COURT FILE NUMBERS	1101-17318 1201-06934	Clerk's Stamp CLERK OF THE COURT FILED MAR 28 2014 CALGARY, ALBERTA
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 RAILSIDE CAPITAL INC., RAILSIDE INDUSTRIAL PARK INC., FOUNDATION PLACE CAPITAL INC. AND FOUNDATION PLACE INC. AND IN THE MATTER OF ERNST & YOUNG INC. IN ITS CAPACITY AS COURT-APPOINTED RECEIVER AND MANAGER OF 1252064 ALBERTA LTD., 1330075 ALBERTA LTD. AND HARVEST CAPITAL MANAGEMENT INC. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY	
DOCUMENT	**TWENTY-THIRD REPORT OF THE MONITOR** **MARCH 28, 2014**	
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 / Nick J.B. Purich Telephone: 403-206-5067 / (403) 206-5170 Fax: 403-206-5075 Email: Neil.Narfason@ca.ey.com Nick.JB.Purich@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	

TABLE OF CONTENTS OF THE TWENTY-THIRD REPORT

APPENDICIES TO THE TWENTY-THIRD 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. ("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 an Order (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. The purpose of this twenty-third report (the "Twenty-Third Report") of the Monitor is to provide this Honourable Court with:

   a) an update on Foundation Place's restructuring efforts,

   b) background on certain transactions among Foundation Place, 1252064 Alberta Ltd. ("125") and Arlington Street Investments Inc. ("ASI");

   c) Foundation Place's proposed settlement with 125 (the "FP and 125 Settlement" which is further defined below);

   d) the Monitor's analysis of the FP and 125 Settlement and the Co-Manager's request for approval of the FP and 125 Settlement; and

   e) the Monitor's recommendation.

10. Capitalized terms not defined in this Twenty-Third Report are as defined in the Initial Order.

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

BACKGROUND

12. As indicated above, Ernst & Young Inc. is operating as both the Monitor and Co-Manager of Foundation Place pursuant to Orders previously issued in the within proceedings. Ernst & Young Inc. is also the Court-Appointed receiver and manager of 125 pursuant to an order issued on September 30, 2013 in Court of Queen's Bench Action No. 1201-06934 (the "Receiver"). The resolution of certain transactions occurring between Foundation Place and 125 is necessary as part of the continued administration of the estate of 125 and is further necessary to allow Foundation Place to implement a restructuring under the CCAA.

13. Ernst & Young Inc., in its capacity as both Monitor and Co-Manager of Foundation Place and as Receiver of 125, has considered and is ultimately supportive of the FP and 125 Settlement for the reasons further discussed herein. Given the overlapping roles between the Monitor, Co-Manager and Receiver, this Twenty-Third Report is filed to obtain court approval of the FP and 125 Settlement and ensure that all material facts relating to the FP and 125 Settlement are communicated to affected stakeholders.

14. Additional 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

15. In preparing this Twenty-Third Report, the Monitor has relied upon unaudited financial information, company records and discussions with former management of the Company. The Monitor has not performed an audit, review or other verification of such information.

RESTRUCTURING PROGRESS

16. Further to the Twenty-Second Report of the Monitor dated March 21, 2014 Foundation Place Capital has been able to obtain Additional Financing (as defined in the Twenty-Second Report) through a proposed settlement arrangement with 125 which involves an advance of funds from 125 to Foundation Place Capital and a settlement of certain debt and damages claims which Foundation Place Capital has against 125. The proposed settlement is discussed in detail below.

17. The FP and 125 Settlement will allow Foundation Place Capital to finalize its plan of arrangement which would then be presented to this Court for approval to circulate to the Foundation Place creditors.

TRANSACTIONS AMONG FOUNDATION PLACE, 125 AND ASI

18. Foundation Place and 125 are part of a group of legal entities commonly known as the Harvest Group of Companies (the "Harvest Group"). Mr. Ronald Aitkens ("Mr. Aitkens") was the director and controlling mind of various legal entities comprising the Harvest Group, including 125 and the Debtors.

19. The creditors of Foundation Place are primarily individual investors who purchased bonds and shares in Foundation Place, many of which are held by the investors in individual registered retirement savings plan accounts.

20. On March 30, 2009, Foundation Place Capital transferred $1,562,500 from the funds raised from the individual investors to Schinnour Matkin Baxter & Pichette LLP in trust ("SMBP"). A copy of the wire transfer details received from Royal Bank of Canada for Foundation Place Capital is attached to this Twenty-Third Report as Appendix A.

21. The amount was shown as received by SMBP on March 30, 2009 and transferred to Burstall Winger LLP on March 31, 2009 with reference to an investment of 50 units in Haiku Management LP ("Haiku Units") for the same amount. Haiku Management LP is an investment company managed by ASI. A copy of the SMBP trust ledger is attached as Appendix B.

22. The Monitor understands that the Haiku Units were purchased in the name of 125 despite the fact that the funds used to purchase the Haiku Units were transferred directly from Foundation Place Capital. Attached to this report as Appendix C is a copy of the Haiku Unit Amended Certificate showing the units purchased in the name of 125.

