| | |
|---|---|
| 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<br><br>AND IN THE MATTER OF THE BUSINESS CORPORATIONS ACT, R.S.A. 2000, c. B-9<br><br>AND IN THE MATTER OF LEGACY COMMUNITIES INC., AIRDRIE CAPITAL CORPORATION and AIRDRIE COUNTRY ESTATES INC. |
| DOCUMENT | **PROPOSED MONITOR'S REPORT ON DEBTORS' CASH FLOW STATEMENTS**<br>**(Railside & Foundation Place)**<br><br>**MARCH 21, 2012** |
| ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT | **MONITOR**<br><br>Ernst & Young Inc.<br>1000, 440 - 2nd Avenue SW<br>Calgary, Alberta T2P 5E9<br>Attention: Neil Narfason / Cassie Hern<br>Telephone: 403-206-5067 / 403-206-5139<br>Fax: 403-206-5075<br>Email: neil.narfason@ca.ey.com<br>cassie.hern@ca.ey.com |

***Introduction***

1. In accordance with section 10(2) of the *Companies' Creditors Arrangement Act,* R.S.C. 1985, C-36, as amended (the "CCAA"), Railside Capital Inc. and Railside Industrial Park Inc. (collectively "Railside") and Foundation Place Capital Inc. and Foundation Capital Inc. (collectively "Foundation Place") have each prepared a two month consolidated cash flow forecast for their receipts and disbursements for the period of March 1, 2012 to April 30, 2012 (the "Cash-Flow Statements"). In preparing the Cash-Flow Statements, management of Railside and Foundation Place has used the probable and hypothetical assumptions set out in notes 1 to 11 (the "Notes") to the Cash-Flow Statements.

2. A copy of the Cash-Flow Statements and Notes are appended as Exhibit "H" to the Affidavit of Mr. Ron Aitkens sworn March 15, 2012 (the "March 15 Aitkens Affidavit"). A copy of the signed Cash-Flow Statements, Notes and a report containing the prescribed representations of the Company regarding the preparation of the Cash Flow Statements are attached hereto as Appendix "A".

3. As indicated in the Cash-Flow Statements, Railside will have no cash receipts and total disbursements of approximately $79,000. As reflected in the Cash-Flow Statement and as set out in the March 15 Aitkens Affidavit, Railside has sufficient funds to satisfy their projected uses of cash for the period of March 1, 2012 to April 30, 2012 (the "Forecast Period").

4. As indicated in the Cash-Flow Statements, Foundation Place estimates total disbursements of approximately $69,000, which will require debtor-in-possession financing ("DIP Financing") of $70,000 for the Forecast Period. As reflected in the Cash-Flow Statement and as set out in the March 15 Aitkens Affidavit, Foundation Place has made arrangements to secure interim DIP Financing with Azimuth Risk Management Ltd. in order to satisfy its funding requirements through the Forecast Period.

***Proposed Monitor's review of the Cash-Flow Statements***

5. We have reviewed the Cash-Flow Statements in our capacity as proposed monitor (the "Proposed Monitor") of Railside and Foundation Place. The sole purpose of the Proposed Monitor's report is to provide the Court with our findings with respect to our review of the Railside and Foundation Place Cash-Flow Statements as to its reasonableness in accordance with section 23(1)(b) of the CCAA.

6. Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by certain of the management of Railside and Foundation Place. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash-Flow Statements. We have also reviewed the support provided by management of Railside and Foundation Place for the probable assumptions and the preparation and presentation of the Cash-Flow Statements.

***Proposed Monitor's opinion on Cash-Flow Statement***

7. Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

   a) the hypothetical assumptions are not consistent with the purpose of the Cash-Flow Statements;

   b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of Railside and Foundation Place or do not provide a reasonable basis for the Cash-Flow Statements, given the hypothetical assumptions; or

   c) the Cash-Flow Statements do not reflect the probable and hypothetical assumptions.

8. Since the Cash-Flow Statements are based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the Cash-Flow Statements will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon by us in preparing this report.

9. The Cash-Flow Statements have been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

Dated at Calgary, this 21st day of March, 2012.

**ERNST & YOUNG INC.**
**in its capacity as the proposed**
**Monitor of Railside and Foundation Place**

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

Cassie Hern, CA
Manager

# APPENDIX A

**Railside Capital Inc. and Railside Industrial Park Inc.**
**Cash Flow Forecast**
**March 1, 2012 - April 30, 2012**
**($C)**

