COURT FILE NUMBER	1201-06934	
COURT	COURT OF QUEEN'S BENCH OF ALBERTA	CLERK OF THE COURT FILED AUG 23 2012 JUDICIAL CENTRE OF CALGARY
JUDICIAL CENTRE	CALGARY	
COMPANIES	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	**THIRD REPORT OF THE MONITOR** **AUGUST 23, 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 third report (the "Third 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 31, 2012 (the "Reporting Period");

   d) The cash flow forecasts ("Forecasts") through November 30, 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 Third 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 Third 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. For the reasons discussed below, the Monitor is supportive of the Companies' application for the Monitor's Expanded Powers.

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.

11. To facilitate the Monitor's efforts to review the sources and uses of funds and develop a realization strategy, the Monitor is planning to move all of the books and records related to 125, 133, HCMI and all Related Parties (as defined in the Order granted by the Honourable Court dated July 5, 2012) from the Lethbridge office to the Calgary office by the end of August. The Monitor plans to copy all electronic data in the Lethbridge office at this time as well.

12. The Monitor expects to have the sources and uses report completed and reported to this Court in September 2012.

EXPANSION OF MONITOR'S POWERS

13. Pursuant to an Order of this Honourable Court dated August 20, 2012, the Monitor's powers were 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.

14. Based on the reasons set out in the Affidavit of Ron Aitkens sworn August 16, 2012, the Companies have not developed a realization strategy that is satisfactory to the Monitor. The Companies and the Monitor agree that the Monitor's powers should be expanded to increase the involvement and ability of the Monitor to facilitate transactions and commence realization of the Companies' assets.

15. The Companies and Monitor are now seeking that the Monitor's powers be expanded to:

    a) Take possession and control of the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
    b) Receive, preserve, protect and maintain control of the Property, or any part or parts thereof, including but not limited to, the changing of locks and security codes, the taking of physical inventories and the

placement of such insurance coverage as may be necessary or desirable;

c) Manage, operate and carry on the Business of the Companies, including the powers to enter into any agreements, incur any obligations in the ordinary course of the Business, to retain or terminate any of the Assistants, to cease to carry on all or any part of the Business, or cease to perform any contracts of the Companies;

d) Engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis;

e) Purchase or lease machinery, equipment, inventories, supplies, premises or other assets to maintain the Property or continue the operation of the Business;

f) Oversee and direct the preparation of the Companies' cash flow statements and to assist in the dissemination of financial and other information in these proceedings, but only to the extent necessary in the Monitor's judgment to inform this Court and the parties to this proceeding and to facilitate the Transaction;

g) Take possession of any of the Companies' books, records, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the Business, the Property or the Companies, including any computer programs, computer tapes, computer disks, or other data storage media containing any such information as may be necessary for the completion of its duties;

h) Receive, collect and take possession of all monies and accounts now owed or hereafter owing to the Companies, and to exercise all remedies of the Companies in collecting such monies, including, without limitation, to enforce any security held by the Companies;

i) Market any or all of the Property, including advertising and soliciting offers in respect of the Property or any parts thereof and negotiating the terms and conditions of such sale as the Monitor in its discretion may deem appropriate;

j) Sell, convey, transfer, lease or assign the Property or any parts thereof:

   i. Without the approval of this Court in respect of any transaction not exceeding $50,000, provided that the aggregate of such transaction does not exceed $250,000; and

   ii. With the approval of this Court in respect of any transaction in which the purchase price or aggregate purchase price, as the case may be, exceeds the applicable amount as set out in the preceding clause;

k) Initiate, prosecute, continue the prosecution of and defend or respond to the Panamanian Litigation (as that term is defined in the June 5 Aitkens Affidavit) and any and all additional proceedings now pending or hereafter instituted with respect to the Companies or the Property, and to settle or compromise the Panamanian Litigation and any and all additional such proceedings. The authority sought to be conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;

l) Execute, assign, issue and endorse documents of whatever nature in respect of any of the Companies or the Property, whether in the Monitor's name or in the name and on behalf of the Companies;

m) Apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought to be desirable by the Monitor, in the name of the Companies;

n) Report to, meet with and discuss with any Persons the Monitor deems appropriate on any matter relating to the Companies, the Business or the Property;

o) Assume sole conduct and management, in the place and stead of the Companies, of any and all inter-company accounts receivable and accounts payable as may exist between the Related Entities (as that term is defined in the order issued in the within proceedings on 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;

p) File tax returns on behalf of the Companies;

q) Exercise any other rights which the Companies may have; and

r) Perform such other duties or take any steps reasonably incidental to the exercise of the powers and obligations granted by this Court.

