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	**PROPOSED MONITOR'S REPORT ON DEBTORS' CASH FLOW STATEMENTS** **JULY 4, 2012**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**<u>PROPOSED MONITOR</u>** Ernst & Young Inc. 1000, 440 - 2nd Avenue SW Calgary, Alberta T2P 5E9 Attention: Neil Narfason / Cassie Hern Telephone: 403-206-5067 / 403-206-5139 Fax: 403-206-5075 Email: neil.narfason@ca.ey.com cassie.hern@ca.ey.com **<u>COUNSEL</u>** 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

CLERK OF THE COURT
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Introduction

1. In accordance with section 10(2) of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, C-36, as amended (the "CCAA"), Foundation Mortgage Corporation ("FM1") and Foundation Mortgage "2" Corporation ("FM2") have each prepared a one month consolidated cash flow forecast for their receipts and disbursements for the period of July 5, 2012 to August 4, 2012 (the "Cash Flow Statements"). In preparing the Cash Flow Statements, management of FM1 and FM2 have used the probable and hypothetical assumptions set out in notes 1 to 6 (the "Notes") to the Cash Flow Statements.

2. A copy of the Cash Flow Statements and Notes are appended as Exhibit "C" to the Affidavit of Mr. Ron Aitkens sworn July 5, 2012. A copy of the signed Cash Flow Statements, Notes and a report containing the prescribed representations of the Company regarding the preparation of the Cash Flow Statements are attached hereto as Appendix "A".

3. As indicated in the Cash Flow Statements, FM1 received revenue of approximately $165,000 from the sale of lots. FM1 will advance FM2 $82,400 to cover operating expenses. FM1 will have total disbursements for salaries, consulting and operating expenses and professional fees of approximately $82,400. Assuming professional fees can be paid through an administration charge and granted by this Honourable Court, FM1 will have sufficient funds to satisfy their projected uses of cash for the period of June 1, 2012 to June 30, 2012 (the "Forecast Period").

4. As indicated in the Cash Flow Statements, FM2 will have an advance from FM1 of $82,400 and will have total disbursements for operating expenses and professional fees of approximately $82,400. Assuming professional fees can be paid through an administration charge granted by this Honourable Court, FM2 will have sufficient funds to satisfy their projected uses of cash for the Forecast Period.

Proposed Monitor's review of the Cash Flow Statements

5. We have reviewed the Cash Flow Statements in our capacity as proposed monitor (the "Proposed Monitor") of FM1 and FM2. The sole purpose of the Proposed Monitor's report is to provide the Court with our findings with respect to our review of the FM1 and FM2 Cash-Flow Statements as to its reasonableness in accordance with section 23(1)(b) of the CCAA.

6. Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by certain of the management of FM1 and FM2. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statements. We have also reviewed the support provided by management of FM1 and FM2 for the probable assumptions and the preparation and presentation of the Cash Flow Statements.

Proposed Monitor's opinion on Cash Flow Statement

7. Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

   a) The hypothetical assumptions are not consistent with the purpose of the Cash Flow Statements;

   b) As at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of FM1 and FM2 or do not provide a reasonable basis for the Cash Flow Statements, given the hypothetical assumptions; or

   c) The Cash Flow Statements do not reflect the probable and hypothetical assumptions.

8. Since the Cash Flow Statements are based on assumptions regarding future events, actual results will vary from the information presented even if the

hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow Statements will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon by us in preparing this report.

9. The Cash Flow Statements have been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

Dated at Calgary, this 4th day of July, 2012.

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

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

Cassie Hern, CA
Manager

APPENDIX A

Cash flow Forecast $C	Notes	Foundation Mortgage Corporation (FM1) June 26, 2012 - July 25, 2012	Foundation Mortgage "2" Corporation (FM2) June 26, 2012 - July 25, 2012
RECEIPTS	1		
Advance from FM1	2	(82,400)	82,400
Total receipts		**(82,400)**	**82,400**
DISBURSEMENTS			
Salaries, consulting fees and operating expenses	3	25,000	25,000
CCAA professional fees	4	75,000	75,000
Administrative charge offset	5	(17,600)	(17,600)
Total disbursements		**82,400**	**82,400**
NET CASH FLOWS		**(164,800)**	**-**
OPENING CASH	6	164,800	-
NET CHANGE IN CASH FLOWS		(164,800)	-
ENDING CASH		$ -	$ -

Notes and Assumptions

1 The FMs have no operating revenues
2 FM1 will advance sufficient cash for FM2 to meet its share of the disbursement obligations.
3 Salaries, consulting fees and office expenses comprise the cost of operating the Foundation Mortgage Corporation office for one month. Approximately 80% of these amounts are expected to be recovered from affiliated companies subsequent to July 25, 2012
4 Estimated professional fees.
5 An Administrative Charge will be required to offset professional fees.
6 Mortgage principal repayments of $164,800 relating to the sale of four residential lots by an affiliated company borrower were received on June 25, 2012

Ron Aitkens
Director

JV/4/12
Date

July 4, 2012

Ernst and Young Inc.
1000, 440 – 2^{nd} Avenue SW
Calgary, Alberta T2P 5E9

Attention: Neil Narfason, CA●CIRP, CBV

Dear Sirs:

RE: Proceedings under the Companies' Creditosr Arrangement Act ("CCAA") Responsibilities/Obligations and Disclosure with respect to Cash Flow Projections

In connection with the application by Foundation Mortgage Corporation and Foundation Mortgage "2" Corporation (collectively, "FM1 and FM2") for the commencement of proceedings under the CCAA in respect of FM1 and FM2, the management of FM1 and FM2 (the "Management") has prepared the attached Cash-Flow Statement and the assumptions on which the Cash-Flow Statement is based.

FM1 and FM2 confirm that:

1. The Cash-Flow Statement and the underlying assumptions are the responsibility of FM1 and FM2;
2. All material information relevant to the Cash-Flow Statement and to the underlying assumptions has been made available to Ernst & Young Inc., in its capacity as proposed Monitor; and
3. Management has taken all actions that it considers necessary to ensure:
    a. That the individual assumptions underlying the Cash-Flow Statement are appropriate in the circumstances; and
    b. That the individual assumptions underlying the Cash-Flow Statement, taken as a whole, are appropriate in the circumstances.

Yours truly,

Ron Aitkens
Director of FM1 and FM2