COURT FILE NUMBER	1201-10693
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 HARVEST GROUP GP CORPORATION AND 1610822 ALBERTA LTD.
DOCUMENT	**THIRD REPORT OF THE MONITOR** **March 26, 2013**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**MONITOR**

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OF CALGARY

MONITOR

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INTRODUCTION

1. On August 24, 2012, Harvest Group GP Corporation ("HGGP") and 1610822 Alberta Ltd. ("161") 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. Collectively, HGGP and 161 are sometimes referred to as the "Companies" or the "Debtors".

3. Pursuant to the Initial Order, Ernst & Young Inc. was appointed monitor of the Companies (the "Monitor").

4. Pursuant to an order of this Honourable Court dated August 24, 2012, BTM Advisory Services Inc. ("BTM") was appointed the Chief Restructuring Officer ("CRO") of the Companies.

5. The purpose of this third report (the "Third Report") of the Monitor is to provide this Honourable Court with:

    a) An update on the restructuring efforts for the Companies;

    b) The forecast to actual cash flow results for the companies for the period of December 8, 2012 to March 28, 2013 (the "Reporting Period");

    c) The cash flow forecasts (the "Forecasts") to June 30, 2013 (the "Forecast Period");

    d) The Debtors' request for an extension of the Stay Period;

    e) The need for an investigation holdback; and

    f) The Monitor's recommendations.

6. Capitalized terms not defined in this Third Report are as defined in the Initial Order.

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 Third Report, the Monitor has relied upon unaudited financial information, company records and discussions with the CRO 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 EFFORTS

10. The Monitor is currently working with the CRO to review the Companies' accounting records to assess their assets and liabilities in order to fully consider restructuring opportunities available that would allow for the maximization of stakeholder value. The CRO has examined and reconstructed the accounting records.

HGGP

11. HGGP's primary assets consist of:

    a) The ownership of a 50% undivided interest in 48 acres of development property in Telford Lake, Alberta (the "Telford Lake Lands);

    b) 289 acres of agricultural land near Granum, Alberta (the "Granum Lands"); and

    c) Approximately $2.6 million of intercompany advances.

12. A detailed description regarding the status of the above assets of HGGP can be found in the March 26, 2013 affidavit of Gary Bentham.

13. HGGP believes it is in the best interests of all stakeholders that it be given additional time to conclude a resolution for the disposition of the Granum Lands and to monitor the affairs of the Borrowers and to take action where appropriate to secure recovery of advances.

161

14. 161 is the general partner of Cimarron Developments LP. 161's primary asset is 60 acres of development land and a purchaser's interest in 93 acres of adjacent lands (the "Cimarron Lands") in Medicine Hat Alberta. Title to these lands is in the name of HGGP, but the beneficial owner of the lands is Cimarron LP. Further information on the Cimarron Lands is contained in the December 14, 2012 Affidavit of Mr. Gary Bentham and the August 23, 2012 Affidavit of Ronald Aitkens.

15. 161 and Cimarron Development LP do not have the resources to develop the property or service or repay the existing secured debts against the Cimarron Lands. The CRO, with the assistance of the Monitor, has been working to achieve a sale of some or all of the Cimarron Lands; however no agreement has be reached to date.

16. Based upon the unsuccessful sales efforts to date, it seems unlikely that there is any equity or potential recovery in Cimarron Lot 2 in excess of the B2B mortgage indebtedness.

17. The CRO of 161 believes it is in the best interests of all stakeholders that 161 be given additional time to conclude negotiations with potential purchasers of the Cimarron Lands in order to maximize value to all stakeholders involved in the Cimarron Lands.

FORECAST TO ACTUAL RESULTS

18. The cash flow forecast to actual presented at Appendix A contains the cash receipts and disbursements incurred to date for HGGP and 161 as compared to the cash flow

forecast previously provided to this Court in the Second Report of the Monitor dated December 14, 2012.

