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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	**FIFTH REPORT OF THE MONITOR** **SEPTEMBER 25, 2013**
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 / Alex Corbett Telephone: 403-206-5067 / (403) 206-5001 Fax: 403-206-5075 Email: Neil.Narfason@ca.ey.com Alex.B.Corbett@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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APPENDIX TO THE FIFTH REPORT

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 fifth report (the "Fifth 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 April 24, 2013 to September 30, 2013 (the "Reporting Period");

    c) The cash flow forecasts (the "Forecasts") from October 1, 2013 to January 31, 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 Fifth Report are as defined in the Initial Orders.

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 Fifth 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 September 25, 2013 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;

    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; and

d) The Cimmaron lands owned by Harvest Group GP Corporation, a related party, remain listed for judicial sale and FM2 have subordinate mortgages against the Cimmaron lands. The Monitor and the CRO continue to work on monetization strategies for the Cimmaron lands in a manner that maximizes value for all creditors, including FM2.

e) Bancorp Financial Services ("Bancorp"), the first secured creditor on lot 1 of the Cimmaron lands who is owed approximately $1,475,000, has applied to this Honourable Court to approve the sale of the Cimmaron lands for $1.4 million. The application is returnable September 30, 2013. The Monitor and the CRO believe that the Bancorp sale represents the best value for the lands under the circumstances.

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 Fourth Report of the Monitor dated April 25, 2013.

13. Outlined below is a summary of the actual results to September 30, 2013:

Foundation Mortgage Corporation **April 24, 2013 - September 30, 2013** **Forecast to Actual Comparison**	**Forecast**	**Actual**	**Variance**
Cash receipts:			
Mortgage payments from lot sales	$ 254,800	$ 144,148	$ (110,652)
Proceeds from sale of homes	289,737	-	(289,737)
Recovery of funds from Harvest CCAA Operations Inc.	-	2,586	2,586
Recovery of funds from FM2	67,000	(55,932)	(122,932)
Total receipts	611,537	90,802	(520,735)
Cash disbursements:			
Maintenance and repair costs	10,000	-	10,000
CCAA consulting fees and operating expenses	7,004	3,681	3,323
Land consulting fees	2,000	1,806	194
Advances to related companies	-	-	-
CCAA professional fees	161,335	67,626	93,709
Administrative charge offset	-	-	-
Total disbursements	180,339	73,114	107,225
Net cash flows for period	431,198	17,688	
Cash, beginning of period	33,998	33,998	
Cash, end of period	$ 465,196	$ 51,686	

14. FM1 had cash receipts of approximately $91,000 during the Reporting Period which is $521,000 lower than expected. The negative variance results from:

a) $111,000 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.;

b) $290,000 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. as this amount is currently being held in trust by counsel for Foundation Homes Inc. pending resolution of trade accounts payable related to these homes; and

c) $123,000 variance in receipts from FM2 resulting from FM1 received the $67,000 from FM2 as forecast; however, FM1 advanced approximately $123,000 to FM2 for the payment of FM2's professional fees.

15. Cash disbursements for the Reporting Period total approximately $73,000. The positive variance of approximately $107,000 relates to the timing of payment and quantum of professional fees including those of the CRO. Professional fees were approximately $31,000 lower than forecast, and an additional $63,000 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 $414,000 for the Reporting Period. FM1 is relying on the CCAA Administration Charge to manage 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 Court in the Fourth Report of the Monitor dated April 25, 2013.

18. Outlined below is a summary of the actual results to September 30, 2013:

Foundation Mortgage "2" Corporation April 24, 2013 - September 30, 2013 Forecast to Actual Comparison			
	Forecast	**Actual**	**Variance**
Cash receipts:			
Mortgage payments from lot sales	$ -	$ -	$ -
Proceeds from sale of homes	-	-	
Recovery of funds from Harvest CCAA Operations Inc.	-	-	-
Recovery of funds from FM2	(67,000)	55,932	122,932
Total receipts	(67,000)	55,932	122,932
Cash disbursements:			
Maintenance and repair costs	-		
CCAA consulting fees and operating expenses	7,004	13,531	(6,527)
Land consulting fees	5,000	-	5,000
Advances to related companies	39,892	39,892	-
CCAA professional fees	139,000	122,932	16,068
Administrative charge offset	(77,000)	-	(77,000)
Total disbursements	113,896	176,355	(62,459)
Net cash flows for period	(180,896)	(120,423)	
Cash, beginning of period	185,807	185,807	
Cash, end of period	$ 4,911	$ 65,384	

