COURT FILE NUMBER	1201-08478	CLERK OF THE COURT FILED JAN 22 2014 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	**SIXTH REPORT OF THE MONITOR** **JANUARY 22, 2014**	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**MONITOR** Ernst & Young Inc. 1000, 440 - 2nd Avenue SW Calgary, Alberta T2P 5E9 Attention: Neil Narfason / Nick Purich Telephone: 403-206-5067 / (403) 206-5170 Fax: 403-206-5075 Email: Neil.Narfason@ca.ey.com Nick.JB.Purich@ca.ey.com **COUNSEL** McCarthy Tétrault LLP Suite 3300, 421 7th Avenue SW Calgary AB T2P 4K9 Attn: Sean Collins / Walker MacLeod Telephone: 403-260-3531 / 403-260-3710 Email: scollins@mccarthy.ca wmacleod@mccarthy.ca	

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INTRODUCTION

1. On July 5, 2012, Foundation Mortgage Corporation ("FM1") and Foundation Mortgage "2" Corporation ("FM2") sought and obtained protection from their creditors under the Companies' Creditors Arrangement Act, R.S.C. 1985 c. C-36, as amended, (the "CCAA") pursuant to an order of this Honourable Court (the "Initial Order").

2. Pursuant to the Initial Order, Ernst & Young Inc. was appointed monitor of FM1 and FM2 (the "Monitor").

3. FM1 and FM2 are sometimes collectively referred to as the "Companies" or the "Debtors".

4. Pursuant to an order of this Honourable Court dated July 5, 2012, BTM Advisory Services Inc. ("BTM") was appointed the Chief Restructuring Officer ("CRO") of both FM1 and FM2.

5. The purpose of this sixth report (the "Sixth Report") of the Monitor is to provide this Honourable Court with:

    a) An update on the restructuring efforts for FM1 and FM2;

    b) The forecast to actual cash flow results for FM1 and FM2 from September 30, 2013 to January 27, 2014 (the "Reporting Period");

    c) The cash flow forecasts (the "Forecasts") from January 27, 2014 to April 30, 2014 (the "Forecast Period");

    d) The Debtors' request for an extension of the Stay Period; and

    e) The Monitor's recommendation.

6. Capitalized terms not defined in this Sixth Report are as defined in the Initial Order.

7. All references to dollars are in Canadian currency unless otherwise noted.

BACKGROUND

8. Background for the Debtors together with other information regarding these CCAA proceedings, have been posted by the Monitor on its website at: www.ey.com/ca/foundationgroup.

TERMS OF REFERENCE

9. In preparing this Sixth Report, the Monitor has relied upon unaudited financial information, company records and discussions with the CRO. The Monitor has not performed an audit, review or other verification of such information. An examination of the financial forecast as outlined in the Canadian Institute of Chartered Accountants Handbook has not been performed. Future orientated financial information relied upon in this report is based on management's assumptions regarding future events and actual results achieved will vary from this information and the variations may be material.

RESTRUCTURING EFFORTS

10. Details surrounding the ongoing restructuring efforts for FM1 and FM2 are set out in the January 22, 2014 affidavit of Mr. Gary Bentham.

11. The significant restructuring efforts are summarized below:

    a) The time line for anticipated disposition of the FM's assets is taking longer than initially forecast due to the complexity of the inter-company transactions and the fact that the FM mortgages are subordinate to senior debt positions;

    b) The CRO is working with the Monitor and legal counsel to determine an appropriate realization process for FM1's mortgages against residential houses and lots located in Coalhurst, Alberta owned by Foundation Homes Inc., a related party, and is in the process of negotiating the repayment of the secured and unsecured debts owed by Foundation Homes Inc. to FM1. Two of the homes and one of the lots have been sold to the date of this report with an offer on the two remaining lots;

c) The Calaway lands owned by 1357686 Alberta Ltd. ("135"), a related party, remain listed for sale and FM1 and FM2 have mortgages against the Calaway lands. The Monitor and the CRO continue to work on monetization strategies for the Calaway lands in a manner that maximizes value for all 135's creditors, including FM1 and FM2. In addition, related party creditors are contesting the validity and priority of the FM1 and FM2 mortgages and amounts recoverable by FM1 and FM2 will also 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; and

d) 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 $2.7 million. With accrued interest, the amount outstanding on that loan is approximately $4.7 million. The FM1 mortgage is registered in third and fourth place on titles to the Calmar lands. The ability of certain mortgage holders to enforce their security is in question and this Honourable Court has approved the appointment for representation of 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.

