COURT FILE NUMBER	1201-06934
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 1252064 ALBERTA LTD. 1330075 ALBERTA LTD. AND HARVEST CAPITAL MANAGEMENT INC.
DOCUMENT	**FIRST REPORT OF THE MONITOR** **JULY 4, 2012**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**MONITOR** 1000, 440 - 2nd Avenue SW Calgary, Alberta T2P 5E9 Attention: Neil Narfason / Cassie Hern Telephone: 403-206-5067 / (403) 206-5005 Fax: 403-206-5075 Email: Neil.Narfason@ca.ey.com Cassie.Hern@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 June 7, 2012, 1252064 Alberta Ltd. ("125"), 1330075 Alberta Ltd. ("133") and Harvest Capital Management Inc. ("HCMI") 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 125, 133 and HCMI (the "Monitor").

3. 125, 133 and HCMI are sometimes collectively referred to as the "Companies" or the "Debtors".

4. The purpose of this first report (the "First Report") of the Monitor is to provide this Honourable Court with the Monitor's comments in respect of the following:

    a) The notice issued to creditors regarding the granting of the Initial Order (the "Notice");

    b) An update on the restructuring efforts;

    c) The request for further investigative powers ("Investigative Powers");

    d) The budget to actual cash flow results for the period for June 7, 2011 to June 30, 2012 (the "Reporting Period");

    e) The cash flow forecasts ("Forecasts") from July 1, 2012 to August 31, 2012 (the "Forecast Period");

    f) The Monitor's comments regarding the Companies' request for an extension of the Stay Period; and

    g) The Monitor's recommendations.

5. Capitalized terms not defined in this First Report are as defined in the Initial Order.

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

BACKGROUND

7. Background for the Companies and their operations is contained in the materials filed in support of the application for the Initial Order including the June 5, 2012 affidavit of Mr. Ron Aitkens (the "June 5 Aitkens Affidavit"). These documents, 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

8. In preparing this First Report, the Monitor has relied upon unaudited financial information, company records and discussions with management of the Companies. 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.

NOTICE TO CREDITORS

9. Pursuant to the terms of the Initial Order, the Monitor:

    a) Published the Notice in the Calgary Herald on June 18, 2012 and June 25, 2012;

    b) Made the Initial Order publicly available on the Monitor's website effective June 18, 2012;

c) On June 13, 2012 mailed the Notice to every known creditor identified to it by the Companies (the "Known Creditors") as having a claim of more than $1,000; and

d) Prepared a list showing the names and addresses of the Known Creditors and made the list publicly available on the Monitor's web site on June 13, 2012.

10. The Notice also advised that if a creditor was unable to obtain a copy of the Initial Order from the Monitor's website, it could request a copy be delivered.

RESTRUCTURING

11. 125, 133 and HCMI are actively reviewing the various restructuring options available and are working towards developing a realization strategy for their assets. The Monitor is assisting 125, 133 and HCMI with this effort.

12. At this time 125, 133 and HCMI management and the Monitor estimate that the development of a realization place will take approximately 60 days to complete.

13. The Monitor has begun its review of the historical sources and uses of cash for 125, 133 and HCMI in order for the Monitor to understand the material transactions and flows of funds that occurred in each of 125, 133 and HCMI prior to these CCAA proceedings.

FURTHER INVESTIGATIVE POWERS

14. The Companies are seeking that the Monitor' mandate be expanded to provide the Monitor with Investigative Powers to access the books and records of certain other related entities (the "Related Entities"). These Related Entities will not be applicants in the CCAA proceedings, however the Monitor requires access to the books and records (the "Records") of these additional entities to complete its investigation into the sources and uses of funds of the 125, 133 and HCMI. Therefore, the Companies seek to grant the authority to the Monitor to be

provided unfettered access to these Records. A complete listing of all entities involved in these proceedings is attached as Appendix A.

BUDGET TO ACTUAL RESULTS

15. Aside from the flow through cost relating to the net rental revenue and the IMOR mortgage payment in 125, no other cash expenditures were made in the Reporting Period, as all payments are relying on the Critical Suppliers' and Administration Charges.

CASH FLOW FORECAST THROUGH AUGUST 31, 2012

16. The Companies, with the assistance of the Monitor, have prepared Forecasts for the Forecast Period which are attached as Appendix B to this report. The Forecasts are based on the most current information available.

17. The table below summarizes the Forecasts for the Forecast Period:

Cash Flow Forecast July 1, 2012 - August 31, 2012	**125**	**133**	**HCMI**
RECEIPTS			
Net Rental Revenue	30,000	-	-
Total receipts	**$ 30,000**	-	-
DISBURSEMENTS			
IMOR Payment (Secured Creditor)	30,000	-	-
Operating Expenses	17,000	-	25,087
Suppliers Charge offset	(17,000)	-	(25,087)
CCAA professional fees	50,000	50,000	50,000
Administrative Charge offset	(50,000)	(50,000)	(50,000)
Total disbursements	**$ 30,000**	**$ -**	**$ -**
NET CASH FLOWS	**$ -**	**$ -**	**$ -**
OPENING CASH	$ -	$ -	$ -
NET CHANGE IN CASH FLOWS	-	-	-
ENDING CASH	**$ -**	**$ -**	**$ -**

18. As summarized above, 125 will has net rental revenue of $15,000 per month that is paid to IMOR upon receipt. In addition to the rent revenue, 125 will have total disbursements for operating expenses and professional fees of approximately $33,500 per month. Assuming professional fees and operating expenses can be paid through the Administration and Critical Suppliers' Charges granted by this Honourable Court, 125 will have sufficient funds to satisfy their projected uses of cash for the Forecast Period.

