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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 RAILSIDE CAPITAL INC., RAILSIDE INDUSTRIAL PARK INC., FOUNDATION PLACE CAPITAL INC. AND FOUNDATION PLACE INC.

DOCUMENT

TWENTY-EIGHTH REPORT OF THE MONITOR

SEPTEMBER 26, 2014

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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INTRODUCTION

1. On December 21, 2011, Legacy Communities Inc. ("Legacy") and Airdrie Capital Corporation ("ACC") and Airdrie Country Estates Inc. (collectively "Airdrie") 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 Legacy and Airdrie (the "Monitor").

3. On March 21, 2012, under these same proceedings, Railside Capital Inc. and Railside Industrial Park Inc. (collectively "Railside") and Foundation Place Capital Inc. ("Foundation Place Capital") and Foundation Place Inc. (Foundation Place Capital and Foundation Place Inc. are sometimes collectively referred to herein as "Foundation Place") were granted an Order (the "Railside & Foundation Place Order") by this Honourable Court granting them protection from their creditors pursuant the CCAA.

4. Legacy, Airdrie, Railside and Foundation Place are sometimes collectively referred to as the "Companies" or the "Debtors".

5. On January 19, 2012 this Honourable Court granted an Order creating an Unsecured Creditors Committee ("UCC") in these proceedings.

6. On May 12, 2012 this Honourable Court granted an Order expanding the Monitor's powers as "co-manager" of the Companies (the "Co-Manager") and as such, the Monitor prepares this report in its capacity as Monitor and Co-Manager of the Companies.

7. On July 5, 2012, this Honourable Court granted Orders sanctioning the respective plans of compromise and arrangement (the "Legacy and Airdrie Plans") presented to the creditors of each of Legacy and Airdrie and approved by an overwhelming majority of those creditors. The Legacy and Airdrie Plans have been implemented and pursuant to the terms of the Legacy and Airdrie Plans, the interim board of directors have been appointed.

8. On December 21, 2012, this Honourable Court granted Orders (the "Railside Sanction Order") sanctioning the Railside plan of compromise and arrangement (the "Railside Plan") presented to the creditors of Railside and approved by an overwhelming majority of those creditors. The Railside Plan has yet to be implemented.

9. On May 9, 2014, this Honourable Court granted an Order sanctioning the Foundation Place plan of compromise and arrangement (the "Foundation Place Plan") as presented to the creditors of Foundation Place and approved by an overwhelming majority of those creditors. The Foundation Place Plan has been substantially implemented and pursuant to the terms of the Foundation Place Plan and the interim board of directors have been appointed.

10. The purpose of this twenty-eighth report (the "Twenty-Eighth Report") of the Monitor is to provide this Honourable Court with:

    a) A Railside update;

    b) Railside's proposed revised sales process;

    c) The forecast to actual Railside cash flow results for the period of April 25, 2014 to September 25, 2014 (the "Reporting Period");

    d) The Railside forecast (the "Forecast") from September 25, 2014 to March 31, 2015 (the "Forecast Period");

    e) Railside's request for an extension of the Stay Period; and

    f) The Monitor's recommendation.

11. Capitalized terms not defined in this Twenty-Eighth Report are as defined in the Initial Orders.

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

BACKGROUND

13. The primary asset of Railside is two quarter sections of land legally described as SE-33-47-24-W4 (the "SE Quarter") and SW-33-47-24-W4 (the "SW Quarter" and collectively, the "Railside Land").

14. In January, 2014, the Monitor obtained a subdivision, subject to certain requirements including obtaining a survey and building an approach, of the SE Quarter into two parcels of approximately 80 acres each: Lot 1 and Lot 2. Lot 2 being the eastern most 80 acres of the SE Quarter and Lot 1 being the western 80 acres of the SE Quarter.

15. Further 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

16. In preparing this Twenty-Eighth Report, the Monitor has relied upon unaudited financial information, company records and discussions with former management of the Company. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of the information. 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.

