COURT FILE NUMBER	1101-17318
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 LEGACY COMMUNITIES INC., AIRDRIE CAPITAL CORPORATION and AIRDRIE COUNTRY ESTATES INC.
DOCUMENT	**FIRST REPORT OF THE MONITOR** **JANUARY 16, 2012**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**MONITOR** ERNST & YOUNG 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

Clerk's Stamp

TABLE OF CONTENTS OF THE FIRST REPORT

APPENDICIES TO THE FIRST REPORT

INTRODUCTION

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

3. 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 notices issued to creditors regarding the granting of the Initial Order;

    b) An update on the restructuring plan;

    c) The request for approval of additional debtor-in-possession financing;

    d) The budget to actual cash flow results for the period for December 21, 2011 to January 13, 2012 (the "Reporting Period");

    e) The revised cash flow projections (the "Revised Cash Flow Projections") from January 14, 2012 to April 30, 2012 (the "Forecast Period");

    f) The Monitor's comments regarding the Company's request for an extension of the stay period; and

    g) The Monitor's recommendations.

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

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

BACKGROUND

6. Background for Legacy and Airdrie and their operations is contained in the materials filed in support of the application for the Initial Order including the December 20, 2011 affidavit of Mr. Ron Aitkens (the "December 20 Aitkens Affidavit") and the January 12, 2012 Affidavit of Mr, Ron Aitkens (the "January 12 Aitkens Affidavit"). These documents, together with other information regarding this CCAA proceeding, has been posted by the Monitor on its website at: www.ey.com/ca/legacyandairdrie.

TERMS OF REFERENCE

7. In preparing this First Report, the Monitor has relied upon unaudited financial information, company records and discussions with management of the Company. 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 (THE "NOTICE")

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

   a) Published the Notice in the Calgary Herald on December 28, 2011 and January 4, 2012;

   b) Made the Initial Order publicly available on the Monitor's website effective December 22, 2011;

   c) On December 22, 2011 mailed the Notice to every known creditor identified to it by the Company (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 January 13, 2012.

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

10. The Monitor notes that pursuant to paragraph 43 b) of the Initial Order the Monitor was to prepare a list showing the names and addresses of the Known Creditors and make the list publicly available on the Monitor's web site within five days after the date of the Initial Order. The Monitor was only able to accomplish this requirement on January 16, 2012 (25 days after the Initial Order).

RESTRUCTURING

11. As outlined in the January 12 Aitkens Affidavit both Legacy and Airdrie are actively reviewing the various restructuring options available and are working towards obtaining financing that would allow for the preservation of bondholder value. The Monitor is assisting Legacy and Airdrie with this effort.

12. At this time Legacy and Airdrie's real estate consultants estimate that the analysis of restructuring options and financing will take approximately 90 days to complete.

13. The Monitor has begun its review of the historical sources and uses of cash for Legacy and Airdrie in order for the Monitor to understand the material transactions and flows of funds that occurred in both Legacy and Airdrie prior to these CCAA proceedings. The Monitor expects to have this review completed by February 2012.

DEBTOR IN POSSESSION ("DIP) FINANCING

14. Based on the cash flow projections for the Forecast Period (discussed below) Legacy and Airdrie will be unable to fund operations and necessary development costs without further DIP financing needs. Accordingly, Legacy and Airdrie will require additional DIP financing of $275,000 and $200,000, respectively.

15. Legacy and Airdrie have arranged with the current DIP Lender, Harvest Capital Management Inc. to provide the additional DIP financing required (the "Additional DIP Facility").

16. The Monitor understands that there are no arm's-length secured creditors of Legacy and Airdrie and, as such, the DIP facility does not prime any secured creditors. In the case of Airdrie, the issuer of the bonds is Airdrie Capital Corporation. The structure of the bond issue is such that Airdrie Country Estates Inc. (the owner of the Airdrie lands) granted Airdrie Capital Corporation a mortgage in the amount of $13,269,146 and such mortgage is registered as a first financial charge against title to the Airdrie lands. In any event, given the quantum of the proposed DIP facility compared to the book value of the assets, the Monitor believes that the DIP facility would not materially prejudice the creditors of Legacy and Airdrie. In addition, the Monitor believes that the additional DIP financing will allow both Legacy and Airdrie an opportunity to pursue a restructuring that will maximize stakeholder value.