23. The Monitor further understands that on December 1, 2010, Mr. Aitkens, the sole director of 125, authorized the sale of 25 of the 50 Haiku Units. Attached to this report as Appendix D is a letter from Haiku Management LP explaining that 25 of the units were sold and the proceeds of $670,625 were paid to 125. 125 did not remit any of these sale proceeds to Foundation Place.

24. On July 31, 2011, the remaining 25 Haiku Units were repurchased by ASI at $29,375 per unit. A promissory note in the amount of $734,375 with no interest was issued to 125 by ASI with a maturity date of August 1, 2014 (the "Promissory Note"). A copy of the promissory note is attached to this report as Appendix E.

PROPOSED SETTLEMENT BETWEEN FOUNDATION PLACE AND 125

25. Foundation Place Capital asserts that it has a trust claim (the "FP Trust Claim") over

the Promissory Note because the Haiku Units were purchased with funds advanced directly by Foundation Place Capital.

26. Foundation Place Capital further asserts that it will have an unsecured claim (the "FP Unsecured Claim") of $827,625 against 125 for the difference between the $1,562,000 originally advanced to purchase the Haiku Units and the value of the Promissory Note.

27. Foundation Place also has damage claims against 125 (the "125 Damage Claims") for:

a) approximately $1.5 million in relation to the non-arm's length initial purchase agreement between Foundation Place and 125;

b) a significant unquantified amount in relation to 125's removal of the majority of Foundation Place's working capital, contrary to the stated purposes in the Foundation Place offering memorandum thereby causing serious delay in the project's development; and

c) other potential damage claims relating to 125 and its management's handling of the Foundation Place project.

28. Foundation Place Capital and 125 have agreed to settle, subject to Court approval, the FP Trust Claim, the FP Unsecured Claim and the 125 Damage Claim as follows (the "FP and 125 Settlement"):

a) Foundation Place will receive an advance (the "Advance") from 125 of up to $225,000 bearing interest at 11% and repayable on the earlier of 125 monetizing the Promissory Note or one year from the date of advance. The Advance will be secured in a first position against proceeds paid by ASI to Foundation Place Capital from the Promissory Note. The Advance will be further secured against the land owned by Foundation Place and will include a general security agreement that will both be subordinate to the first lien debt of $800,000 in favour of a Canadian Chartered Bank as arranged by Simmons Financial Holdings Ltd. which is described in the Monitor's Twenty-Second Report dated March 21, 2014;

b) 125 will assign the Promissory Note to Foundation Place Capital;

c) 125 will accept the FP Unsecured Claim; and

d) Foundation Place will mutually release each other from all other claims.

29. The FP and 125 Settlement is substantially in the form attached at Appendix F.

30. The FP and 125 Settlement will be contingent upon:

a) This Honourable Court approving the FP and 125 Settlement; and

b) Foundation place implementing its Plan on or before May 31, 2014 or such other date as may be agreed to by Foundation Place and 125.

MONITOR'S ANALYSIS OF THE FP AND 125 SETTLEMENT

31. As the source of the funds used to purchase the Haiku Units was from Foundation Place Capital, Foundation Place Capital has a tracing argument to proceeds from the Promissory Note as advanced by the FP Trust Claim.

32. The Monitor supports the FP and 125 Settlement as it is beneficial to both 125 and Foundation Place as follows:

a) Financing: Foundation Place gains access to the necessary financing to proceed with a Plan at the same interest rate as its current interim financing. Furthermore, 125 earns a reasonable and market rate of interest on the Advance;

b) Claims: Foundation Place receives the benefit of having the FP Trust Claim resolved through the assignment of the Promissory Note, and having the FP Unsecured Claim recognized in advance of 125 running any claims process. The Monitor notes that 125 may not be in a position to run a claims process for at least a year or more due to the complexity of its asset realization process and timing of remaining expected realizations. The creditors of 125 will benefit in that the remaining claims asserted by Foundation Place against 125 will not be advanced which, in the Monitor's view, is likely to leave some, very modest, additional funds available for the creditors of 125; and

c) Costs: neither Foundation Place, 125 or any of the other related Harvest entities have the financial resources to litigate the various disputed matters and there is no funding mechanism available to these entities. Even if funds were available, the costs to litigate these matters, combined with the uncertainty and protracted nature of litigation would potentially outweigh the recovery for many of the related Harvest entities.

MONITOR'S RECOMMENDATION

33. The Monitor recommends that this Honourable Court approve the FP and 125 Settlement.

Dated at Calgary, AB, this 28th day of March, 2014.

ERNST & YOUNG INC.
in its capacity as Monitor of
Foundation Place and not in its
personal or corporate capacity

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

Nick J.B. Purich, CA
Senior

Appendix A

FT - 8014   FUNDS TRANSFER
TRANSIT 00905   FT CAD   IN / OUT TRANSFERS   2009 03 31-2009 04 05   DATE 2009 04 12   PAGE   5114
TOR RO GTS PSC-TRANSCOMMAND

OUT-

HOST REFERENCE NO.......... 00905-09089-194378 COMPLETED

ICN.......................

PAYMENT AMOUNT............. 1,562,500.00 CAD

CLIENT RATE...............