19. Outlined below is a summary of the actual results to March 28, 2013 for HGGP:

Harvest Group GP Corporation ("HGGP")			
Dec. 8, 2012 - Mar. 28, 2013	**Forecast**	**Actual**	**Variance**
RECEIPTS	28,600	1,302,978	1,274,378
DISBURSEMENTS	(28,600)	(622,357)	(593,757)
NET CASH FLOWS	-	680,621	680,621
OPENING CASH	504	504	
NET CHANGE IN CASH FLOWS	-	680,621	
ENDING CASH	504	$ 681,125	

20. HGGP had cash receipts during the Reporting Period of approximately $1.3 million from sale of the Telford Lake Lands.

21. Disbursements of approximately $622,000 were made during the Reporting Period by HGGP. These payments relate to approximately $406,000 paid to WDL to pay down the deficiency judgment pursuant to a court approved settlement agreement, $61,000 of salaries and operating expenses and $153,000 of professional fees.

22. Outlined below is a summary of the actual results to March 28, 2013 for 161:

1610822 Alberta Ltd. ("Cimarron")			
Dec. 8, 2012 - Mar. 28, 2013	**Forecast**	**Actual**	**Variance**
RECEIPTS	45,682	27,789	(17,893)
DISBURSEMENTS	(45,682)	(27,789)	17,893
NET CASH FLOWS	-	-	-
OPENING CASH	6,927	6,927	
NET CHANGE IN CASH FLOWS	-	-	
ENDING CASH	6,927	$ 6,927	

23. 161 had advances from Harvest CCAA Operation Ltd. during the Reporting Period of approximately $28,000 to cover operating costs incurred during the period.

24. During the Reporting Period, the professional fees relied on the Administration Charge.

CASH FLOW FORECAST THROUGH JUNE 30, 2013

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

26. The table below summarizes the cash flows for HGGP and 161 for the Forecast Period:

Cash Flow Forecast **March 29, 2013 - June 30, 2013**	**HGGP**	**161**
RECEIPTS		
Advance from existing lender	$ -	$ 53,509
Total receipts	-	53,509
DISBURSEMENTS		
Salaries, consulting fees and operating expenses	4,150	4,150
Investigation reserve	35,000	-
Repayment to Harvest CCAA Operations	-	49,359
CCAA professional fees	118,511	15,000
Administrative charge offset	-	(15,000)
Total disbursements	157,661	53,509
NET CASH FLOWS	(157,661)	-
OPENING CASH	681,132	6,927
NET CHANGE IN CASH FLOWS	(157,661)	-
ENDING CASH	$ 523,471	$ 6,927

27. As summarized above, HGGP is projecting no cash receipts during the Forecast Period. Disbursements of approximately $4,000 will be paid to cover the salaries, consulting fees and operating expenses, $35,000 for the Holdback (discussed below), and $119,000 for professional fees.

28. As summarized above, 161 is projecting cash advances of approximately $54,000 to cover the salaries, consulting fees and operating expenses incurred during the Forecast

Period. Administrative costs of approximately $15,000 will be relying on the Administration Charge.

29. 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

30. Pursuant to an Order of this Honourable Court dated December 19, 2012 the Stay Period expires on March 31, 2013 for the Companies.

31. The Companies are seeking an extension of the Stay Period up to and including June 30, 2013 (the "Stay Extension").

32. The Stay Extension is necessary to allow the Companies to continue to take steps to realize on their assets and to develop a methodology to allow for the distribution of the net realization proceeds to their respective creditors.

33. In the Monitor's view, the Companies are acting in good faith and with due diligence.

INVESTIGATION HOLDBACK

34. The Monitor has been contacted on several occasions by regulatory and other governmental authorities in respect of inquiries or investigations underway or commencing in respect of the Companies. Based on discussions the Monitor has had with the various governmental and regulatory authorities, the Monitor expects that both Gary Bentham, in his capacity as CRO of the Companies, and the Monitor will be questioned about various aspects of the Companies, and will incur cost in doing so. As a result, the Monitor is proposing to hold back $35,000 for each of the Companies (the "Holdback") in order to pay for the costs related to the investigations of the Companies and the anticipated questioning of both the CRO and the Monitor. The Holdback will be held by the Monitor in trust for a period of two years after the exit of CCAA and the amount will be refunded for costs not incurred.

