5. Estimated professional fees, which include estimated amounts of $87,000 incurred but not paid.
6. An Administrative Charge will be required to offset professional fees.

BTM Advisory Services Inc.
Chief Restructuring Officer

Date

This Is Exhibit " C "
referred to in the Affidavit of
Gary L. Bentham
Sworn before me this 31
day of July, A.D. 20 12

A Commissioner for
Oaths in and for the
Province of Alberta

ROBYN GUROFSKY
BARRISTER & SOLICITOR