17. Based on information provided in the December 20 Aitkens Affidavit, the Monitor understands that the current value of the land is significantly less than the unsecured claims. Management believes that there is significant value in holding these assets and continuing to develop them in order to maximize the recovery for all stakeholders.

18. The Monitor established a telephone line for bondholders and other stake holders to call to obtain information and provide feedback to the Monitor in connection with these proceedings. The Monitor has received calls from approximately 60

people. The general feedback the Monitor is receiving from bondholders is that they are relieved that the proceedings are not in the nature of a liquidation and that they welcome the opportunity to consider the terms of the proposed restructuring alternatives.

19. In the absence of DIP financing, Legacy and Airdrie would likely be placed into a liquidation (i.e. bankruptcy) with their lands being subject to an expedited sale process which, in the Monitor's view, would not maximize the recovery to the stakeholders.

20. The Monitor supports Legacy and Airdrie's application for DIP financing as it allows a period of time for the companies to consider its strategic restructuring alternatives which the Monitor believes will provide a more certain outcome and potentially greater recovery than in liquidation.

21. Accordingly, the Monitor considers the DIP financing to be reasonable and necessary in order to maintain and preserve business operations, and to provide additional time to restructure which preserves value for all stakeholders.

BUDGET TO ACTUAL RESULTS

22. The cash flow budget to actual presented at Appendix A contains the actual cash receipts and disbursements as compared to the cash flow forecast previously provided to this Court in the December 20, 2011 Aitkens Affidavit.

Cash flow Forecast $C	Legacy FORECAST Dec. 21/11 - Jan. 31/12	ACTUAL Dec. 21/11 - Jan. 13/12	VARIANCE	Airdrie FORECAST Dec. 21/11 - Jan. 31/12	ACTUAL Dec. 21/11 - Jan. 13/12	VARIANCE
RECEIPTS						
Debtor-in-possession financing	$ 125,000	$ 125,000	$ -	$ 125,000	$ 125,000	$ -
GST collected	-			-		
Total receipts	**125,000**	**125,000**	-	**125,000**	**125,000**	-
DISBURSEMENTS						
Management fees	9,247		9,247	17,075		17,075
Consulting fees	4,000		4,000	4,000		4,000
Property taxes	-		-	-		-
Operating Expenses	100	6	94	100	12	88
Eyelogic fees	11,600		11,600	5,800		5,800
Bond interest	-		-	-		-
CCAA professional fees	75,000		75,000	75,000		75,000
Total disbursements	**$ 99,947**	**$ 6**	**$ 99,941**	**$ 101,975**	**$ 12**	**$ 101,963**
NET CASH FLOWS	**$ 25,053**	**$ 124,994**	**$ 99,941**	**$ 23,025**	**$ 124,988**	**$ 101,963**
OPENING CASH	$ -	$ -	$ -	$ -	$ -	$ -
NET CHANGE IN CASH FLOWS	25,053	124,994	99,941	23,025	124,988	101,963
ENDING CASH	$ 25,053	$ 124,994	$ 99,941	$ 23,025	$ 124,988	$ 101,963

23. As expected, the only cash receipt for the Reporting Period was $250,000 of DIP financing from Harvest Capital Management Inc.

24. Operating disbursements for the Reporting Period for both Legacy and Airdrie totalled $18 relating to bank fees. The positive variances for both Legacy and Airdrie relate to timing differences as these payments are expected to be paid in January and February 2012.

REVISED CASH FLOW FORECAST THROUGH APRIL 30, 2012

25. The Company, with the assistance of the Monitor, has prepared a forecast for the period January 14, 2012 to April 30, 2012 (the "Forecast Period") which are attached as Appendix B to this report (the "Forecast"). Management has prepared the Forecast based on the most current information available.