FORECAST TO ACTUAL RESULTS

FM1

12. The cash flow forecast to actual presented at Appendix A contains the cash receipts and disbursements incurred to date for FM1 as compared to the cash flow forecast previously provided to this Court in the Fifth Report of the Monitor dated September 25, 2013.

13. Outlined below is a summary of the actual results to January 27, 2014:

Cash Flow Forecast **October 1, 2013 - January 27, 2013** **Actual compared to Forecast**	**Foundation Mortgage Corporation (FM1)**		
	Forecast	**Actual**	**Variance**
Cash receipts:			
Mortgage payments from lot sales	$ 162,300	$ -	$ (162,300)
Proceeds from sale of homes	370,361	-	(370,361)
Debt repayment - Liberty Crossing	-	-	-
Total receipts	532,661	-	(532,661)
Cash disbursements:			
Maintenance and repair costs	-	-	-
CCAA consulting fees and operating expenses	13,428	14,394	(966)
Advances to related companies	-	-	-
CCAA professional fees	109,552	35,095	74,457
Administrative charge offset	-	(35,095)	35,095
Total disbursements	122,980	14,394	108,586
Net cash flows for period	409,681	(14,394)	(424,075)
Cash, beginning of period	51,686	51,686	-
Cash, end of period	$ 461,367	$ 37,292	$ (424,075)

14. FM1 had no cash receipts during the Reporting Period which is $533,000 lower than expected. The negative variance results from:

   a) $162,000 lower mortgage payments due to the sale of only two of the five mortgaged lots over which the Company had security from a loan granted to Foundation Homes Inc.; and

b) $370,000 lower proceeds from the anticipated sales of homes sold by Foundation Homes Inc. as repayment of a loan granted to by FM1 to Foundation Homes Inc. Approximately $178,000 of net proceeds from the sale of two homes is currently being held in trust by counsel for Foundation Homes Inc. pending resolution of trade accounts payable related to these homes. The remaining variance of $192,000 relates to the two Nobleford homes which were not sold during the period as forecast.

15. Cash disbursements for the Reporting Period total approximately $14,000. The positive variance of approximately $109,000 relates to the timing of payment and quantum of professional fees including those of the CRO. Professional fees were approximately $74,000 lower than forecast, and an additional $35,000 of professional fees have been invoiced but not paid.

16. As a result of the above variances, FM1 had a total negative cash variance of approximately $424,000 for the Reporting Period. FM1 is relying on the CCAA Administration Charge to manage its cash flows.

FM2

17. The cash flow forecast to actual presented at Appendix A contains the cash receipts and disbursements incurred to date for FM2 as compared to the cash flow forecast previously provided to this Honourable Court in the Fifth Report of the Monitor dated September 25, 2013.

18. Outlined below is a summary of the actual results to January 27, 2014:

Cash Flow Forecast October 1, 2013 - January 27, 2013 Actual compared to Forecast	Foundation Mortgage "2" Corporation (FM2)		
	Forecast	**Actual**	**Variance**
Cash receipts:			
Mortgage payments from lot sales	$ -	$ -	$ -
Proceeds from sale of homes	-	-	
Debt repayment - Liberty Crossing	67,000	67,000	-
Total receipts	67,000	67,000	-
Cash disbursements:			
Maintenance and repair costs	-		
CCAA consulting fees and operating expenses	13,001	9,354	3,647
Advances to related companies	34,460	-	34,460
CCAA professional fees	58,284	6,223	52,061
Administrative charge offset	-	(6,223)	6,223
Total disbursements	105,745	9,354	96,391
Net cash flows for period	(38,745)	57,646	96,391
Cash, beginning of period	65,384	65,384	-
Cash, end of period	$ 26,639	$ 123,030	$ 96,391

19. FM2 had cash receipts of approximately $67,000 for the Reporting Period, consisting of a repayment of debt from a related company – Liberty Crossing Limited Partnership in accordance with an Order of this Honourable Court dated August 16, 2013 in proceeding 1201-10691.

20. Operating expenses for Reporting Period for FM2 total approximately $9,000. The positive variance of approximately $96,000 relates to the timing of payment and quantum of professional fees including those of the CRO. Professional fees were approximately $52,000 lower than forecast, and an additional $6,000 of professional fees have been invoiced but not paid and to an anticipated advance of $34,000 to a related company which was not required.