CONVERSION AMOUNT.........

COMMUNICATION 0.00 CAD

COMMISSION 0.00 CAD

CLIENT PAYS AMOUNT........ 1,562,500.00 CAD

ORDERING CUSTOMER......... FOUNDATION PLACE CAPITAL INC.

ADDRESS................. SUITE 4
4002 9 AVENUE NORTH
LETHBRIDGE ABT1H6T8

DEBIT BRANCH (PRINC)...... LETHBRIDGE AB MAIN-LETHBRIDGE

ACCOUNT .... 07269 104-321-5 DDA (07269) GH 2009 03 30

DEBIT BRANCH (FEES).......

ORDERING BANK.............

ADDRESS.................

DETAIL OF PAYMENT......... Baiku Investment

BANK TO BANK INFO.........

ENTRY OPER. ID.........000000000   2009 03 30 16:40

APPR. OPER. ID.........

REPAIR OPER. ID........000002000 00000 2009 03 30 16:40 ICN 09033026207B

APPR. OPER. ID.........

VALUE DATE............... 2009 03 30

SENDER REF............... 7908901318

CHARGES FOR.............. WAIVED

SERIAL NO................

SRF CLIENT NO............

TRAN 0.00 CAD

TAX 0.00 CAD

RECEIVED FROM 00905.....

ADDRESS..............

BENEFICIARY ACCOUNT..... 5210332

CUSTOMER.............. Schinnour Matkin Baxter Pichette

ADDRESS............... 5799 3rd St SE
Calgary AB

ACCOUNT WITH BANK....... TD Canada Trust

(0004 80629).... 317 - 7th Avenue S.W.

ADDRESS..............
Calgary CA

INTERMEDIARY BANK.......

Appendix B

Client Trust Ledger
To Oct/29/2013

Client	Matter / Date / Entry #	Description / Received From/Paid To / Explanation	Resp Lawyer / Chq#/Rec#	Bank Acct#	Deposit Type	Receipt	Disbs	Last Entry Date / Acct Bal
616		Aitkens Group	pkm					
	09-1666	Haiku Management Limited Partnership Investment						Mar 31/2009
	Mar 30/2009	Ron Aitkens	619	1	Wire	1562490.00		1562490.00
	57375	Haiku Management Limited Partnership Investment						
	Mar 31/2009	[illegible] LLP	WIRE	1			1562490.00	0.00
	57481	Funds to close re Haiku Management LP Investment						
Matter Total:				1		1562490.00	1562490.00	
Client Total:				1		1562490.00	1562490.00	

Firm Totals: 1 - Closed June 2011 - Trust Bank Acct 1, TD Canada Trust, 5210332 — 1562490.00 1562490.00

REPORT SELECTIONS - Client Trust Ledger

Layout Template	Default
Advanced Search Filter	None
Requested by	ls
Finished	Tuesday, October 29, 2013 at 03:46:59 PM
Ver	12.0 SP3 (12.0.20120217)
Matters	09-1666
Clients	All
Major Clients	All
Client Intro Lawyer	All
Matter Intro Lawyer	All
Responsible Lawyer	All
Assigned Lawyer	All
Type of Law	All
Select From	Active, Inactive, Archived Matters
Matters Sort by	Default
New Page for Each Lawyer	No
Show Totals for All Matters with Trust Balances	Yes
Matter with No Trust Activity on or After	No
Details Begin Date	Jan/ 1/1992
Details End Date	Dec/31/2199
Matters with Balances Greater Than or Equal to	No
Include Cheques	Yes
Include Receipts	Yes
Include Details for	Cheque,Cash,Credit Card,Bank Chk,Dir Dpst,Money Order,Other,Wire,Crtfd Chk
Account	All
Show Entries which result in a Neg. Balance	No
All Matters with Activity	Yes
Firm Totals Only	No
Totals Only	No
Negative Balances Only	No
Sort By	Date

Appendix C

CR0590072 2 0005

SD...

SCHEDULE "A"
LIMITED PARTNERS

Limited Partners Name and Address	Number of Units	Subscription Amt ($31,250/Unit)
4892187 Manitoba Ltd. 32 Elmvale Crescent Winnipeg, Manitoba R3R 2S4	7	218,750
Enzo Holdings Inc. 221 – 17th Avenue S.E. Calgary, Alberta T2G 1H5	20	625,000
Lee Matthew Rogers 2905 Cartier Street S.W. Calgary, Alberta T2T 3J5	7	218,750
Peter Robert Rogers 236 Varsity Green Bay N.W. Calgary, Alberta T3B 3A8	7	218,750
1252064 Alberta Ltd. Suite 18, 11410 – 27 Street S.E. Calgary, Alberta T2Z 3R6	50	1,562,250

Appendix D

HAIKU

July 19, 2012

Ernst & Young Inc.
1000, 440 – 2nd Avenue S.W.
Calgary, Alberta T2P 5E9

Delivered via email

Attention: Neil Narfason

Dear Neil,

As noted in our conversation of last week, my office has been informed of and forwarded the contents of your Monitor's report dated June 18, 2012.

