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	**SECOND REPORT OF THE MONITOR** **AUGUST 17, 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 Riglin Telephone: 403-206-5067 / (403) 206-5139 Fax: 403-206-5075 Email: Neil.Narfason@ca.ey.com Cassie.Riglin@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 second report (the "Second Report") of the Monitor is to provide this Honourable Court with the Monitor's comments in respect of the following:

    a) An update on the restructuring efforts;

    b) The request for expansion of Monitor's powers ("Expanded Powers");

    c) The budget to actual cash flow results for the period for June 7, 2011 to August 15, 2012 (the "Reporting Period");

    d) The cash flow forecasts ("Forecasts") through August 31, 2012 (the "Forecast Period");

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

    f) The Monitor's recommendations.

5. Capitalized terms not defined in this Second 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 Second 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.

RESTRUCTURING

9. 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.

10. The Monitor is continuing to 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. Through this investigation the Monitor continues to understand the intricacies around the different assets within the Companies and the priorities to those assets.

EXPANSION OF MONITOR'S POWERS

11. The Companies are seeking that the Monitor's powers be expanded to assume sole conduct and management of any and all inter-company accounts receivable and payable as may exist with any of Related Parties (as defined in the Order granted by the Honourable Court dated July 5, 2012) including the power to take such steps as the Monitor may deem necessary or advisable to realize on such accounts receivable or effect payment of such accounts payable.

BUDGET TO ACTUAL RESULTS

12. 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

13. Based on the Cash Flow Forecast attached as Appendix B to the First Report of the Monitor, the Company will continue to have sufficient funds to meet its current obligations through the Stay Extension.

THE COMPANIES' REQUEST FOR AN EXTENSION OF THE STAY PERIOD

14. Pursuant to an Order of this Honourable Court dated July 6, 2012, the Stay Period expires on August 20, 2012. The Company is seeking an extension of the Stay Period up to and including, August 27, 2012 (the "Stay Extension").

15. For the reasons outlined in the Affidavit of Mr. Aitkens, sworn August 16, 2012, the Debtors have not been able to finalize a realization plan with respect to their various assets. As a result, the Monitor is unwilling to support a long term extension of the stay of proceedings for the Debtors. The Monitor is supportive of the short Stay Extension so as to allow the Debtors to take steps to develop a realization plan 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.

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

RECOMMENDATIONS

17. The Monitor recommends that this Honourable Court approve:

    a) The Expanded Powers; and

    b) The Stay Extension.

Dated at Calgary, this 17th day of August, 2012.

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

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

Cassie Riglin, CA
Manager