RAILSIDE RESTRUCTURING UPDATE

17. Further to the Twenty-Sixth Report of the Monitor dated April 25, 2014 (the "Twenty-Sixth Report"), Railside has been actively pursuing strategies to obtain the financing necessary to implement the Railside Plan including a partial land sale and a new financing.

18. The sale of the Hegedus Land (as defined in the Twenty-Fourth Report) was approved by this Honourable Court on April 4, 2014. The sale closed April 30, 2014 generating net proceeds of approximately $265,000 (the "Hegedus Sale Proceeds").

19. As described below, the Monitor used the Hegedus Sale Proceeds to settle various outstanding professional fees, operating and other CCAA costs as well as to pre-pay interest costs to the lender providing Railside's interim financing (the "Interim Financier").

20. Railside's interim financing came due in April, 2014. The Interim Financier provided Railside with an extension of its interim financing on a month-to-month basis as long as interest was paid monthly in advance.

Refinancing

Sundance Financing

21. As described in the Twenty-Sixth Report, the Monitor had entered into a commitment letter with Sundance Capital Corporation ("Sundance") to raise $1.9 million to loan to Railside for a two year term (the "Sundance Financing") which was to close on May 12, 2014. Further details on the Sundance Financing are contained in the Twenty-Second Report.

22. The Monitor had supported the Sundance Financing by advising Railside investors of the ability to participate in the Sundance Financing and providing Sundance with the necessary financial information to solicit investors.

23. In advance of the scheduled closing date of the Sundance Financing, Sundance informed the Monitor that it had encountered certain regulatory issues with the Sundance Financing and would not be able to proceed.

BMG Financing

24. Following the withdrawal of the of the Sundance Financing, the Monitor was introduced to another party, Bernhardt Mortgage Group Inc. ("BMG"), by the principle of Sundance and certain Railside investors.

25. The Monitor entered into a commitment letter with BMG to raise $1.9 million to loan to Railside for a one year term (the "BMG Financing") on June 16, 2014. The BMG Financing was anticipated to close on July 31, 2014.

26. The Monitor assisted BMG in its process of raising funds to complete the BMG Financing by providing financial information and financial analysis, obtaining a new appraisal of the Railside Land, and advising Railside investors of the ability to participate in the BMG Financing.

27. In advance of the anticipated closing date of the BMG Financing, BMG advised the Monitor that it was having some difficulty raising the necessary funds to complete the BMG Financing; however, it had certain investors interested and was requesting additional time. The Monitor advised that it could provide BMG an additional month to complete the BMG Financing.

28. On September 2, 2014, BMG advised that it was unable to raise sufficient funding and would not be proceeding with the BMG Financing.

Land Sales

29. Further to the Twenty-Sixth Report, the Monitor continued to pursue the sale of part of the Railside Land to provide the necessary financing to implement the Railside Plan in the event that Railside was not able to obtain the necessary financing.

30. The Railside Land was originally listed on September 30, 2013 with a well-known broker (the "Listing Agent") located in Edmonton, Alberta - the closest major centre to the Railside Land. From the time of listing until June, 2014, no interest was expressed in the Railside Land.

Lot 1

31. On June 16, 2014, the Monitor received an offer on Lot 1. The Monitor negotiated the terms of the offer with the offering party and accepted a revised offer on June 23, 2014. The offer was amended on July 8, 2014 to extend the condition period to August 31, 2014.

32. The Monitor understands that the potential purchaser of Lot 1 invested significant resources in completing its due diligence. The Monitor had agreed that Railside would allow certain of the costs of due diligence to be offset against the purchase price should the sale of Lot 1 be completed.

33. Following the August 31, 2014 condition date for the sale of Lot 1, the Monitor was advised by its listing agent that the potential purchaser did not waive conditions and would not proceed with the purchase. The Monitor was further advised by the Listing Agent that the non-completion of the purchase was not due to an issue uncovered during due diligence but rather an issue among the parties comprising the potential purchaser.

Lot 2

34. The Monitor received an offer on Lot 2 on July 10, 2014. The Monitor and the Listing Agent had numerous conversations with the potential purchaser of Lot 2 and submitted a counter-offer on July 18, 2014.