As the report relates to matters of Haiku Limited Partnership, I can tell you that my office as well as I am personally appalled by learning that investor monies which came from a completely separate and arm's length investment vehicle were directed to The Haiku Limited Partnership without the prior knowledge, authority and/or subsequent consent of the Foundation Place investors.

The Haiku Limited Partnership is built in the standard GP/LP format I have used for all of my private syndications over the past decade. As you read through the attached subscription document, you will note that Ron Aitkens undertook to acquire the Haiku Units as an **"accredited investor"** and signed the disclosure document within our agreement as such. Ron provided absolutely no disclosure to Haiku Limited Partnership that the funds were coming from Foundation Place (and the proceeds paid by individual retail investors that had no connection to our Haiku Limited Partnership). Had Ron disclosed this, the transaction would have been rejected outright and we would've never accepted these funds.

Since the issuance of the June 18, 2012 Monitor's Report, our office has received several dozen calls from investors indicating that Ron had told them that he "loaned" these monies to The Haiku Limited Partnership. These comments are categorically incorrect, and are a clear fabrication of the facts in that the obvious construct of the LP is an equity investment structure and the subscription agreements contained herein clearly demonstrate what these monies have and have not been invested in.

I have not spoken to any of the investors, and have instructed my staff to not discuss the matter but instead to listen to their complaints. The other question surrounding the transaction is: "why did we decide to buy back the shares from Ron?" The reason why Ron's shares (now known as the Foundation Place Investment Capital) were all bought back from him was because it became inherently clear to me during my tenure at The Harvest Group of Companies that I personally did not want to be a business partner of Ron Aitkens and, more importantly, did not want to expose any of my accredited investors to any of the inevitable fall out that was going to take place based on Ron's business practices. Obviously, we could never have predicted this issue but it's exactly the reason we needed to remove Ron from our business.

It has also been brought to our attention that Ron Aitkens did not disclose the fact that ½ of his units have been bought back by Haiku GP and those proceeds were remitted to Ron for a total gross sum of $718,750.00 ($670,625.00 net amount after disbursements of all commissions and legal fees in connection with the sale of units). Ron also received a distribution cheque in the amount of $109,375.00 in April 2011 and, based on your report findings; it does not appear that any of these monies made it back to the rightful place (i.e. the investors' bank account).

Please find enclosed the following for your records:

1.) Haiku LP investor update;
2.) Copy of Subscription Agreement;
3.) Copy of Distribution cheque sent to Ron Aitken's Company; 1252064 Alberta Ltd., in the amount of $109,375.00 dated April 14, 2011 (and subsequently negotiated April 27, 2011 pursuant to the attached RBC Business Statement of Account);
4.) Copy of Letter of Direction received from Ron Aitkens dated December 1, 2010 for the sale of 25 of 50 LP Units. Please note a total of 50 units @ $31,250/unit were purchased for a total investment of $1,562,500.00;
5.) Copy of Limited Partnership Sale Agreement for the sale of 25 units;
6.) Copy of reporting letter received from Burstall Winger LLP, dated December 22, 2012 advising of the issuance of their trust cheque representing the net LP sale amount for 18 units in the amount of $461,250.00;
7.) Copy of reporting letter received from Burstall Winger LLP, dated January 14, 2012 advising of the issuance of their trust cheque representing the net LP sale amount for 7 units in the amount of $209,375.00.

While this certainly is not consolation to any investor, The Haiku Limited Partnership is and continues to be a highly successful investment.

As you can see by the corporate update relating to Haiku LP, all monies based on the Haiku buy/sell agreement will be paid back. Unfortunately, it will be the Monitor and Manager's job to track down the $670,625.00 and $109,375.00 that were paid to Ron Aitkens (which we now know are owed to the investors of Foundation Place).

Please note that we are here to answer any questions and assist in any way that we can and, from a professional perspective, wish you the best of luck on the file.

Sincerely,

HAIKU MANAGEMENT GP INC.

Per: Frank L. Lonardelli, President

cc: Alan McConnell, Burstall Winger LLP

Appendix E

TERM PROMISSORY NOTE

AMOUNT: Cdn. $ 734,375.00 DUE DATE: August 1st, 2014

DATE: August 1st, 2011

FOR VALUE RECEIVED, the undersigned, **ARLINGTON STREET INVESTMENTS INC.,** being a corporation incorporated under the laws of the Province of Alberta (the "**Debtor**"), hereby promises to pay to **1252064 ALBERTA LTD.** (the "**Holder**"), at #4, 4002 9th Avenue North, Lethbridge, Alberta T1H 6T8, or such other address in Alberta as the Holder may otherwise advise the Debtor in writing from time to time, the principal amount of **SEVEN HUNDRED THIRTY-FOUR THOUSAND THREE HUNDRED SEVENTY-FIVE DOLLARS** in Canadian dollars ($734,375.00) (the "**Principal Amount**") on August 1st, 2014 (the "**Due Date**").

Interest shall not accrue or be payable on the Principal Amount on or before the Due Date.

The Debtor hereby waives grace, demand, presentment for payment, notice of dishonour or default, protest and diligence in collecting.

The provisions of this Promissory Note shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada as applicable herein.

