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CALGARY, ALBERTA

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, AIRDRIE COUNTRY ESTATES INC., RAILSIDE CAPITAL INC., RAILSIDE INDUSTRIAL PARK INC., FOUNDATION PLACE CAPITAL INC. and FOUNDATION PLACE INC.
DOCUMENT	**SIXTEENTH REPORT OF THE MONITOR** **JANUARY 23, 2013**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**<u>MONITOR</u>** Ernst & Young Inc. 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.Riglin@ca.ey.com **<u>COUNSEL</u>** 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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APPENDIX TO THE FIRST REPORT

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. and Foundation Capital Inc. (collectively "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.

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 are now running each of those entities.

8. The purpose of this sixteenth report (the "Sixteenth Report") of the Monitor is to provide this Honourable Court with:

a) A Railside update;

b) A Foundation Place update;

c) The forecast to actual cash flow results for the period of March 1, 2012 to January 31, 2013 (the "Reporting Period");

d) The cash flow forecasts (the "Forecasts") from February 1, 2013 to April 30, 2013 (the "Forecast Period");

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

f) The Monitor's recommendations.

9. Capitalized terms not defined in this Sixteenth Report are as defined in the Initial Orders.

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

BACKGROUND

11. 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

12. In preparing this Sixteenth 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.

RAILSIDE RESTRUCTURING EFFORTS

13. Railside filed its Plan of Arrangement (the "Railside Plan") in. an Application on November 23, 2012, with this Honourable Court.

14. On December 21, 2012, this Honourable Court granted an order (the "Railside Sanction Order") authorizing the sanction of the Railside Plan.

15. In order to implement the Railside Plan in accordance with the Railside Sanction Order and exit the CCAA proceedings, Railside needs to arrange the necessary financing ("Exit Financing").

16. As discussed in the Fourteenth Report the Monitor was cautiously optimistic that a new debtor-in-possession/exit financing facility (the "New DIP Financing") would be put in place either late 2012 or early 2013. Unfortunately the party that the Monitor was negotiating with for the New DIP Financing decided that it did not want to finance Railside. As such, the Monitor had to re-approach the finance market to identify an alternate New DIP Financing lender. The Monitor advises that it continues to negotiate with various lenders to ascertain the Exit Financing and expects this to be completed in the next two or three months.

17. The Railside Plan cannot be implemented until the New DIP Financing is put in place.

FOUNDATION PLACE RESTRUCTURING EFFORTS

18. The Monitor has been approached by an investor who indicates that he represents a large number of Foundation Place investors who would like to hold this property for a longer term in hopes of achieving a higher recovery. The Monitor has advised this group that in order to hold the property Foundation Place will require exit financing and a plan of arrangement. This group of investors have requested additional time to find the necessary financing to develop a plan and avoid liquidation and the Monitor is supportive of this process.

19. Mylonas Enterprises Ltd. ("Mylonas") and Landstar Teamworks Project Management Ltd. ("Landstar") have each registered encumbrances against the Foundation Place

lands in priority to the Foundation Place Capital mortgage and submitted claims against Foundation Place in respect thereof prior to the claims bar date of August 21, 2012. The Monitor had filed an application on September 20, 2012 to strike out the caveat filed by Mylonas, which application was adjourned sine die. On November 19, 2012, Mylonas submitted an amended proof of claim to the Monitor in respect of its claim against Foundation Place. The Monitor has reviewed the amended Mylonas claim and of the Landstar claim and issued notices of disallowance in respect of both of them in accordance with the Claims Process Order issued in respect of Foundation Place on July 5, 2012. Mylonas and Landstar have disputed the notices of disallowance in accordance with the Claims Process Order. The Monitor is presently working with counsel for Mylonas and Landstar to set a litigation schedule to resolve the claims.

FORECAST TO ACTUAL RESULTS

Railside

20. The cash flow forecast to actual presented at Appendix A contains the cash receipts and disbursements incurred to date for Railside as compared to the cash flow forecasts previously provided to this Court.

Railside Capital Inc. and Railside Industrial Park Inc.
Cash Flow Forecast to Actual
March 1, 2012 - Janaury 31, 2013

	Forecast	Actual	Variance
Receipts	150,000	116,773	(33,227)
Disbursements	748,924	302,424	446,500
Net Cash Flows	(598,924)	(185,651)	413,273

21. The only cash receipt for the Reporting Period was approximately $117,000 of DIP Financing. Azimuth was only able to fund approximately $117,000 of the Railside DIP.