19. FM2 had cash receipts of approximately $56,000 for the Reporting Period, consisting of advances from FM1. The variance arises from FM1 making an advance to FM2 to funds to the payment of part of the professional fees which were forecast to remain outstanding subject to the Administration Charge.

20. Operating expenses for Reporting Period for FM2 total approximately $176,000. The negative variance of approximately $62,000 relates primarily to the payment of professional fees which were forecast to remain outstanding for the period instead relying on the administrative charge.

21. As a result of the above variances, FM2 had a total positive cash variance of approximately $60,000 for the Reporting Period.

CASH FLOW FORECAST THROUGH JANUARY 31, 2014

22. FM1 and FM2, with the assistance of the CRO and the Monitor, have prepared Forecasts for the Forecast Period which are attached as to this Fifth 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 October 1, 2013 - January 31, 2014	**FM1**	**FM2**
RECEIPTS		
Mortgage payments from lot sales	$ 162,300	$ -
Proceeds from sale of homes	370,361	-
Debt repayment - Liberty Crossing		67,000
Recovery of funds from FM2	-	-
Total receipts	532,661	67,000
DISBURSEMENTS		
CCAA consulting fees and operating costs	13,428	13,001
Advances to related companies	-	34,460
CCAA professional fees	109,552	58,284
Total disbursements	122,980	105,745
NET CASH FLOWS	409,681	(38,745)
OPENING CASH	51,686	65,384
ENDING CASH	**$ 461,367**	**$ 26,639**

24. As summarized above, FM1 is projecting cash receipts of approximately $533,000 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.

25. FM1 is forecasting disbursements of approximately $123,000 during the Forecast Period relating to maintenance and repair costs relating to the houses surrendered by Foundation Homes Inc., consulting fees, operating expenses and professional fees.

26. As summarized above, FM2 is projecting cash receipts of $67,000 from Liberty Crossing in settlement of an amount loaned.

27. FM2 is forecasting cash disbursements of approximately $106,000 to partially repay advances from related companies, operating costs and professional fees.

28. Both Forecasts have not estimated any 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 FM's 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 April 30, 2013 the Stay Period expires on September 30, 2013 for FM1 and FM2.

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

32. The Stay Extension is necessary to allow FM1 and FM2 to carry out the realization process for each FM's 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 25th day of September, 2013.

ERNST & YOUNG INC.
in its capacity as
Monitor of FM1 and FM2

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

Alex Corbett, CA, CIRP
Senior Manager

Appendix A

Cash Flow Forecast
April 24, 2013 - September 30, 2013
Forecast to Actual Comparison

	Notes	Foundation Mortgage Corporation			Foundation Mortgage "2" Corporation		
		Forecast	**Actual**	**Variance**	**Forecast**	**Actual**	**Variance**
Cash receipts:							
Mortgage payments from lot sales	1	$ 254,800	$ 144,148	$ (110,652)	$ -	$ -	$ -
Proceeds from sale of homes	2	289,737	-	(289,737)	-	-	
Recovery of funds from Harvest CCAA Operations Inc.		-	2,586	-	-	-	-
Recovery of funds from FM2	3	67,000	(55,932)	(122,932)	(67,000)	55,932	122,932
Total receipts		611,537	90,802	(523,321)	(67,000)	55,932	122,932
Cash disbursements:							
Maintenance and repair costs		10,000	-	10,000	-		
CCAA consulting fees and operating expenses	4	7,004	3,681	3,323	7,004	13,531	(6,527)
Land consulting fees		2,000	1,806	194	5,000	-	5,000
Advances to related companies	5	-	-	-	39,892	39,892	-
CCAA professional fees	6	161,335	67,626	93,709	139,000	122,932	16,068
Administrative charge offset		-	-	-	(77,000)	-	(77,000)
Total disbursements		180,339	73,114	107,225	113,896	176,355	(62,459)
Net cash flows for period		431,198	17,688	(416,096)	(180,896)	(120,423)	60,473
Cash, beginning of period		33,998	33,998	-	185,807	185,807	-
Cash, end of period		$ 465,196	$ 51,686	$ (416,096)	$ 4,911	$ 65,384	$ 60,473