| | | Railside (Note 1) | | |
|---|---|---|---|---|
| | **Notes** | **Mar. 1- Mar. 31/12** | **Apr. 1- Apr. 30/12** | **Total** |
| **RECEIPTS** | 2 | | | |
| Debtor-in-possession financing | 3 | $ - | - | - |
| **Total receipts** | | - | - | - |
| **DISBURSEMENTS** | | | | |
| Management fees | 4 | 16,667 | 16,667 | 33,333 |
| Consulting fees | 5 | 12,069 | 12,069 | 24,138 |
| Property taxes | 6 | - | - | - |
| Operating Expenses | 7 | - | - | - |
| Appraisals | 8 | - | 4,000 | 4,000 |
| Eyelogic fees | 9 | - | - | - |
| Development costs | 10 | - | - | - |
| CCAA professional fees | 11 | 50,000 | 25,000 | 75,000 |
| **Total disbursements** | | $ 78,736 | $ 57,736 | 136,471 |
| **NET CASH FLOWS** | | $ (78,736) | $ (57,736) | (136,471) |
| **OPENING CASH** | | $ 223,298 | $ 144,562 | $ 223,298 |
| **NET CHANGE IN CASH FLOWS** | | (78,736) | (57,736) | (136,471) |
| **ENDING CASH** | | $ 144,562 | $ 86,826 | $ 86,826 |

**Notes and Assumptions**

1 "Railside" is a consolidation of Railside Capital Inc. and Railside Industrial Park Inc.
2 Railside has no operating revenues
3 No Debtor-in-possession is required for forecast period
4 As per OM the management fees are equal to $200,000 per annum
5 Real estate professional estimated fees
6 No property taxes are payable during the forecast period
7 Operating expenses are based on historical results and as such none are forecast
8 Cost of land appraisal
9 Eyelogic fees relating to the administration services have been waived
10 No development costs are anticipated for this forecast period
11 Estimated professional fees

Ron Aitkens
Director

March 15/12
Date

Foundation Capital Inc. and Foundation Place Capital Inc.
Cash Flow Forecast
March 1, 2012 - April 30, 2012
($C)

| | Notes | Foundation (Note 1) Mar. 1- Mar. 31/12 | Apr. 1- Apr. 30/12 | Total |
|---|---|---|---|---|
| **RECEIPTS** | 2 | | | |
| Debtor-in-possession financing | 3 | $ 70,000 | 47,000 | 117,000 |
| Total receipts | | 70,000 | 47,000 | 117,000 |
| **DISBURSEMENTS** | | | | |
| Management fees | 4 | 16,353 | 16,353 | 32,706 |
| Consulting fees | 5 | 2,931 | 2,931 | 5,862 |
| Property taxes | 6 | - | - | - |
| Operating Expenses | 7 | - | - | - |
| Appraisals | 8 | - | 4,000 | 4,000 |
| Eyelogic fees | 9 | - | - | - |
| Development costs | 10 | - | - | - |
| CCAA professional fees | 11 | 50,000 | 25,000 | 75,000 |
| Total disbursements | | $ 69,284 | $ 48,284 | $ 117,568 |
| NET CASH FLOWS | | $ 716 | $ (1,284) | $ (568) |
| OPENING CASH | | $ 1,211 | $ 1,927 | $ 1,211 |
| NET CHANGE IN CASH FLOWS | | 716 | (1,284) | (568) |
| ENDING CASH | | $ 1,927 | $ 643 | $ 643 |

**Notes and Assumptions**

1 "Foundation" is a consolidation of Foundation Capital Inc. and Foundation Place Capital Inc.
2 Foundation has no operating revenues
3 Debtor-in-possession financing provided by Harvest Capital Management Inc.
4 As per OM the management fees are equal to $196,0283 per annum
5 Real estate professional estimated fees
6 No property taxes are payable during the forecast period
7 Operating expenses are based on historical results and as such none are forecast
8 Cost of land appraisal
9 Eyelogic fees relating to the administration services have been waived
10 No development costs are anticipated for this forecast period
11 Estimated professional fees

Ron Aitkens
Director

March 15/12
Date

March 14, 2012

Ernst & Young Inc.
1000, 440 – $2^{nd}$ Avenue SW
Calgary, Alberta
T2P 5E9

Attention: Neil Narfason, CA•CIRP, CBV

Dear Sirs:

Re: **Proceedings under the Companies' Creditors Arrangement Act ("CCAA") Responsibilities/Obligations and Disclosure with Respect to Cash Flow Projections**

In connection with the application by Railside Capital Inc. and Railside Industrial Park Inc. (collectively "Railside") and Foundation Place Capital Inc. and Foundation Capital Inc. (collectively "Foundation Place") for the commencement of proceedings under the CCAA , the management of Railside and Foundation Place ("Management") has prepared the attached Cash-Flow Statement and the assumptions on which the Cash Flow Statement is based.

Railside and Foundation Place confirm that:

1. The Cash Flow Statement and the underlying assumptions are the responsibility of Railside and Foundation Place;
2. All material information relevant to the Cash Flow Statement and to the underlying assumptions has been made available to Ernst & Young Inc., in its capacity as proposed Monitor; and
3. Management has taken all actions that it considers necessary to ensure:
    a. That the individual assumptions underlying the Cash Flow Statement are appropriate in the circumstances; and
    b. That the individual assumptions underlying the Cash Flow Statement, taken as a whole, are appropriate in the circumstances.

Yours truly,

Ron Aitkens
Director of Railside and Foundation Place