22. Operating expenses, which have been incurred but not entirely paid during the Reporting Period, for Railside total approximately $302,000. The positive variance of approximately $446,500 relates to the timing of settlement for professional fees and a

reduction in management fees in order to conserve cash moving into the Forecast Period.

Foundation Place

23. The cash flow forecast to actual presented at Appendix B contains the cash receipts and disbursements incurred to date for Foundation Place as compared to the cash flow forecasts previously provided to this Court.

Foundation Capital Inc. and Foundation Place Capital Inc.
Cash Flow Forecast to Actual
March 1, 2012 - January 31, 2013

	Forecast	Actual	Variance
Receipts	305,000	279,443	(25,557)
Disbursements	512,436	300,949	211,487
Net Cash Flows	(207,436)	(21,506)	185,930

24. Cash receipts for the Reporting Period were $5,000 from parking lot revenue and approximately $274,000 of DIP Financing. Azimuth was only able to fund approximately $274,000 of the Foundation Place DIP Financing, and has been advised that the remaining unfunded portion will not be funded.

25. Operating expenses, which have been incurred but not entirely paid during the Reporting Period, for Foundation Place total approximately $301,000. The positive variance of approximately $211,000 relates primarily to the timing of settlement for professional fees in order to conserve cash moving into the Forecast Period.

26. Operating costs have been reduced to zero, with only professional fees and property taxes accruing.

CASH FLOW FORECAST THROUGH APRIL 30, 2012

27. Railside and Foundation Place, with the assistance of the Monitor, have prepared a Forecast. The Forecasts are based on the most current information available.

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

Cash Flow Forecast February 1, 2013 - April 30, 2013		
	Notes	Railside
RECEIPTS		
Other revenue	a	100,000
Debtor-in-possession financing	b	750,000
Total receipts		**$ 850,000**
DISBURSEMENTS		
DIP Repayment	c	136,000
Financing fees & interest	d	36,250
Harvest common costs	e	30,000
Consulting fees	f	46,000
Property taxes	g	50,000
CCAA professional fees	h	50,000
Administration Charge reduction	i	413,413
Total disbursements		**$ 761,663**
NET CASH FLOWS		**$ 88,337**
OPENING CASH		$ 1,841
NET CHANGE IN CASH FLOWS		88,337
ENDING CASH		**$ 90,178**

29. As summarized above, Railside is projecting further New DIP Financing for the Forecast Period of $750,000 (the total New DIP Financing currently being sought is for a total of $1.05 million) and a receipt of $100,000 for total projected receipts of $850,000. Cash disbursements of approximately $762,000 are projected, resulting in a net increase in cash of approximately $88,000 during the Forecast Period.

30. The following notes to the Forecast are described below:

   a) Return of a cash deposit with the Town of Millet, Alberta;

   b) New DIP Financing is expected to be finalized and in place in the next two or three months and will convert to an exit financing facility;

   c) Repayment of previous debtor-in-possession financing;

   d) Costs related to establishing the New DIP Financing;

   e) Estimated operating costs for the Forecast Period;

f) Estimated unpaid consulting costs for the Forecast Period;

g) Payment of property taxes;

h) Estimated CCAA fees for the Forecast Period; and

i) Repayment of outstanding professional fees. Professional fees relate to the costs of the Monitor and its' legal counsel, the Companies' legal counsel and the UCC's legal counsel.

31. As Railside operates with no cash flow, the professional fees continue to rely on the Administration Charge. The Monitor is seeking an increase in the Administration Charge for Railside up to $500,000.

