Form 49
[Rule 13.19]

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

Borden Ladner Gervais

AFFIDAVIT OF GARY L. BENTHAM

Sworn on April 25, 2013

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 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.

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 April 30, 2013.

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' mortgage loans and other loans to related companies, in order to determine the asset sale and restructuring opportunities available to the Companies. In doing so, I have been working closely with the Monitor, Norton Rose Canada LLP who is counsel for some of the related companies who own the mortgaged lands, and Noel Winter, the real estate professional who has been assisting the Companies and certain of the related entities with their restructuring efforts, 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 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.

6. As part of my efforts to maximize the value of the mortgage loan recoveries for the benefit of the Companies, I have been in numerous discussions with the principals of Foundation Homes Inc.

("Foundation Homes"), a related party who received approximately $1,200,000 million from FM1 (the "Foundation Homes Loan"), regarding repayment of the Foundation Homes Loan. Foundation Homes is the registered owner of 9 residential houses and lots located in Coalhurst, Alberta and Nobleford, Alberta. My discussions with the principal of Foundation Homes included a possible quit claim of the Foundation Homes properties to FM1, or a listing of the properties, all of which was to proceed on a consent basis. I was optimistic that FM1 would be in a position to recover sufficient amounts from Foundation Homes to repay a large portion of the Foundation Homes Loan on a relatively expedited timeline and without going through a protracted litigation process. In the last several weeks, however, the principals of Foundation Homes have not provided information that we have requested and do not appear prepared to consent to a listing and sale process. As a result, FM1 is currently working with the Monitor and its legal counsel to determine an appropriate recovery process for FM1 under the Court's supervision.

7. The other remaining sources of recovery for the Companies are in respect of the Calmar lands, the Calaway lands and the Cimarron Lands, the nature of which is more particularly described below.

8. The Calmar lands are secured by a mortgage registered in favour of FM1, which mortgage was pledged as security for a loan granted by FM1 to 1330075 Alberta Ltd. ("133"), a related entity currently in CCAA proceedings. The principal amount of the loan from FM1 to 133 was $2,727,402.18. The FM1 mortgage is registered in third and fourth place on titles to the Calmar lands and I understand that Norton Rose Canada LLP, counsel for 133, is currently in negotiations with counsel for the mortgagee registered in first position to list the Calmar lands for sale.

9. 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 currently in CCAA proceedings. BTM has been appointed as CRO of 135 in those CCAA proceedings. The Calaway lands are being marketed for sale with the assistance of the Monitor and Avison Young (Canada) Inc. pursuant to Court order granted in the 135 CCAA proceedings. A proposal deadline of March 28, 2013 was established in the court approved marketing process after which a short list of bidders was to be determined and the sale process completed. The process, however, did not generate acceptable offers for the Calaway Lands to warrant a short-listed bidding process and as such, the Calaway lands remain listed for sale. I understand that 135 is currently working with the Monitor to determine the best way to monetize the Calaway lands in a manner that maximizes value for all creditors. FM1 and FM2 cannot recover the amounts advanced to 135 until the Calaway lands are either sold or refinanced.

10. FM2 loaned the principal sum of $3,200,000 to Harvest Group GP Corporation ("Harvest Group GP"), which is secured by way of a third mortgage registered on title to the Cimarron lands (lots 1 and 2). Harvest Group GP is another related entity currently in CCAA proceedings. The mortgages registered ahead of FM2 on title to the Cimarron lands include a mortgage registered in favour of Bancorp Balanced Mortgage Fund Ltd. who is owed approximately $1,410,000, a mortgage registered in favour of Scheffer Andrew Ltd. who is owed approximately $300,000 and a mortgage registered in favour of B2B Trust for approximately $1,000,000. The Cimarron lands are currently listed for sale in a judicial listing process. Again, FM2 will not likely be in a position to recover any amounts from Harvest Group GP until the Cimarron lands are sold. FM2 is hopeful that there will be sufficient value in the lands to recover some amount under its mortgage, despite the FM2 mortgage being in third position.

11. The Companies are hopeful that a sale of each of the land projects listed above will generate sufficient proceeds to pay some portion of the Companies' mortgage loans which are registered on title in varying subordinate positions. As such, the Companies require an extension of the stay of proceedings to allow the registered owners of these land projects, each of whom are related entities in CCAA proceedings, to complete viable marketing and sales processes netting sufficient proceeds to pay down the Companies. I have determined, based on my review of the various CCAA proceedings and on discussions with the Monitor, that a five month stay extension is appropriate in the circumstances.

12. I had reported in my Affidavit dated November 19, 2012 that a serious issue remained with respect to my sources and uses of funds analysis, which I have been preparing throughout the CCAA period. In particular, I advised that it was unclear whether funds advanced to the Companies by related entities were intended to be interest payments under the Companies' mortgages, or if they were intended to be loans from related parties. I have been working diligently on the sources and uses analysis and have concluded that those payments from related companies who were not borrowers constituted loans from those companies, while the payments by related entities who were borrowers were intended to be interest payments under the Companies' mortgages. I have reported my sources and uses findings to the Monitor.

13. 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

14. 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 September 30, 2013.

SWORN BEFORE ME at Calgary, Alberta,)
this 25 day of April, 2013.)
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)
Commissioner for Oaths in and for the)
Province of Alberta)

ROBYN GUROFSKY
BARRISTER & SOLICITOR

GARY L. BENTHAM