35. Following the submission of the counteroffer, the Monitor continued to provide information to the potential purchaser with respect to the subdivision process and other aspects of the purchase.

36. In late July, 2014, the Monitor was advised that the potential purchaser of Lot 2 would not be accepting the counteroffer and would not make a further counteroffer.

Interim Directors

37. Throughout the Reporting Period, the Monitor has provided updates to and requested input from the Proposed Interim Directors of Railside.

38. Although the Proposed Interim Directors of Railside have no official capacity to make decisions for Railside until the Railside Plan is implemented, the Monitor sought and obtained concurrence of the majority of the Proposed Interim Directors for each of the negotiations and potential transaction noted above.

PROPOSED SALE PROCESS

39. As described above, Railside was provided a month-to-month extension of its interim financing provided it paid its current interest costs in advance each month. Railside has pre-paid its interest costs to September 30, 2014; however, it has insufficient funds to pay interest costs beyond that date.

40. On September 16, 2014 the Monitor informed the Interim Financier of Railside's financial position and inability to continue to fund interest costs.

41. Given the inability of Railside to make the required interest payments to the Interim Financier post September 30, 2014, the Monitor and the Interim Financier concur that the Interim Financier will be in a position to commence a foreclosure proceeding against the Railside Land post September 30, 2014. The Interim Financier has agreed to allow Railside to run a final six-month sales process (the "Proposed Revised Sales Process") for the Railside Lands in their entirety to avoid the cost of a foreclosure proceeding and allow for the maximum recovery to all stakeholders.

42. A summary of the Proposed Revised Sales Process is as follows:

    a) The Proposed Revised Sales Process will commence on or about October 14, 2014;

b) The Monitor will work with the Listing Agent to advertise the Railside Lands for sale – either for the SE Quarter or SW Quarter or in their entirety;

c) The Proposed Revised Sales Process will have a bid deadline of January 31, 2015 (the "Bid Deadline");

d) All offers made in the Proposed Revised Sales Process will have to close no later than February 28, 2015 unless the Interim Financier and the Monitor agree to a further closing extension;

e) The Monitor will reserves the right to negotiate any offers in advance of the Bid Deadline;

f) The Interim Financier has indicated that it will formulate a bid comprising the outstanding value of its interim financing plus any amounts owing under the Administration Charge (up to maximum of $50,000) and in respect of property taxes (the "Credit Bid"); and

g) Following the Bid Deadline, if no offers sufficient to repay the Interim Financier are received, the Credit Bid will be accepted by the Monitor; and.

h) The Monitor will bring the accepted offer(s) to this Honourable Court for approval following the Bid Deadline.

43. The Monitor believes that the Proposed Revised Sales Process is the most beneficial remaining option for all Railside creditors considering the past efforts expended to obtain new financing or sell part of the Railside Land.

FORECAST TO ACTUAL RESULTS

45. The cash flow forecast to actual presented at Appendix A contains Railside's cash receipts and disbursements incurred to date for Reporting Period as compared to the cash flow forecasts previously provided to this Court in the Twenty-Sixth Report. A summary is as follows:

Railside Industrial Park Inc. and Railside Capital Inc.
Cash Flow Forecast to Actual
April 25, 2014 - September 25, 2014

	Forecast	Actual	Variance
Receipts	$ 266,140	$ 264,635	(1,505)
Disbursements	276,050	303,238	(27,189)
Net Cash Flows	$ (9,910)	$ (38,603)	$ 25,684
Opening Cash	$ 49,088	$ 49,088	
Net Cash Flows	(9,910)	(38,603)	
Ending Cash	$ 39,178	$ 10,485	

46. The cash disbursement variance for the Reporting Period relates to higher than forecast professional fee payments and consulting costs. Certain of these amounts had been outstanding for over one year while the Monitor pursued a financing solution.

47. Approximately $20,000 in professional fees are currently outstanding and remain beneficiaries of the Administration Charge.

48. Operating costs have been minimized, with primarily professional fees and property taxes accruing.

CASH FLOW FORECAST

49. The Co-Manager of Railside has prepared the Forecast. The Forecast is based on the most current information available.