32. The table below summarizes the cash flows for Foundation Place for the Forecast Period:

Cash Flow Forecast **February 1, 2013 - April 30, 2013**			
	Notes		**Foundation Place**
RECEIPTS	a		
Debtor-in-possession financing	b	$	-
Total receipts		$	-
DISBURSEMENTS			
Management fees	c	$	-
Consulting fees	d		-
CCAA professional fees	e		60,000
Administration Charge offset	e		(60,000)
Total disbursements		$	-
NET CASH FLOWS		$	-
OPENING CASH		$	5,095
NET CHANGE IN CASH FLOWS			-
ENDING CASH		**$**	**5,095**

33. As summarized above, Foundation Place is projecting no further DIP Financing needs for the Forecast Period. The accrued and unpaid professional fees are beneficiaries of the Administrative Charge, and all beneficiaries have agreed to extend the time for

payment until exit financing is secured or until it is apparent no exit financing will be obtained. Accordingly, no further cash needs are required during the Forecast Period.

34. As Foundation Place operates with no cash flow, the professional fees continue to rely on the Administration Charge. The Monitor is seeking an increase in the Administration Charge for Foundation Place up to $300,000.

35. Significant assumptions with respect to Foundation Place are:

a) Foundation Place have no operating revenues;

b) No further DIP Financing is required at this time;

c) No further management fees will be incurred on Foundation Place;

d) No further Consulting fees are to be paid for Foundation Place; and

e) Professional fees relate to the costs of the Monitor and its' legal counsel, the Companies' legal counsel and the UCC's legal counsel and have been estimated by the Monitor.

36. 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

37. Pursuant to the Orders of this Honourable Court dated December 21, 2012 and November 23, 2012 the Stay Period expires on January 31, 2013 for Railside and Foundation Place.

38. Railside and Foundation Place are seeking an extension of the Stay Period up to and including April 30, 2013 (the "Stay Extension").

39. The Railside Stay Extension is necessary to allow Railside to finalize its Exit Financing and proceed with implementation of the Railside Plan.

57. The Foundation Place Stay Extension is necessary to allow the Foundation Place investors an opportunity to assess the viability of developing a plan or arrangement and to find the necessary financing required.

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

MONITOR'S RECOMMENDATIONS

The Monitor recommends that that this Honourable Court approves:

a) The Stay Extension; and

b) The increase in the Administration Charge for Railside and Foundation Place.

Dated at Calgary, this 23rd day of January, 2013.

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

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

Cassie Riglin, CA
Manager

APPENDIX A

Railside Capital Inc. and Railside Industrial Park Inc.
Cash Flow Forecast to Actual
March 1, 2012 - Janaury 31, 2013

		Forecast		Actual		Variance
RECEIPTS						
Debtor-in-possession financing		150,000	$	116,773	$	(33,227)
Total receipts		**150,000**		**116,773**		**(33,227)**
DISBURSEMENTS						
Management fees		71,668		48,667		23,001
Consulting fees		79,956		36,180		43,776
Property taxes		43,000		41,942		1,058
Operating Expenses		300		20,238		(19,938)
CCAA professional fees		525,000		50,000		475,000
Total disbursements	**$**	**748,924**	**$**	**302,424**	**$**	**446,500**
NET CASH FLOWS	**$**	**(598,924)**	**$**	**(185,651)**	**$**	**413,273**
OPENING CASH	$	187,492	$	187,492		
NET CHANGE IN CASH FLOWS		(598,924)		(185,651)		
ENDING CASH	**$**	**(411,432)**	**$**	**1,841**		

APPENDIX B

Foundation Capital Inc. and Foundation Place Capital Inc.
Cash Flow Forecast to Actual
March 1, 2012 - January 31, 2013

	Forecast	Actual	Variance
RECEIPTS			
Debtor-in-possession financing	305,000	$ 274,443	$ (30,557)
Parking Lot Revenue	-	5,000	5,000
Total receipts	**305,000**	**279,443**	**(25,557)**
DISBURSEMENTS			
Management fees	65,412	65,412	-
Consulting fees	11,724	8,014	3,710
Property taxes	34,000	27,995	6,005
Operating Expenses	300	1,903	(1,603)
Appraisals	4,000	2,625	1,375
Eyelogic fees	-	-	-
Development costs	-	-	-
CCAA professional fees	397,000	195,000	202,000
Total disbursements	**$ 512,436**	**$ 300,949**	**$ 211,487**
NET CASH FLOWS	**$ (207,436)**	**$ (21,506)**	**$ 185,930**
OPENING CASH	$ 26,601	$ 26,601	
NET CHANGE IN CASH FLOWS	(207,436)	(21,506)	
ENDING CASH	**$ (180,835)**	**$ 5,095**	