21. As a result of the above variances, FM2 had a total positive cash variance of approximately $96,000 for the Reporting Period.

CASH FLOW FORECASTS THROUGH APRIL 30, 2014

22. FM1 and FM2, with the assistance of the CRO and the Monitor, have prepared Forecasts for the Forecast Period which are attached to this Sixth Report as Appendix B. The Forecasts are based on the most current information available.

23. The table below summarizes the cash flows for the Forecast Period:

Cash Flow Forecast **Jan 27, 2014 - April 30, 2014**	**FM1**	**FM2**
Cash receipts		
Mortgage payments from lot sales	$ 154,500	$ -
Proceeds from sale of homes	368,869	-
Recovery of funds from FM2	50,000	(50,000)
Total receipts	573,369	(50,000)
Cash disbursements		
CCAA consulting fees and operating costs	10,558	6,447
Advances to related companies	24,569	-
CCAA professional fees	150,726	63,361
Total disbursements	185,853	69,808
Net cash flows	387,516	(119,808)
Opening cash	37,292	123,030
Closing cash	**$ 424,808**	**$ 3,222**

24. As summarized above, FM1 is projecting cash receipts of approximately $573,000 from proceeds of lot sales relating to the repayment of FM1's first mortgage by Foundation Homes Inc., and from the sale of homes quit claimed to FM1 by Foundation Homes Inc. The Monitor notes that approximately $292,000 is held in trust from the sale of two of the Nobleford homes of which approximately 75% is expected to be recovered once certain other claims against the proceeds are settled. FM1 will receive approximately $56,000 from the sale of one of the Coalhurst lots in January, 2014. The CRO advises that he has received an offer on the other two Coalhurst lots which leaves the only two remaining homes in Nobleford to be sold.

25. FM1 is forecasting disbursements of approximately $186,000 during the Forecast Period relating to consulting fees, operating expenses and professional fees.

26. FM2 is not projecting any cash receipts during the forecast period.

27. FM2 is forecasting cash disbursements of approximately $120,000 to partially repay advances from related companies, repay $50,000 of its interim financing to FM1, and for operating costs and professional fees.

28. Neither of the Forecasts has estimated professional fees that would be incurred if plans of arrangement are prepared by one or both FM's. Whether plans of arrangement can be prepared for the FM's is dependent on the ultimate monetization strategy for each of the Companies' mortgages and assets.

29. The Monitor has reviewed the assumptions supporting the Forecasts and believes the assumptions to be reasonable in the circumstances.

THE COMPANIES' REQUEST FOR AN EXTENSION OF THE STAY PERIOD

30. Pursuant to the Order of this Honourable Court dated September 30, 2013 the Stay Period expires on January 31, 2014 for FM1 and FM2.

31. FM1 and FM2 are seeking an extension of the Stay Period up to and including April 30, 2014 (the "Stay Extension").

32. The Stay Extension is necessary to allow FM1 and FM2 to carry out the realization process for each of the companies' assets.

33. In the Monitor's view, FM1 and FM2 are acting in good faith and with due diligence.

MONITOR'S RECOMMENDATION

34. The Monitor recommends that this Honourable Court approve the Stay Extension.

Dated at Calgary, this 22nd day of January, 2014.

ERNST & YOUNG INC.
in its capacity as Monitor of
FM1 and FM2 and not in its
personal or corporate capacity

Neil Narfason, CA•CIRP, CBV
Senior Vice-President

Nick J.B. Purich, CA
Senior

Appendix A

October 1, 2013 - January 27, 2013
Actual compared to Forecast

	Notes	Foundation Mortgage Corporation (FM1)			Foundation Mortgage "2" Corporation (FM2)		
		Forecast	Actual	Variance	Forecast	Actual	Variance
Cash receipts:							
Mortgage payments from lot sales	1	$ 162,300	$ -	$ (162,300)	$ -	$ -	$ -
Proceeds from sale of homes	2	370,361	-	(370,361)	-	-	
Debt repayment - Liberty Crossing	3	-	-	-	67,000	67,000	-
Total receipts		532,661	-	(532,661)	67,000	67,000	-
Cash disbursements:							
Maintenance and repair costs		-	-	-	-		
CCAA consulting fees and operating expenses	4	13,428	14,394	(966)	13,001	9,354	3,647
Advances to related companies	5	-	-	-	34,460	-	34,460
CCAA professional fees	6	109,552	35,095	74,457	58,284	6,223	52,061
Administrative charge offset		-	(35,095)	35,095	-	(6,223)	6,223
Total disbursements		122,980	14,394	108,586	105,745	9,354	96,391
Net cash flows for period		409,681	(14,394)	(424,075)	(38,745)	57,646	96,391
Cash, beginning of period		51,686	51,686	-	65,384	65,384	-
Cash, end of period		$ 461,367	$ 37,292	$ (424,075)	$ 26,639	$ 123,030	$ 96,391