DATED at the City of Calgary, in the Province of Alberta this 1st day of August, 2011.

ARLINGTON STREET INVESTMENTS INC.

Per: ______________________
Frank L. Lonardelli, President

Appendix F

LOAN, ASSIGNMENT AND SETTLEMENT AGREEMENT

THIS AGREEMENT made effective as of the ____ day of ________________, 2014.

AMONG:

1252064 ALBERTA LTD. ("**125 Alberta**") a corporation incorporated pursuant to the laws of the Province of Alberta by Ernst & Young Inc., in its capacity as court-appointed receiver and manager of 1252064 Alberta Ltd., and not in its personal or corporate capacity

- and -

FOUNDATION PLACE INC. ("**Place**") a corporation incorporated pursuant to the laws of the Province of Alberta

- and -

FOUNDATION PLACE CAPITAL INC. ("**Capital**") a corporation incorporated pursuant to the laws of the Province of Alberta

WHEREAS Place and Capital applied for and obtained protection from their creditors pursuant to an initial order issued under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") in Court File No. 1101-17318 (the "**Foundation Place CCAA Proceedings**") on March 21, 2012 (the "**Foundation Place Initial Order**");

AND WHEREAS Ernst & Young Inc. ("**EY**") was appointed as monitor of Place and Capital pursuant to the Foundation Place Initial Order;

AND WHEREAS on May 12, 2012, EY was appointed as co-manager of Place and Capital pursuant to and in accordance with an order issued in the Foundation Place CCAA Proceedings;

AND WHEREAS 125 Alberta applied for and obtained protection from its creditors pursuant to an initial order issued under the CCAA in Court File No. 1201-06934 (the "**125 Alberta CCAA Proceedings**") on June 7, 2012 (the "**125 Alberta Initial Order**");

AND WHEREAS EY was appointed as monitor of 125 Alberta pursuant to the 125 Alberta Initial Order;

AND WHEREAS the 125 Alberta CCAA Proceedings were terminated on September 30, 2013 and an order was issued that, inter alia, appointed EY as receiver and manager of 125 Alberta on September 30, 2013;

AND WHEREAS at all material times before the issuance of the Foundation Place Initial Order each of Place, Capital and 125 Alberta were controlled by Ronald James Aitkens ("**Aitkens**");

AND WHEREAS Place is the registered owner in fee simple of lands situated in the province of Alberta and legally described as Plan 1011477; Block 4; Lot 41 (the "**Lands**");

AND WHEREAS Capital has registered a mortgage against the Lands as instrument number 091 191 225 (the "**Capital Mortgage**");

AND WHEREAS on March 30, 2009, Aitkens caused Capital to advance $1,562,200 (the "**Capital Funds**") to Schinnour Matkin Baxter & Pichette LLP in trust ("**SMBP**");

AND WHEREAS on March 31, 2009, SMBP transferred the Capital Funds to Burstall Winger LLP with reference to an investment of 50 units (the "**Haiku Units**") in Haiku Management Limited Partnership ("**Haiku LP**");

AND WHEREAS the Haiku Units were issued to and in the name of 125 Alberta;

AND WHEREAS on December 1, 2010, Aitkens caused 125 Alberta to transfer 25 of the 50 Haiku Units in exchange for $670,625 (the "**Cash Proceeds**") in cash sale proceeds;

AND WHEREAS the Cash Proceeds were not paid or otherwise transferred to Capital by 125 Alberta;

AND WHEREAS on July 31, 2011, Aitkens caused 125 Alberta to transfer the remaining 25 Haiku Units to Arlington Street Investments Inc. ("**ASI**") in exchange for the promissory note attached as Schedule "**A**" hereto pursuant to which ASI promised to pay the principal amount of $734,375, without interest, to 125 Alberta on August 1, 2014 (the "**Note**");

AND WHEREAS Capital asserts that it has various trust, tracing and unsecured damages claims against 125 Alberta and to the proceeds payable on the Note on account of the Capital Funds being used to acquire the Haiku Units (collectively, the "**Capital Claims**");

AND WHEREAS Capital intends to submit a plan of compromise and arrangement to its creditors pursuant to the CCAA in the Foundation Place CCAA Proceedings that will, *inter alia*, result in the restructuring of Capital's debt obligations and capital structure, Capital foreclosing on the Capital Mortgage and becoming the registered owner in fee simple of the Lands and the wind up and dissolution of Place (the "**Capital Plan**");

AND WHEREAS the Capital Plan, if approved by the requisite majority of Capital's creditors and sanctioned by order of the Court (the "**Sanction Order**"), will be implemented on separate dates (the "**First Plan Implementation Date**" and the "**Second Plan Implementation Date**");

AND WHEREAS Capital requires exit financing in order to implement the Capital Plan (the "**Exit Financing**") and a portion of the Exit Financing required by Capital to implement the Capital Plan is to be provided by a Canadian chartered bank or other lender (the "**Bank**");

AND WHEREAS 125 Alberta is desirous of providing the remaining required Exit Financing to Capital as part of the Capital Plan and 125 Alberta and Capital are desirous of effecting the compromise and settlement of the Capital Claims, in accordance with the terms, conditions and covenants set forth in this Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, each of 125 Alberta, Place and Capital (each, a "**Party**" and collectively, the "**Parties**") covenant and agree as follows:

ARTICLE 1
CONSTRUCTION AND INTERPRETATION

1.1 Construction

In this Agreement, unless otherwise expressly stated:

(a) references to an "Article", "section", "subsection" or "clause" are references to an Article, section, subsection or clause of or to this Agreement;

(b) references to dollar amounts are references to Canadian dollar amounts;

(c) words importing the singular shall include the plural and vice versa, words importing gender shall include the masculine, feminine and neuter genders, and references to a "person" or "persons" shall include individuals, corporations, partnerships, associations, bodies politic and other entities, all as may be applicable in the context;

(d) the use of headings is for convenience of reference only and shall not affect the construction or interpretation hereof; and

(e) time is of the essence.

1.2 Entire Agreement

This Agreement expresses and constitutes the entire agreement between the Parties with respect to the transactions contemplated herein and supersedes any previous agreements or understandings with respect thereto. This Agreement may be amended only by written instrument executed by the Parties.

ARTICLE 2
NON-REVOLVING TERM FACILITY

2.1 Advance

Subject to the terms and conditions of this Article 2, 125 Alberta shall make available to Capital a non-revolving term facility (the "**Non-Revolving Term Facility**") in an amount up to $225,000, which facility will be made available by a single advance on the First Plan Implementation Date.

2.2 Maturity Date

Subject to the terms and conditions of this Article 2, Place shall repay the outstanding principal amount owing under the Non-Revolving Term Facility, all interest owing under the Non-Revolving Term Facility and all costs, fees, expenses or other obligations in connection with the Security or the Non-Revolving Term Facility (collectively, the "**Capital Obligations**") on the earlier of (a) the date that Capital sells, transfers, assigns or otherwise disposes of its fee simple interest in the Lands, (b) the date that ASI makes a payment to Capital on the Note that is equal to or in excess of the outstanding Capital Obligations, or (c) the date that is one year from the date of the initial advance on the Non-Revolving Term Facility (the "**Non-Revolving Term Facility Maturity Date**").

2.3 Interest and Payments

(a) Interest shall accrue and be payable on the outstanding principal amount owing under the Non-Revolving Term Facility at a rate per annum equal to eleven (11%) percent, calculated monthly not in advance, based on the outstanding balance, both before and after maturity, default and judgment.

(b) All payments on the Capital Obligations will made by Capital to 125 Alberta pursuant to this Agreement will be made in Canadian currency on the day such amount is due or, if such day is not a business day, on the business day next following with interest, by wire transfer, certified cheque, deposit or transfer thereof to the account designated from time to time in writing by 125 Alberta.

(c) Notwithstanding anything contained herein to the contrary, Capital will not be obliged to make any payment of interest or other amounts payable to 125 Alberta hereunder in excess of the amount or rate that would be permitted by applicable laws or would result in the receipt by 125 Alberta of interest at a criminal rate (as such terms are construed under the *Criminal Code* (Canada)). If the making of any payment by Capital would result in a payment being made that is in excess of such amount or rate, 125 Alberta will determine the payment or payments that are to be reduced or refunded, as the case may be, so that such result does not occur.

(d) Capital may from time to time repay any of the outstanding Capital Obligations before the Non-Revolving Term Facility Maturity Date without penalty, provided that each such repayment must be in a minimum amount of $25,000.

2.4 Security

The payment and performance of the Capital Obligations shall be secured by way of the following:

(a) A general security agreement granting 125 Alberta a mortgage, charge, pledge, encumbrance and security interest in all of the present and after acquired real and personal property of Capital, which 125 Alberta hereby acknowledges shall be subordinate to the Bank security;

(b) A land mortgage granting 125 Alberta a mortgage, charge, pledge, encumbrance and security interest in Capital's right, title, estate and interest in the Lands, which 125 Alberta hereby acknowledges shall be subordinate to the Bank security;

(c) A specific security agreement granting 125 Alberta a first charge security interest in the Note; and

(d) Such further and other security as may be reasonable required by 125 Alberta

(collectively, the "**Security**").

The Security shall be prepared by, and in a form and substance acceptable to, 125 Alberta in its reasonable discretion. Capital shall from time to time and at all times on and after the date hereof, without further consideration, do and perform all such further acts and things, and execute and deliver all such further agreements, assurances, notices, releases and other documents and instruments, at its own expense, as may reasonably be required to grant, execute, deliver, register and perfect the Security in accordance with the provisions of this Agreement.

