COURT FILE NUMBER	1201-03478
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	**FOURTH REPORT OF THE MONITOR** **APRIL 25, 2013**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**MONITOR**

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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 fourth report (the "Fourth 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 November 24, 2012 to April 23, 2013 (the "Reporting Period");

    c) The cash flow forecasts (the "Forecasts") from April 24, 2013 to September 30, 2013 (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 Fourth 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 Fourth 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 April 25, 2013 affidavit of Mr. Gary Bentham.

11. The significant efforts are summarized below:

   a) The time line for anticipated disposition of the FM's assets is taking longer 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 has been unsuccessful in securing quit claims of nine residential houses and lots located in Coalhurst, Alberta and Nobleford, Alberta from Foundation Homes Inc., a related party. The CRO is working with the Monitor and legal counsel to determine an appropriate recovery process for FM1 under the Court's supervision;

   c) The Calaway lands owned by 1357686 Alberta Ltd., a related party, remain listed for sale. The Monitor and the CRO are working to determine the best way to monetize the Calaway lands in a manner that maximizes value for all creditors, including FM1 & FM2; and

d) The Cimmaron lands owned by Harvest Group GP Corporation., a related party, remain listed for judicial sale. The Monitor and the CRO are working to determine the best way to monetize the Cimmaron lands in a manner that maximizes value for all creditors, including FM1.

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 Third Report of the Monitor dated November 21, 2012.

13. Outlined below is a summary of the actual results to April 23, 2013:

Foundation Mortgage Corporation November 24, 2012 - April 23, 2013 Forecast to Actual Comparison			
	Forecast	Actual	Variance
Cash receipts:			
Mortgage payments from lot sales	$ 373,100	$ -	$ (373,100)
Proceeds from sale of homes	375,503	-	(375,503)
Recovery of funds from Harvest CCAA Operations	60,968	68,116	7,148
Advance from FM1 (to FM2)	(100,000)	(71,669)	28,331
Other income	-	13,310	13,310
Recovery of funds from FM2	46,008	-	(46,008)
Total receipts	755,579	9,756	(745,823)
Cash disbursements:			
Maintenance and repair costs	87,200	20,454	66,746
Admin consulting fees and operating expenses	21,123	43,232	(22,109)
Land consulting fees	18,000	5,603	12,397
Repayments to Harvest CCAA Operations	-	20,000	(20,000)
CCAA professional fees	93,953	72,130	21,823
Administrative charge offset	-	(33,186)	33,186
Total disbursements	220,276	128,233	92,043
Net cash flows	535,303	(118,477)	(653,780)
Cash, beginning of period	153,452	152,475	
Net cash flows for period	535,303	(118,477)	
Cash, end of period	$ 688,755	$ 33,998	

14. FM1 had cash receipts of approximately $10,000 during the Reporting Period as a result of lower than expected loans to FM2, higher than expected recoveries from Harvest CCAA Operation Ltd. and minor other income. Forecast sales receipts from the sale of residential lots relating to Foundation Homes did not occur as expected.

15. Operating expenses, which have been incurred but not entirely paid during the Reporting Period, for FM1 total approximately $128,000. The positive variance of approximately $92,000 relates to the timing of payment of professional fees including the CRO as approximately $94,000 of professional fees remain outstanding.

16. As a result, FM1 had a total negative cash variance of approximately $118,000 for the 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 Third Report of the Monitor dated November 21, 2012.

18. Outlined below is a summary of the actual results to April 23, 2013:

Foundation Mortgage "2" Corporation November 24, 2012 - April 23, 2013 Forecast to Actual Comparison			
	Forecast	**Actual**	**Variance**
Cash receipts:			
Advance from FM1 (to FM2)	100,000	71,669	(28,331)
Advances from Harvest CCAA Operations	57,123	42,219	(14,904)
Recovery of funds from FM2	(46,008)	-	46,008
Loan repayment - West Springs Village	275,000	275,000	-
Total receipts	386,115	388,888	2,773
Cash disbursements:			
Admin consulting fees and operating expenses	21,123	40,479	(19,356)
Land consulting fees	36,000	1,890	34,110
Repayments to Harvest CCAA Operations	51,187	42,358	8,829
Advances to 1610822 Alberta Ltd.	-	46,965	(46,965)
CCAA professional fees	281,860	161,471	120,389
Administrative charge offset	(7,500)	(89,802)	82,302
Total disbursements	382,670	203,362	179,308
Net cash flows	3,445	185,527	182,082
Cash, beginning of period	-	280	
Net cash flows for period	3,445	185,527	
Cash, end of period	$ 3,445	$ 185,807	

19. FM2 had cash receipts of approximately $389,000 for the Reporting Period, consisting of approximately $72,000 of advances from FM1 and $42,000 Harvest CCAA Operations Ltd. and $275,000 for a repayment of a West Spring Village loan.