26. The table below summarizes cash flow for the Forecast Period:

Cash flow Forecast January 14, 2012 - April 30, 2012 $C	Legacy Total	Airdrie Total
RECEIPTS		
Debtor-in-possession financing	$ 275,000	$ 200,000
GST collected	-	-
Total receipts	**275,000**	**200,000**
DISBURSEMENTS		
Management fees	29,247	54,008
Consulting fees	16,000	16,000
Property taxes	-	-
Operating Expenses	400	400
Eyelogic fees	36,600	18,300
Development costs	100,000	25,000
CCAA professional fees	200,000	200,000
Total disbursements	**$ 382,247**	**$ 313,708**
NET CASH FLOWS	**$ (107,247)**	**$ (113,708)**
OPENING CASH	$ 124,994	$ 124,988
NET CHANGE IN CASH FLOWS	(107,247)	(113,708)
ENDING CASH	$ 17,747	$ 11,280

27. As summarized above, Legacy is projecting total cash receipts of approximately $275,000 against cash disbursements of approximately $382,000, resulting in a net decrease in cash of approximately $18,000 during the Forecast Period.

28. As summarized above, Airdrie is projecting total cash receipts of approximately $200,000 against cash disbursements of approximately $314,000, resulting in a net decrease in cash of approximately $11,000 during the Forecast Period.

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

30. Significant assumptions made by Legacy and Airdrie's management with respect to the Forecast are:

a) Legacy and Airdrie have no operating revenues;

b) Additional DIP financing of $475,000 will be provided by Harvest Capital Management Inc.;

c) Management fees are based on the offering memorandums;

d) Consulting fees relate to engagement entered into with Okko Communities Inc. and Foxbridge Group;

e) No property taxes are payable during the Forecast Period;

f) Operating expenses are based on historical results;

g) Eyelogic fees relate to administration services;

h) Development costs consist of concept plan submission and continuing carrying costs; and

i) Professional fees relate to the costs of the Monitor and legal counsel.

31. Based on the above assumptions, the Forecast indicates that Legacy and Airdrie will need further DIP financing to meet its current obligations through the Forecast Period.

THE COMPANY'S REQUEST FOR AN EXTENSION OF THE STAY PERIOD

32. Pursuant to the Initial Order, as amended, the Stay Period expires on January 20, 2012. Legacy and Airdrie are seeking an extension of the Stay Period to and including, April 17, 2012 (the "Stay Extension").

33. The Stay Extension is necessary to allow Legacy and Airdrie to fully explore the possible restructuring alternatives, obtain exit financing and develop a restructuring plan to present to their creditors.

34. In the Monitor's view, the Legacy and Airdrie are acting in good faith and with due diligence.

RECOMMENDATIONS

35. The Monitor recommends that this Honourable Court approve:

    a) the Additional DIP Facility; and

    b) the Stay Extension.

Dated at Calgary, this 16th day of January, 2012.

ERNST & YOUNG INC.
in its capacity as
Monitor of Legacy & Airdrie

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

APPENDIX A

Cash flow Forecast $C	Notes	Legacy Communities Inc. FORECAST Dec. 21/11 - Jan. 31/12	 ACTUAL Dec. 21/11 - Jan. 13/12	 VARIANCE	Airdrie (Note 1) FORECAST Dec. 21/11 - Jan. 31/12	 ACTUAL Dec. 21/11 - Jan. 13/12	 VARIANCE
RECEIPTS	2						
Debtor-in-possession financing	3	$ 125,000	$ 125,000	$ -	$ 125,000	$ 125,000	$ -
GST collected	4	-			-		
Total receipts		**125,000**	**125,000**	**-**	**125,000**	**125,000**	**-**
DISBURSEMENTS							
Management fees	5	9,247		9,247	17,075		17,075
Consulting fees	6	4,000		4,000	4,000		4,000
Property taxes	7	-		-	-		-
Operating Expenses	8	100	6	94	100	12	88
Eyelogic fees	9	11,600		11,600	5,800		5,800
Bond interest	10	-		-	-		-
CCAA professional fees	11	75,000		75,000	75,000		75,000
Total disbursements		**$ 99,947**	**$ 6**	**$ 99,941**	**$ 101,975**	**$ 12**	**$ 101,963**
NET CASH FLOWS		**$ 25,053**	**$ 124,994**	**$ 99,941**	**$ 23,025**	**$ 124,988**	**$ 101,963**
OPENING CASH		$ -	$ -	$ -	$ -	$ -	$ -
NET CHANGE IN CASH FLOWS		25,053	124,994	99,941	23,025	124,988	101,963
ENDING CASH		$ 25,053	$ 124,994	$ 99,941	$ 23,025	$ 124,988	$ 101,963