2.5 Events of Default

The occurrence of any one or more of the following events (each such event being referred to as an "**Event of Default**") will constitute a default under this Agreement:

(a) if Capital fails to pay any amount owing under the Capital Obligations when due; or,

(b) if Capital breaches any of the terms, covenants or conditions of this Agreement; or,

(c) if Capital breaches any terms, covenants or conditions of any of the Security; or,

(d) if any Security ceases to constitute a valid and perfected security interest; or,

(e) if any person other than the Bank registers a mortgage, lien, charge or encumbrance against title to the Lands or the property of Capital in priority to the Security without the prior written consent of 125 Alberta;

(f) if Capital, after implementation of the Capital Plan, or ASI cease or threaten to cease to carry on business generally or admits their inability or fail to pay any of their obligations generally; or,

(g) if Capital or ASI apply for protection under, or if any proceedings are commenced in respect of Capital or ASI under the CCAA, the *Bankruptcy and Insolvency Act* (Canada), the United States Bankruptcy Code, the Winding-up and Restructuring Act (Canada) or any other bankruptcy, insolvency or analogous laws, provided, however, that the existence and continuance of the Foundation Place CCAA Proceedings shall not constitute an Event of Default; or,

(h) if any person commences enforcement proceedings or attempts to take possession, by appointment of a receiver, receiver and manager or otherwise, of the Lands or a substantial portion of Capital or ASI's property, provided, however, that the foreclosure if Capital on the Lands shall not constitute an Event of Default; or,

(i) if Capital enters into any agreement or arrangement with ASI to amend, compromise or otherwise alter the terms of the Note without the prior written consent of 125 Alberta; or

(j) any event that would have a material adverse effect on the business, assets, liabilities, operations, results of operations, condition (financial or other) or prospects of Capital or the ability of Capital to carry on its business or a significant part of its business, which would reasonably be expected to result in, or has resulted in, an impairment of the ability of Capital to perform or repay the Capital Obligations, as determined by 125 Alberta acting reasonably, has occurred or is occurring.

Upon the occurrence of an Event of Default 125 Alberta may, at its sole option and in its absolute and unfettered discretion, demand repayment of all of the Capital Obligations and enforce all or any of the Security and, upon such demand being made, all of the Capital Obligations shall become immediately due and payable with interest thereon, at the rate or rates determined as herein provided, to the date of actual payment thereof.

2.6 Conditions Precedent to advance under Non-Revolving Term Facility

The obligation of 125 Alberta to make any advance under the Non-Revolving Term Facility is subject to and conditional upon the prior satisfaction of the following additional conditions precedent:

(a) the Sanction Order shall have been granted in a form and substance acceptable to 125 Alberta, acting reasonably;

(b) Capital shall have a commitment from the Bank to provide Exit Financing in a form and substance acceptable to 125 Alberta, acting reasonably;

(c) no Event of Default shall be occurring or continuing;

(d) each of Place and Capital shall have complied with all of the terms, conditions and covenants under this Agreement;

(e) all documents comprising the Security shall have been executed, delivered, registered and perfected; and

(f) all priority and inter lender agreements between Capital, 125 Alberta and the Bank shall have been executed and delivered.

ARTICLE 3
ASSIGNMENT OF NOTE AND SETTLEMENT OF CAPITAL CLAIMS

3.1 Assignment

Effective as of the first Plan Implementation Date, 125 Alberta hereby sells, transfers, assigns and sets over to Capital, and Capital hereby purchases and acquires from 125 Alberta, all of 125 Alberta's right, title, estate and interest in the Note.

3.2 Outstanding Capital Obligations

If Capital receives any payment on the Note prior to the Capital Obligations having been indefeasibly paid in full, Capital shall receive and hold such payment in trust for the benefit of 125 Alberta and promptly pay such amount over or deliver to 125 Alberta, and such payment shall be applied by 125 Alberta to the repayment of the outstanding Capital Obligations. Upon the Capital Obligations having been indefeasibly paid in full, any remaining balance paid to 125 Alberta under the terms of this Article 3.2 shall be repaid to Capital without interest thereon.

3.3 Compromise of Capital Claims

Effective as of the First Plan Implementation Date, the Parties agree that Capital shall have a proven unsecured claim against the estate of 125 Alberta in the amount of $827,625 (the "**Proven Capital Claim**"), and Capital shall be entitled to receive any dividend or distribution from the estate of 125 Alberta on the Proven Capital Claim. In no circumstance shall Capital be entitled to assert a right of set-off, netting or counterclaim as between the Proven Capital Claim and the Capital Obligations.

ARTICLE 4
RELEASE UPON FIRST PLAN IMPLEMENTATION DATE

4.1 Release in favour of 125 Alberta

Upon the First Plan Implementation Date occurring, each of Place and Capital on their behalf as well as on behalf of all of their respective directors, officers, employees, agents, representatives, successors, affiliates, securityholders, insurers, heirs and assigns hereby release and forever discharge 125 Alberta and all of its employees, agents, representatives, successors, affiliates, securityholders, insurers, heirs and assigns from any and all liabilities, causes of action, claims, proceedings, demands, suits, debts, duties, losses, damages, injuries, interest, costs and legal costs of any nature or kind whatsoever whether known or unknown, presently existing or which hereafter may exist, which either has or hereafter can, shall, or may have against 125 Alberta; provided, however, that nothing herein shall release or discharge any person from (a) any obligation arising under the Capital Plan, this Agreement, the Security or any document or record relating thereto, (b) any claim relating to matters set out in section 5.1(2) of the CCAA and (c) any claim or cause of action that any person may have against the directors or officers of 125 Alberta.