20. Operating expenses, which have been incurred but not entirely paid during the Reporting Period, for FM2 total approximately $203,000. The positive variance of

approximately $179,000 relates primarily to the timing of payment of professional fees including the CRO as approximately $124,000 remains outstanding.

21. As a result, FM2 had a total positive cash variance of approximately $182,000 for the Reporting Period.

CASH FLOW FORECAST THROUGH SEPTEMBER 30, 2013

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 Fourth 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 April 24, 2013 - September 30, 2013	FM1	FM2
RECEIPTS		
Mortgage payments from lot sales	$ 254,800	$ -
Proceeds from sale of homes	289,737	-
Recovery of funds from FM2	67,000	(67,000)
Total receipts	511,537	(67,000)
DISBURSEMENTS		
Maintenance and repair costs	10,000	-
Admin consulting fees and operating expenses	7,004	7,004
Land consulting fees	2,000	5,000
Advances to related companies	-	39,892
CCAA professional fees	161,335	139,000
Admin charge offset	-	(77,000)
Total disbursements	180,339	113,896
NET CASH FLOWS	431,198	(180,896)
OPENING CASH	33,998	185,807
NET CASH FLOWS	431,198	(180,896)
ENDING CASH	**$ 465,196**	**$ 4,911**

24. As summarized above, FM1 is projecting cash receipts of approximately $612,000 from proceeds of lot sales relating to the repayment of FM1's first mortgage by Foundation Homes Inc., from the sale of homes quit claimed to FM1 by Foundation Homes Inc and partial repayment of the loan made to FM2.

25. FM1 is forecasting disbursements of approximately $181,000 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 no cash receipts and cash disbursements of approximately $181,000 to partially repay the loan from FM1, operating costs and professional fees.

27. The Monitor has reviewed the assumptions supporting the Forecasts and believes the assumptions to be reasonable.

THE COMPANIES' REQUEST FOR AN EXTENSION OF THE STAY PERIOD

28. Pursuant to the Order of this Honourable Court dated November 23, 2012 the Stay Period expires on April 30, 2013 for FM1 and FM2.

29. FM1 and FM2 are seeking an extension of the Stay Period up to and including September 30, 2013 (the "Stay Extension").

30. The Stay Extension is necessary to allow FM1 and FM2 to carry out the realization process for the Foundation Homes' assets, Calaway lands and Cimarron lands.

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

MONITOR'S RECOMMENDATION

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

Dated at Calgary, this 25th day of April, 2013.

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

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

Cassie Riglin
Manager

APPENDIX A

Cash Flow Forecast
November 24, 2012 - April 23, 2013
Forecast to Actual Comparison

	Notes	Foundation Mortgage Corporation (FM1)			Foundation Mortgage "2" Corporation (FM2)		
		Forecast	Actual	Variance	Forecast	Actual	Variance
Cash receipts:							
Mortgage payments from lot sales	1	$ 373,100	$ -	$ (373,100)	$ -	$ -	-
Proceeds from sale of homes	1	375,503	-	(375,503)	-	-	-
Recovery of funds from Harvest CCAA Operations	2	60,968	68,116	7,148	-	-	-
Advance from FM1 (to FM2)	3	(100,000)	(71,669)	28,331	100,000	71,669	(28,331)
Other income		-	13,310	13,310	-	-	-
Advances from Harvest CCAA Operations	2	-	-	-	57,123	42,219	(14,904)
Recovery of funds from FM2	3	46,008	-	(46,008)	(46,008)	-	46,008
Loan repayment - West Springs Village		-	-	-	275,000	275,000	-
Total receipts		755,579	9,756	(745,823)	386,115	388,888	2,773
Cash disbursements:							
Maintenance and repair costs		87,200	20,454	66,746	-	-	-
Admin consulting fees and operating expenses	4	21,123	43,232	(22,109)	21,123	40,479	(19,356)
Land consulting fees		18,000	5,603	12,397	36,000	1,890	34,110
Repayments to Harvest CCAA Operations	2	-	20,000	(20,000)	51,187	42,358	8,829
Advances to 1610822 Alberta Ltd.	5	-	-	-	-	46,965	(46,965)
CCAA professional fees	6	93,953	72,130	21,823	281,860	161,471	120,389
Administrative charge offset		-	(33,186)	33,186	(7,500)	(89,802)	82,302
Total disbursements		220,276	128,233	92,043	382,670	203,362	179,308
Net cash flows		535,303	(118,477)	(653,780)	3,445	185,527	182,082
Cash, beginning of period		153,452	152,475		-	280	
Net cash flows for period		535,303	(118,477)		3,445	185,527	
Cash, end of period		$ 688,755	$ 33,998		$ 3,445	$ 185,807	