50. The table below summarizes the cash flows for Railside for the Forecast Period:

Railside Industrial Park Inc. and Railside Capital Inc.
Cash Flow Forecast
September 25, 2014 - March 31, 2015

		Forecast	Notes
Receipts			
Land Sale	$	-	a
Interest		-	
Total Receipts		-	
Disbursements			
Interest Costs	$	-	b
Property Taxes		-	c
Operating Expenses		6,300	d
Professional Fees		40,000	e
Administration Charge		(40,000)	e
Total Disbursements		6,300	
Net Cash Flows		$ (6,300)	
Opening Cash	$	10,485	
Net Cash Flows		(6,300)	
Ending Cash	$	4,185	

51. Significant assumptions with respect to the Forecast are:

a) No amount has been included in the Forecast in respect of a sale of the Railside Land as the outcome of the Proposed Revised Sales Process is unknown;

b) Interest costs are approximately $15,000 per month; however, no amount has been included in the Forecast given Railside's inability to service its interim financing as described above;

c) Railside has paid its 2013 property taxes but has not paid its 2014 property taxes. The outstanding property taxes will have to be satisfied as part of any transaction arising from the Proposed Revised Sales Process;

d) The Co-Manager has endeavoured to minimize operating costs and does not anticipate any throughout the Proposed Revised Sales Process other than those for investor relations support; and

e) Professional fees are estimated at $40,000 to complete the Proposed Revised Sales Process which will be offset by the Administration Charge.

52. All professionals have agreed to rely on the Administration Charge during the Forecast Period.

53. The Monitor considers the assumptions supporting the Forecast to be reasonable.

RAILSIDE'S REQUEST FOR AN EXTENSION OF THE STAY PERIOD

54. Pursuant to the Orders of this Honourable Court dated April 30, 2014 the Stay Period expires on September 30, 2014 for Railside. Railside is seeking an extension of the Stay Period up to and including March 31, 2015 (the "Stay Extension").

55. The Stay Extension is necessary to allow for Railside to execute the Proposed Revised Sales Process. The length of the stay is intended to minimize professional fees incurred in completing the Proposed Revised Sales Process.

56. In the Monitor's view, Railside is acting in good faith and with due diligence and the extension of the stay of proceedings is warranted.

MONITOR'S RECOMMENDATION

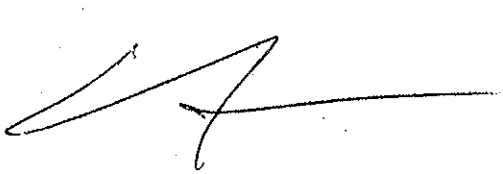
57. The Monitor recommends that that this Honourable Court approves the:

a) Proposed Revised Sales Process; and

b) Stay Extension.

Dated at Calgary, this 26th day of September, 2014.

ERNST & YOUNG INC.
in its capacity as Monitor and Co-Manager
of Railside and Foundation Place



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

Nick JB Purich, CA
Senior

Appendix A

Railside Industrial Park Inc. and Railside Capital Inc.
Cash Flow Forecast to Actual
April 25, 2014 - September 25, 2014

	Forecast	Actual	Variance
Receipts			
Land Sale	$ 266,000	$ 264,259	(1,741)
Interest	140	376	236
Total Receipts	266,140	264,635	(1,505)
Disbursements			
Consulting costs	$ -	$ 9,763	$ 9,763
Interest Costs	94,500	90,822	(3,678)
Property Taxes	48,550	45,373	(3,176)
Operating Expenses	13,000	13,039	39
Professional Fees	120,000	144,241	24,241
Total Disbursements	276,050	303,238	27,189
Net Cash Flows	$ (9,910)	$ (38,603)	$ (28,693)
Opening Cash	$ 49,088	$ 49,088	
Net Cash Flows	(9,910)	(38,603)	
Ending Cash	$ 39,178	$ 10,485	

Notes:

a Consulting costs consisted primarily of investor relations support and appraisal costs.

b Professional fees which were previously beneficiaries of the Administration Charge were paid during the Reporting Period.