4.2 Release in favour of Place and Capital

Upon the First Plan Implementation Date occurring, 125 Alberta on its behalf as well as on behalf of all of its respective directors, officers, employees, agents, representatives, successors, affiliates, securityholders, insurers, heirs and assigns hereby release and forever discharge each of Place and Capital and all of their employees, agents, representatives, successors, affiliates, securityholders, insurers, heirs and assigns from any and all liabilities, causes of action, claims, proceedings, demands, suits, debts, duties, losses, damages, injuries, interest, costs and legal costs of any nature or kind whatsoever whether known or unknown, presently existing or which hereafter may exist, which either has or hereafter can, shall, or may have against Place or Capital; provided, however, that nothing herein shall release or discharge any person from (a) any obligation arising under the Capital Plan, this Agreement, the Security or any document or record relating thereto, (b) any claim relating to matters set out in section 5.1(2) of the CCAA and (c) any claim or cause of action that any person may have against the directors or officers of Place and Capital.

ARTICLE 5
CONDITIONS PRECEDENT

5.1 Mutual Conditions

The obligations of the Parties to close and complete the transactions contemplated herein is subject to the following conditions precedent:

(a) approval of this Agreement and the transactions contemplated thereby by the Court of Queen's Bench of Alberta, which approval shall be obtained on or before the First Plan Implementation Date; and

(b) the First Plan Implementation Date occurring on or before May 31, 2014 or such other date as may be agreed to by the Parties.

5.2 Failure to satisfy Conditions Precedent

In the event that the conditions precedent set forth herein are not satisfied or waived by the agreement of all of the Parties hereto, this Agreement shall terminate and none of the Parties shall have any obligations hereunder.

ARTICLE 6
GENERAL

6.1 Enurement

This Agreement shall enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns.

6.2 Governing Law

This Agreement shall be governed by, and construed in accordance with, the laws of the Province of Alberta and the laws of Canada applicable therein but the reference to such laws shall not, by conflict of laws rules or otherwise, require the application of the law of any jurisdiction other than the Province of Alberta. Each party hereto irrevocably attorns to the jurisdiction of the Courts of the Province of Alberta.

6.3 Further Assurances

Each of the parties shall from time to time and at all times on and after the date hereof, without further consideration, do and perform all such further acts and things, and execute and deliver all such further agreements, assurances, notices, releases and other documents and instruments, at their own expense, as may reasonably be required to more fully give effect to the intent and purpose of this Agreement.

6.4 Waiver

No waiver by either party shall be effective unless in writing, and a waiver shall affect only the matter, and the occurrence thereof, specifically identified in the writing granting such waiver and shall not extend to any other matter or occurrence.

6.5 Non-Merger

The provisions contained in this Agreement shall survive the closing of the transactions contemplated hereby and shall not merge upon any transfer or other document or instrument issuing pursuant hereto or in connection herewith. Without limiting the generality of the foregoing, the liability of a party for any breach of any of its representations, warranties, covenants, agreements or other obligations hereunder prior to the completion of the purchase and sale contemplated hereby shall not be extinguished or in any manner diminished by such completion.

6.6 Counterpart Execution

This Agreement may be executed in separate counterparts by facsimile or other electronic means with the same effect as if all signatories to the counterparts had signed one document and the executed counterparts shall together constitute one instrument and have the same force and effect as if both of the parties had executed the same instrument.

IN WITNESS WHEREOF the parties have executed and delivered this Agreement as of the date first above written.

1252064 ALBERTA LTD., by Ernst & Young Inc., in its capacity as Court-appointed Monitor of 1252064 Alberta Ltd.

Per: ______________________________
Neil Narfason
Senior Vice President

FOUNDATION PLACE INC.

Per: ______________________________
Ronald James Aitkens
Director

FOUNDATION PLACE CAPITAL INC.

Per: ______________________________
Ronald James Aitkens
Director

SCHEDULE "A"

Promissory Note

TERM PROMISSORY NOTE

AMOUNT: Cdn. $ 734,375.00 DUE DATE: August 1st, 2014

DATE: August 1st, 2011

FOR VALUE RECEIVED, the undersigned, **ARLINGTON STREET INVESTMENTS INC.**, being a corporation incorporated under the laws of the Province of Alberta (the "**Debtor**"), hereby promises to pay to **1252064 ALBERTA LTD.** (the "**Holder**"), at **#4, 4002 9th Avenue North, Lethbridge, Alberta T1H 6T8**, or such other address in Alberta as the Holder may otherwise advise the Debtor in writing from time to time, the principal amount of **SEVEN HUNDRED THIRTY-FOUR THOUSAND THREE HUNDRED SEVENTY-FIVE DOLLARS** in Canadian dollars ($734,375.00) (the "**Principal Amount**") on August 1st, 2014 (the "**Due Date**").

Interest shall not accrue or be payable on the Principal Amount on or before the Due Date.

The Debtor hereby waives grace, demand, presentment for payment, notice of dishonour or default, protest and diligence in collecting.

The provisions of this Promissory Note shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada as applicable herein.

DATED at the City of Calgary, in the Province of Alberta this 1st day of August, 2011.

ARLINGTON STREET INVESTMENTS INC.

Per:________________________
Frank L. Lonardelli, President