Notes and Assumptions

1 The sale of lots and homes has beeen delayed, primarily due to unsuccessful efforts to date to implement a judicial sale process.
2 FM1 had provided funding to Harvest CCAA Operations prior to November 24, 2012,and made further advances during the current period.
3 FM1 advanced funds to FM2 to pay professional fees. Forecast repayment has been delayed to May, 2012.
4 Salaries, consulting fees and office expenses comprise FM1's and FM2's share of Harvest CCAA Operations operating expenses for the period.
5 Advances made to Harvest CCAA Operations for services provided to 1610822 Alberta Ltd., which is an FM borrower. These costs are being incurred by FM2 to preserve and protect its collateral security interests.
6 Professional fees incurred during the period were offset in part by the Administration Charge. At April 23, 2012 there remained $84,335 of unpaid professional fees in FM1 and $124,810 in FM2

APPENDIX B

Cash Flow Forecast
April 24, 2013 - September 30, 2013

	Notes	Foundation Mortgage Corporation (FM1)						Foundation Mortgage Corporation (FM2)					
		May	June	July	August	Sept	Total	May	June	July	August	Sept	Total
RECEIPTS													
Mortgage payments from lot sales	1	$ -	$ 91,000	$ 45,500	$ 59,150	$ 59,150	$ 254,800	$ -	$ -	$ -	$ -	$ -	$ -
Proceeds from sale of homes	2		96,579	96,579	96,579	-	289,737	-	-	-	-	-	-
Recovery of funds from FM2	3	67,000	-	-	-	-	67,000	(67,000)	-	-	-	-	(67,000)
Total receipts		67,000	187,579	142,079	155,729	59,150	611,537	(67,000)	-	-	-	-	(67,000)
DISBURSEMENTS													
Maintenance and repair costs	4	2,000	2,000	2,000	2,000	2,000	10,000	-	-	-	-	-	-
Admin consulting fees and operating expenses	5	2,375	2,063	1,167	1,400	-	7,004	2,375	2,063	1,167	1,400	-	7,004
Land consulting fees	5	2,000	-	-	-	-	2,000	5,000	-	-	-	-	5,000
Advances to related companies	6	-	-	-	-	-	-	39,892	-	-	-	-	39,892
CCAA professional fees	7	50,000	72,335	13,000	13,000	13,000	161,335	87,000	13,000	13,000	13,000	13,000	139,000
Admin charge offset	7	-	-	-	-	-	-	(25,000)	(13,000)	(13,000)	(13,000)	(13,000)	(77,000)
Total disbursements		56,375	76,397	16,167	16,400	15,000	180,339	109,267	2,063	1,167	1,400	-	113,896
NET CASH FLOWS		10,625	111,182	125,912	139,329	44,150	431,198	(176,267)	(2,063)	(1,167)	(1,400)	-	(180,896)
OPENING CASH		33,998	44,623	155,805	281,717	421,046	33,998	185,807	9,540	7,477	6,311	4,911	185,807
NET CASH FLOWS		10,625	111,182	125,912	139,329	44,150	431,198	(176,267)	(2,063)	(1,167)	(1,400)	-	(180,896)
ENDING CASH		$ 44,623	$ 155,805	$ 281,717	$ 421,046	$ 465,196	$ 465,196	$ 9,540	$ 7,477	$ 6,311	$ 4,911	$ 4,911	$ 4,911

Notes and Assumptions

1 Expected repayment of first mortgage by Foundation Homes Inc. from proceeds of lot sales.
2 Expected Proceeds from sale of homes to be sold by judicial order
3 FM2 will repay $67,000 of amounts borrowed from FM1. At April 23, 2013 FM2 owed FM1 $112,676 for professional fees paid by FM1 on FM2's behalf.
4 Estimated costs of maintaining and repairing to a saleability status the partially finished homes in Coalhurst, Alberta and Nobleford Alberta, which are expected to be sold by pursuant to judicial order during the forecast period.
5 Salaries, consulting fees and office expenses comprise the Foundation Mortgage companies share of operating expenses, which are shared with nine other entities

6 FM2 will advance $39,892 to Harvest CCAA Operations in May 2012 for services provided to 1357086 Alberta Ltd. and 1610822 Alberta Ltd., both of which are FM borrowers These costs are being incurred by FM2 to preserve and protect its collateral security interests.
7 At April 23, 2012 there unpaid professional fees owing by FM1 of $84,335 and by FM2 of $124,810. These fees will be paid as funds come available and until that time will be offset by the Administration Charge.