Notes and Assumptions

1 The sale of the three remaining Coalhurst lots did not materialize during the period primarily due to a very slow market in that area. One lot sold in January, 2014 and the funds will be received in early February.

2 Two of four Nobleford homes sold during the prior period and $292,000 is being held in trust by the mortgagor's counsel pending resolution of trade accounts payable, management fee claims and legal fees which in aggregate are estimated to be $50,000. The remaining two homes remain listed for sale. These issues were not resolved during the period and are expected to be resolved in February, 2014.

3 FM2 repaid $67,000 of previous advances from FM1 during the period.

4 CCAA consulting fees and operating expenses represent FM1 and FM2's share of Harvest CCAA Operations monthly operating expenses.

5 FM2 was forecast to advance funds to 1357686 Alberta Ltd., a mortgagor, in order that 1357686 could pay its share of Harvest CCAA Operations Inc. expenses for the period October 1, 2013 to January 31, 2014. 1357686 did not require the funds in the period.

6 At January 27, 2013 estimated professional fees invoiced but unpaid amounted to $88,726 and $40,361 for FM1 and FM2 respectively.

Appendix B

Cash Flow Forecast
Jan 27, 2014 - April 30, 2014

	Notes	FM1				FM2			
		Feb	Mar	Apr					
RECEIPTS									
Mortgage payments from lot sales	1	$ 55,400	$ 49,550	$ 49,550	$ 154,500	$ -	$ -	$ -	$ -
Proceeds from sale of homes	2	178,910	-	189,958	368,869	-	-	-	-
Recovery of funds from FM2	3	50,000	-	-	50,000	(50,000)	-	-	(50,000)
Total receipts		284,310	49,550	239,508	573,369	(50,000)	-	-	(50,000)
DISBURSEMENTS									
CCAA consulting fees and operating costs	4	4,683	1,688	4,188	10,558	2,822	563	3,063	6,447
Advances to related companies	5	13,944	7,813	2,813	24,569	-	-	-	-
CCAA professional fees	6	50,000	25,000	75,726	150,726	49,361	2,000	12,000	63,361
Total disbursements		68,627	34,500	82,726	185,853	52,183	2,563	15,063	69,808
NET CASH FLOWS		215,684	15,050	156,782	387,516	(102,183)	(2,563)	(15,063)	(119,808)
OPENING CASH		37,292	252,976	268,026	37,292	123,030	20,847	18,285	123,030
ENDING CASH		$ 252,976	$ 268,026	$ 424,808	$ 424,808	$ 20,847	$ 18,285	$ 3,222	$ 3,222

Notes and Assumptions

1 Expected repayment of first mortgage by Foundation Homes Inc. from proceeds of lot sales.

2 Expected share of proceeds from sale of homes. Two have sold and funds are held in trust. The remaining two homes are expected to sell by April,

3 FM1 has paid operating expenses and professional fees on behalf of FM2 pursuant to a $250,000 credit facility approved by Court Order on November 23, 2012. FM2 has drawn $167,000 on that facility.

4 CCAA consulting fees and operating expenses comprise the Foundation Mortgage companies share of monthly operating expenses incurred by Harvest CCAA Operations Inc., which manages a group of Harvest entities in creditor protection.

5 FM1 expects to advance $24,569 to Harvest CCAA Operations Inc. between February 1, 2014 and April 30, 2013 for services provided to 1357686 Alberta Ltd. which is a borrower from FM1 and FM2. These costs are being incurred by FM1 to preserve and protect its collateral security interests in property owned by 1357686 Alberta Ltd.

6 At January 27, 2013 there are unpaid professional fees owing by FM1 of $88,726 and by FM2 of $40,361. These fees will be paid as funds become available.