Notes and Assumptions

1 The sale of two of five mortgaged lots was completed during the period. The mortgagor has the remaining three lots listed for sale. The lots have not sold as quickly as expected.
2 Two of four homes sold during the 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.
3 FM2 repaid $67,000 of previous advances from FM1 during the period. FM1 advanced $122,932 to FM2 by paying professional fees on its behalf
4 CCAA consulting fees and operating expenses represent FM1 and FM2's share of Harvest CCAA Operations monthly operating expenses.
5 FM2 advanced funds to 1357686 Alberta Ltd., a mortgagor, in order that 1357686 could pay its share of Harvest CCAA Operations Inc. expenses for the period January, 2013 - April, 2013
6 At September 30, 2013 estimated professional fees invoiced but unpaid amounted to $62,552 and $31,484 for FM1 and FM2 respectively.

Appendix B

Cash Flow Forecast
October 1, 2013 - January 31, 2014

	Notes	Foundation Mortgage Corporation (FM1)					Foundation Mortgage Corporation (FM2)				
		Oct	**Nov**	**Dec**	**Jan**	**Total**	**Oct**	**Nov**	**Dec**	**Jan**	**Total**
RECEIPTS											
Mortgage payments from lot sales	1	$ 54,100	$ 54,100	$ 54,100	$ -	$ 162,300	$ -	$ -	$ -	$ -	$ -
Proceeds from sale of homes	2	-	-	-	370,361	370,361	-	-	-	-	-
Debt repayment - Liberty Crossing	3								67,000		67,000
Recovery of funds from FM2	4	-	-	-	-	-	-	-	-	-	-
Total receipts		54,100	54,100	54,100	370,361	532,661	-	-	67,000	-	67,000
DISBURSEMENTS											
CCAA consulting fees and operating costs	5	7,631	1,440	1,357	3,000	13,428	7,204	1,440	1,357	3,000	13,001
Advances to related companies	6	-	-	-	-	-	14,867	7,380	7,213	5,000	34,460
CCAA professional fees	7	-	50,000	25,000	34,552	109,552	-	-	50,000	8,284	58,284
Total disbursements		7,631	51,440	26,357	37,552	122,980	22,071	8,820	58,570	16,284	105,745
NET CASH FLOWS		46,469	2,660	27,743	332,809	409,681	(22,071)	(8,820)	8,430	(16,284)	(38,745)
OPENING CASH		51,686	98,155	100,815	128,558	51,686	65,384	43,313	34,493	42,923	65,384
ENDING CASH		**$ 98,155**	**$100,815**	**$128,558**	**$ 461,367**	**$ 461,367**	**$ 43,313**	**$ 34,493**	**$ 42,923**	**$ 26,639**	**$ 26,639**

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 which are expected to sell by December, 2013.

3 FM2 has reached a setlement with Liberty Crossing Limited Partnership for repayment of $67,000 advanced by FM2 in 2009. The payment will be from the proceeds of sale or refinancing of the Liberty Crossing shopping plaza.

4 FM1 has provided a $150,000 line of credit financing to FM2 pursuant to the CCAA proceedings. At September 30, 2013 FM2 was overdrawn by $7,424. That amount will be repaid on October 1, 2013

5 CCAA consulting fees and operating expenses comprise the Foundation Mortgage companies share of monthly operating expense.

6 FM2 expects to advance $34,460 to Harvest CCAA Operations between October 1, 2013 to January 31, 2014 for services provided to 1357686 Alberta Ltd. which is a borrower from FM1 and FM2. These costs are being incurred by FM2 to preserve and protect its collateral security interests.

7 At September 30, 2013 there unpaid professional fees owing by FM1 of $62,552 and by FM2 of $31,484. These fees will be paid as funds become available.