MONITOR'S RECOMMENDATIONS

35. The Monitor recommends that this Honourable Court approve:

    a) The Stay Extension; and

    b) The Holdback.

Dated at Calgary, this 26th day of March, 2013.

ERNST & YOUNG INC.
in its capacity as
Monitor of HGGP and 161

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

Cassie Riglin, CA
Manager

APPENDIX A

Harvest Group GP Corporation ("HGGP")
Actual to Forecast Comparison
December 8, 2012 - March 28, 2013

	Notes	Forecast	Actual	Variance
RECEIPTS				
Net cash proceeds from sale of interest in Telford Lake lands	2	$ -	$ 1,302,978	$ 1,302,978
Advances from Harvest CCAA Operations		28,600	-	$ (28,600)
Total receipts		28,600	1,302,978	1,274,378
DISBURSEMENTS				
Payment to Windmill Harbour Development Ltd.	2	-	406,340	(406,340)
Salaries, consulting fees and operating expenses	3	28,600	61,523	(32,923)
Repayment of advances from Harvest CCAA Operations	3	-	1,246	(1,246)
CCAA professional fees	4	140,104	153,248	(13,144)
Administrative charge offset		(140,104)	-	(140,104)
Total disbursements		28,600	622,357	(593,757)
NET CASH FLOWS		-	680,621	680,621
OPENING CASH		504	504	-
NET CHANGE IN CASH FLOWS		-	680,621	680,621
ENDING CASH	5	$ 504	$ 681,125	$ 680,621

Notes and Assumptions

1 HGGP is the general partner for Harvest Group Limited Partnership.

2 HGGP sold its 50% joint venture interest in the Telford Lake lands during the period. Details of the sale are as follows:

Sale price	$ 2,086,438
Less:	
Payment of joint venture partner first charge, plus 6% interest	742,342
Lien amounts withheld by the purchaser	41,118
Net cash proceeds	$ 1,302,978
Cash proceeds distributed as follows:	
Windmill Harbour Developments, pursuant to court order	$ 406,340
Harvest Group Limited Partnership	400,000
Retained by HGGP counsel in trust	496,638
	$ 1,302,978

3 Salaries, consulting fees and office expenses comprise HGGP's share of Harvest CCAA Operations Inc. monthly operating expenses to February 28, 2013. HGGP's share of March operating expenses will be paid in early April, 2013. Amount paid were greater than forecast due to addtional consulting fees relating to the sale of the Telford Lake lands, insurance paid on Windmill Harbour Developments and higher than forecast CCAA Operations expenses.

4 Professional fees incurred exceeded forecast primarily due to additional fees relating to the sale of the Telford Lake lands.

5 Ending cash consisted of:

Funds in bank	$ 184,487
Funds in trust	496,638
	$ 681,125

1610822 Alberta Ltd. ("Cimarron")
Actual to Forecast Comparison
December 7 , 2012 - March 28, 2012

	Notes	Forecast	Actual	Variance
RECEIPTS				
Advance from Harvest CCAA Operations	2	$ 24,100	$ 27,789	$ (3,689)
Advance from existing lender		21,582	-	21,582
		45,682	**27,789**	**17,893**
DISBURSEMENTS				
Salaries, consulting fees and operating expenses	2	24,100	27,789	(3,689)
Repayment to Harvest CCAA Operations		21,582	-	21,582
CCAA professional fees		133,600	22,712	110,888
Administrative charge offset	3	(133,600)	(22,712)	(110,888)
Total disbursements		**45,682**	**27,789**	**17,893**
NET CASH FLOWS		-	-	-
OPENING CASH		6,927	6,927	-
NET CHANGE IN CASH FLOWS		-	-	-
ENDING CASH		$ 6,927	$ 6,927	$ -

Notes and Assumptions

1 1610822 Alberta Ltd. is the general partner for Cimarron Development Limited Partnership, the beneficial owner of the Cimarron lands. Cimarron has no operating revenues.