19. As summarized above, 133 will have no cash receipts or disbursements in the Forecast Period, with the exception of professional fees of $25,000 per month. Assuming professional fees can be paid through the Administration Charge granted by this Honourable Court, 133 will have sufficient funds to satisfy their projected uses of cash for the Forecast Period.

20. As summarized above, HCMI will have no cash receipts and will have total disbursements for operating expenses and professional fees of approximately $37,500 per month. Assuming professional fees and operating expenses can be paid through the Administration and Critical Suppliers' Charges granted by this Honourable Court, HCMI will have sufficient funds to satisfy their projected uses of cash for the Forecast Period.

21. The Monitor has reviewed the assumptions supporting the Forecast and believes the assumptions to be reasonable.

22. Due to the continued reliance on the Administrative Charge, 125, 133 and HCMI are seeking to increase the Administrative Charge to $450,000.

23. Based on the above assumptions, the Forecast indicates that 125, 133 and HCMI will not need any further financing to meet its current obligations through the Forecast Period.

THE COMPANIES' REQUEST FOR AN EXTENSION OF THE STAY PERIOD

24. Pursuant to the Initial Order the Stay Period expires on July 5, 2012. 125, 133 and HCMI are seeking an extension of the Stay Period to and including, August 20, 2012 (the "Stay Extension").

25. The Stay Extension is necessary to allow 125, 133 and HCMI to take steps to realize on certain assets which will permit those assets to be realized in an orderly fashion and other assets then to be developed in a manner which will increase the value of those assets to the benefit of all stakeholders.

26. In the Monitor's view, the 125, 133 and HCMI are acting in good faith and with due diligence.

RECOMMENDATIONS

27. The Monitor recommends that this Honourable Court approve:

   a) The Investigative Powers;

   b) The increase of the Administrative Charge; and

   c) The Stay Extension.

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

ERNST & YOUNG INC.
in its capacity as
Monitor of 125, 133 and HCMI

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

Cassie Hern, CA
Manager

APPENDIX A

Company	Related to: HCMI/133/125
1236120 Alberta Ltd.	133
1277169 Alberta Ltd.	133
Cimarron Development Limited Partnership	133
Foundation Mortgage 2 Corporation	125
Harvest Group LP	125
Spruce Ridge Estates Inc.	125/133
Stoney View Crossing Inc.	125/133
1252064 Alberta Ltd.	133
1379599 Alberta Ltd.	125
Foundation Capital Corp.	125
Foundation Mortgage Corporation	125
Harbour View Landing Inc.	125
Harvest Water Ltd.	125
Liberty Crossing Limited Partnership	125
Stoney View Capital Corporation	133
West Springs Village LP	125/133

APPENDIX B

1252064 Alberta Ltd. ("125")
Cash Flow Forecast
July 1, 2012 - August 31, 2012

	Notes	July	August	Total
RECEIPTS				
Net Rental Revenue	1	15,000	15,000	30,000
Total receipts		**15,000**	**15,000**	**30,000**
DISBURSEMENTS				
IMOR Payment (Secured Creditor)	1	15,000	15,000	30,000
Operating Expenses	2	8,500	8,500	17,000
Suppliers Charge offset	3	(8,500)	(8,500)	(17,000)
CCAA professional fees	4	25,000	25,000	50,000
Administrative Charge offset	5	(25,000)	(25,000)	(50,000)
Total disbursements		**$ 15,000**	**$ 15,000**	**$ 30,000**
NET CASH FLOWS		**$ -**	**$ -**	**$ -**
OPENING CASH		$ -	$ -	$ -
NET CHANGE IN CASH FLOWS		-	-	-
ENDING CASH		**$ -**	**$ -**	**$ -**

Notes and Assumptions

1 Net rental revenue from the Global lands in Lethbridge have been assigned to IMOR
2 Estimated operating expenses for the period based on prior month
3 Suppliers Charge will be required to offset operating expenses
4 Estimated professional fees for the period
5 Administrative Charge will be required to offset professional fees

1330075 Alberta Ltd. ("133")
Cash Flow Forecast
July 1, 2012 - August 31, 2012

	Notes	July	August	Total
RECEIPTS	1	-	-	-
DISBURSEMENTS				
CCAA professional fees	2	25,000	25,000	50,000
Administrative Charge offset	3	(25,000)	(25,000)	(50,000)
Total disbursements		$ -	$ -	$ -
NET CASH FLOWS		$ -	$ -	$ -
OPENING CASH		$ -	$ -	$ -
NET CHANGE IN CASH FLOWS		-	-	-
ENDING CASH		$ -	$ -	$ -

Notes and Assumptions

1. 133 has no operating revenue
2. Estimated professional fees for the period
3. Administrative Charge will be required to offset professional fees

Harvest Capital Management Inc. ("HCMI")
Cash Flow Forecast
July 1, 2012 - August 31, 2012

	Notes	July	August	Total
RECEIPTS	1	-	-	-
DISBURSEMENTS				
Operating Expenses	2	12,543	12,543	25,087
Suppliers Charge offset	3	(12,543)	(12,543)	(25,087)
CCAA professional fees	4	25,000	25,000	50,000
Administrative Charge offset	5	(25,000)	(25,000)	(50,000)
Total disbursements		$ -	$ -	$ -
NET CASH FLOWS		$ -	$ -	$ -
OPENING CASH		$ -	$ -	$ -
NET CHANGE IN CASH FLOWS		-	-	-
ENDING CASH		$ -	$ -	$ -

Notes and Assumptions

1. HCMI has no operating revenue
2. Estimated operating expenses for the period based on prior month
3. Suppliers Charge will be required to offset operating expenses
4. Estimated professional fees for the period
5. Administrative Charge will be required to offset professional fees