BUDGET TO ACTUAL RESULTS

16. 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 parties are relying on the Critical Suppliers' and Administration Charges.

CASH FLOW FORECAST THROUGH NOVEMBER 30, 2012

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

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

Cash Flow Forecast September 1, 2012 - November 30, 2012	125	133	HCMI
RECEIPTS			
Net Rental Revenue	45,000	-	-
Total receipts	**45,000**	-	-
DISBURSEMENTS			
IMOR Payment (Secured Creditor)	45,000	-	-
Operating Expenses	25,500	-	37,630
Suppliers Charge offset	(25,500)	-	(37,630)
CCAA professional fees	75,000	75,000	75,000
Administrative Charge offset	(75,000)	(75,000)	(75,000)
Total disbursements	**$ 45,000**	**$ -**	**$ -**
NET CASH FLOWS	**$ -**	**$ -**	**$ -**
OPENING CASH	$ -	$ -	$ -
NET CHANGE IN CASH FLOWS	-	-	-
ENDING CASH	**$ -**	**$ -**	**$ -**

19. 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 of approximately $8,500 and professional fees of approximately $25,000 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.

20. 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.

21. As summarized above, HCMI will have no cash receipts and will have total disbursements for operating expenses of approximately $12,500 and professional

fees of approximately $25,000 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.

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

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 an Order of this Honourable Court dated August 20, 2012, the Stay Period expires on August 27, 2012. The Company is seeking an extension of the Stay Period up to and including November 30, 2012 (the "Stay Extension").

25. The stay period is required to allow 125, 133 and HCMI and the Monitor the time to complete of the sources and uses report, explore realization alternatives, obtain financing and develop a restructuring realization plan.

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 Expanded Powers; and

    b) The Stay Extension.

Dated at Calgary, this 23rd 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

APPENDIX A

1252064 Alberta Ltd. ("125")
Cash Flow Forecast
September 1, 2012 - November 30, 2012

	Notes	September	October	November	Total
RECEIPTS					
Net Rental Revenue	1	15,000	15,000	15,000	45,000
Total receipts		**15,000**	**15,000**	**15,000**	**45,000**
DISBURSEMENTS					
IMOR Payment (Secured Creditor)	1	15,000	15,000	15,000	45,000
Operating Expenses	2	8,500	8,500	8,500	25,500
Suppliers Charge offset	3	(8,500)	(8,500)	(8,500)	(25,500)
CCAA professional fees	4	25,000	25,000	25,000	75,000
Administrative Charge offset	5	(25,000)	(25,000)	(25,000)	(75,000)
Total disbursements		**$ 15,000**	**$ 15,000**	**$ 15,000**	**$ 45,000**
NET CASH FLOWS		**$ -**	**$ -**	**$ -**	**$ -**
OPENING CASH		$ -	$ -	$ -	$ -
NET CHANGE IN CASH FLOWS		-	-	-	-
ENDING CASH		**$ -**	**$ -**	**$ -**	**$ -**

<u>Notes and Assumptions</u>

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
September 1, 2012 - November 30, 2012

	Notes	September	October	November	Total
RECEIPTS	1	-	-	-	-
DISBURSEMENTS					
CCAA professional fees	2	25,000	25,000	25,000	75,000
Administrative Charge offset	3	(25,000)	(25,000)	(25,000)	(75,000)
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
September 1, 2012 - November 30, 2012

	Notes	July	August	August	Total
RECEIPTS	1	-	-	-	-
DISBURSEMENTS					
Operating Expenses	2	12,543	12,543	12,543	37,630
Suppliers Charge offset	3	(12,543)	(12,543)	(12,543)	(37,630)
CCAA professional fees	4	25,000	25,000	25,000	75,000
Administrative Charge offset	5	(25,000)	(25,000)	(25,000)	(75,000)
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