Notes and Assumptions

1 "Airdrie" is a consolidation of Airdrie Capital Corporation and Airdrie Country Estates Inc.
2 Legacy Communities and Airdrie have no operating revenues
3 Debtor-in-possession financing provided by Harvest Capital Management Inc.
4 GST collections based on prior three months' cash expenditures
5 Management fees per the respective Offering Memorandums of Legacy and Airdrie for the 42 day period
6 Consulting fees relate to engagement entered into with Okko Communities Inc. and Foxbridge Group
7 No property taxes are payable during the forecast period
8 Operating expenses are based on historical results and as such none are forecast
9 Eyelogic fees relate to administration services
10 Bond interest will not be paid during the forecast
11 Estimated professional fees

APPENDIX B

Cash flow Forecast
$C

	Notes	Legacy Communities Inc. Jan. 14/12-Jan. 31/12	Legacy Communities Inc. Feb.1-29/12	Legacy Communities Inc. Mar. 1-Mar. 31/12	Legacy Communities Inc. Apr. 1-Apr. 30/12	Legacy Communities Inc. Total	Airdrie (Note 1) Jan. 14/12-Jan. 31/12	Airdrie (Note 1) Feb.1-29/12	Airdrie (Note 1) Mar. 1-Mar. 31/12	Airdrie (Note 1) Apr. 1-Apr. 30/12	Airdrie (Note 1) Total
RECEIPTS	2										
Debtor-in-possession financing	3	$ -	200,000	75,000		$ 275,000	$ -	100,000	75,000	25,000	$ 200,000
GST collected	4	-	-			-	-				-
Total receipts		**-**	**200,000**	**75,000**	**-**	**275,000**	**-**	**100,000**	**75,000**	**25,000**	**200,000**
DISBURSEMENTS											
Management fees	5	9,247	6,667	6,667	6,667	29,247	17,075	12,311	12,311	12,311	54,008
Consulting fees	6	4,000	4,000	4,000	4,000	16,000	4,000	4,000	4,000	4,000	16,000
Property taxes	7	-				-	-				-
Operating Expenses	8	100	100	100	100	400	100	100	100	100	400
Eyelogic fees	9	11,600	8,333	8,333	8,333	36,600	5,800	4,167	4,167	4,167	18,300
Development costs	10	-	100,000	-	-	100,000	-	25,000	-	-	25,000
CCAA professional fees	11	100,000	50,000	25,000	25,000	200,000	100,000	50,000	25,000	25,000	200,000
Total disbursements		**$ 124,947**	**$ 169,100**	**$ 44,100**	**$ 44,100**	**$ 382,247**	**$ 126,975**	**$ 95,578**	**$ 45,578**	**$ 45,578**	**$ 313,708**
NET CASH FLOWS		**$ (124,947)**	**$ 30,900**	**$ 30,900**	**$ (44,100)**	**$ (107,247)**	**$ (126,975)**	**$ 4,422**	**$ 29,422**	**$ (20,578)**	**$ (113,708)**
OPENING CASH		$ 124,994	$ 47	$ 30,947	$ 61,847	$ 124,994	$ 124,988	$ (1,987)	$ 2,436	$ 31,858	$ 124,988
NET CHANGE IN CASH FLOWS		(124,947)	30,900	30,900	(44,100)	(107,247)	(126,975)	4,422	29,422	(20,578)	(113,708)
ENDING CASH		$ 47	$ 30,947	$ 61,847	$ 17,747	$ 17,747	$ (1,987)	$ 2,436	$ 31,858	$ 11,280	$ 11,280

Notes and Assumptions

1. "Airdrie" is a consolidation of Airdrie Capital Corporation and Airdrie Country Estates Inc.
2. Legacy Communities and Airdrie have no operating revenues
3. Debtor-in-possession financing provided by Harvest Capital Management Inc.
4. GST collections based on prior three months' cash expenditures
5. Management fees per the respective Offering Memorandums of Legacy and Airdrie for the 42 day period
6. Consulting fees relate to engagement entered into with Okko Communities Inc. and Foxbridge Group
7. No property taxes are payable during the forecast period
8. Operating expenses are based on historical results and as such none are forecast
9. Eyelogic fees relate to administration services
10. Develpoment costs consist of concept plan submission and continuing holding costs
11. Estimated professional fees