2 Salaries, consulting fees and office expenses comprise Cimaron's share of Harvest Calgary office monthly operating expenses. Cimarron's share of those expenses for the period have been funded by related parties, and will be reimbursed at a later date by Cimarron or a related party lender.

3 The payment of CCAA professional fees is being offset by the Administrative charge.

APPENDIX B

Harvest Group GP Corporation ("HGGP")
Cash Flow Forecast
March 29, 2013 - June 30, 2013

	Notes	April	May	June	Total
RECEIPTS		$ -	$ -	$ -	$ -
DISBURSEMENTS					
Salaries, consulting fees and operating expenses	3	4,150	-	-	4,150
Investigation reserve	2	35,000	-	-	35,000
CCAA professional fees	4	98,511	10,000	10,000	118,511
Total disbursements		137,661	10,000	10,000	157,661
NET CASH FLOWS		(137,661)	(10,000)	(10,000)	(157,661)
OPENING CASH (Cash shortfall)		681,132	543,471	533,471	681,132
NET CHANGE IN CASH FLOWS		(137,661)	(10,000)	(10,000)	(157,661)
ENDING CASH (Cash shortfall)	5	$ 543,471	$ 533,471	$ 523,471	$ 523,471

Notes and Assumptions

1 HGGP is the general partner for Harvest Group Limited Partnership.

2 An investigation reserve has been established to pay expected costs over the next two years relating to investigations by regulatory authorities. Each Harvest entity that has filed for CCAA protection is contributing to the reserve, subject to court approval.

3 Salaries, consulting fees and office expenses comprise HGGP's share of Harvest Calgary office monthly operating expenses for the month of March, 2013. As HGGP will have effectively ceased operations at the end of March, 2013, it will not be incurring operating expenses in the forecast period.

4 Professional fees forecast for payment in April, 2013 include $88,511 of fees incurred in prior months but not paid. They do not include recoveries of administration charges relating to asset sales by mortgagees, which recoveries remain uncertain.

5 $496,000 is being held in trust by legal counsel pending settlement of secured claims.

1610822 Alberta Ltd. ("Cimarron")
Cash Flow Forecast

March 29, 2013 - June 30, 2013	Notes	April	May	June	Total
RECEIPTS					
Advance from existing lender	2	$ 53,509		$ -	$ 53,509
Total receipts		53,509	-	-	53,509
DISBURSEMENTS					
Salaries, consulting fees and operating expenses	2,3	4,150	-	-	4,150
Repayment to Harvest CCAA Operations		49,359	-	-	49,359
CCAA professional fees	4	5,000	5,000	5,000	15,000
Administrative charge offset	4	(5,000)	(5,000)	(5,000)	(15,000)
Total disbursements		53,509	-	-	53,509
NET CASH FLOWS		-	-	-	-
OPENING CASH (Cash shortfall)	5	6,927	6,927	6,927	6,927
NET CHANGE IN CASH FLOWS		-	-	-	-
ENDING CASH (Cash shortfall)		$ 6,927	$ 6,927	$ 6,927	$ 6,927

Notes and Assumptions

1 1610822 Alberta Ltd. is the general partner for Cimarron Development Limited Partnership, the beneficial owner of the Cimarron lands.

2 Cimarron is expected to sell certain of its properties during the forecast period and repay related secured debt. Expected proceeds from those sales have not been quantified in the forcast due to existing uncertainty of the quantum and timing of those sales. Operating costs and professional fees will be funded indirectly through Harvest CCAA Operations by a related party holding mortgage financing on the property, pending completion of the sale of the property.

3 Salaries, consulting fees and office expenses comprise Cimarron's share of Harvest Calgary office monthly operating expenses for the month of March, 2013. As there are no planned operations for Cimarron in the forecast period, Harvest CCAA costs will not be allocated. Cumulative costs to February 28, 2013 will be paid in April from funds provided by the related party lender.

4 Professional fees are offset by the Administration Charge. Cumulative professional fees to March 28, 2013 and covered by the Administration Charge total $93,441.

5 The funds are held by Harvest Group Real Estate Development Trust, one of the two limited partners of Cimarron Development Limited Partnership.