Form 49
[Rule 13.19]

COURT FILE NUMBER	**1201-08478**	Clerk's Stamp
COURT	COURT OF QUEEN'S BENCH OF ALBERTA	CLERK OF THE COURT FILED SEP 25 2013 JUDICIAL CENTRE OF CALGARY
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	

AFFIDAVIT OF GARY L. BENTHAM

Sworn on September 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 September 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' 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 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, 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.

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 principal 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 was the registered owner of 9 residential houses and lots located in Coalhurst, Alberta and Nobleford, Alberta. Since the application for the current stay, four of those properties have been sold. The net proceeds from two of the properties have been paid to FM1, while the proceeds from the remaining two sold properties are being held in trust by counsel for Foundation Homes pending the resolution of certain unsecured creditor issues. FM1 holds mortgage security on the three properties located in Coalhurst, while it presently does not hold security on the two properties located in Nobleford. I and counsel for FM1 are in discussion with the principals of Foundation Homes and their counsel respecting the prospects of a judicial order for sale being granted with respect to the two Nobleford properties and releasing the three mortgage properties to FM1 by quit claim. Further, we are discussing a process for paying the proceeds of the Nobleford properties to the Foundation Homes creditors in a fair manner for which Court approval will be sought.

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. With accrued interest, the amount outstanding on that loan is approximately $4.453 million. The FM1 mortgage is registered in third and fourth place on titles to the Calmar lands. I understand that the ability of certain mortgage holders to enforce their security is in question and that the Court has now approved the appointment of legal counsel to represent those mortgage holders. The Calmar lands have been listed for sale. The repayment of any amount of the FM1 mortgage will be dependent on the sale value of the Calmar lands and the determination of priority of the respective security interests of the various mortgage holders.

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. Since completing the court sanctioned sale process on March 28, 2013, which process did not result in acceptable offers for the property, 135 has continued to

market the Calaway lands and is expecting both offers and joint venture development proposals for the lands by October 31, 2013. 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 on Lot 1 in favour of Bancorp Balanced Mortgage Fund Ltd. ("Bancorp") who is owed approximately $1,475,000, 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 (Lot 2). Lot 1 of the Cimarron lands is currently listed for sale in a judicial listing process, and Bancorp has accepted an offer for those lands, which if approved by the Court, will not generate sufficient proceeds to pay the Bancorp debt and accordingly, I am expecting no recovery for FM2. B2B Trust foreclosed on Lot 2 and a foreclosure order was granted by the Court in April, 2013.

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 four month stay extension is appropriate in the circumstances.

12. 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

13. 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, 2014.

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

ROBYN GUROFSKY
BARRISTER & SOLICITOR