INFORMATION CIRCULAR

RAILSIDE CAPITAL INC.

Meeting of Creditors to be held December 19, 2012

November 23, 2012

TABLE OF CONTENTS

INTRODUCTION

This Information Circular is being sent to creditors of Railside Capital Inc. ("RCI" or the "Corporation") in connection with the meeting of creditors to be held December 19, 2012 at 3:00 p.m. (the "Meeting"). Enclosed with this Information Circular is a Notice of Meeting and a copy of the Plan of Compromise and Arrangement (the "Plan") to be considered at the Meeting. Also enclosed with this Information Circular is the Fourteenth Report of the Monitor dated November 21, 2012 (the "Monitor's Report").

Capitalised terms used in this Information Circular without definition have the meanings assigned to them in the enclosed Plan, which is incorporated by this reference into this Information Circular.

THE MEETING

The Meeting will take place at 3rd Floor, Centennial Place West Tower, 250 5th Ave. S.W., Calgary, Alberta, at 3:00 p.m. on December 19, 2012 (or on such other date as may be set by Order of the Court) at which the Creditors eligible to vote shall consider and vote upon the Plan. The Meeting shall be held in accordance with the Plan, and any applicable Order in respect of the procedure governing the meeting.

The Monitor's designee (the "Chairman") shall preside as the chair of the meeting and shall decide all matters relating to the conduct of the meeting. Persons entitled to attend the Meeting are the Chairman, the Monitor, the representatives of RCI, Creditors or their representatives (including the holders of proxies) and the legal counsel of any Person entitled to attend. Any other Person may be admitted only on the invitation of the Chairman.

The Chairman may, with the permission of the Creditors, adjourn the Meeting on such terms and conditions (as to notice of the adjourned meeting and otherwise) as the Chairman may prescribe, subject to any further Order.

The entitlement of a Creditor whose Claim is not a Proven Claim to vote at the Meeting shall not be construed as an admission that its Claim is a Proven Claim.

RCI and the Monitor shall have the right to seek the assistance of the Court in valuing any Claim for voting purposes in accordance with the Plan and the Meeting Order, if required, and to ascertain the result of any vote on the Plan.

Procedure

Votes cast by Creditors with Claims at the Meeting shall be binding upon the Creditors and shall be recorded at the time of the Meeting. If the Required Majority is achieved, the Plan shall be approved and shall be deemed to have been agreed to, accepted and approved by all Creditors.

Proxies

A Creditor who wishes to cast its vote at the Meeting, but is unable or does not wish to attend the Meeting, may appoint the Monitor, a member of RCI management, or any other person as its proxyholder to attend and act on the Creditor's behalf at the Meeting by inserting such person's name in the space provided on an instrument of proxy in the form accompanying this Information Circular (the "Instrument of Proxy") and sending or delivering the completed

Instrument of Proxy to the offices of the Monitor at Ernst & Young Tower, 1000, 440 2nd Avenue S.W., Calgary, AB T2P 5E9 Canada, Attention : Jessica Caden. An Instrument of Proxy must be (i) received at the offices of the Monitor at least one Business Day prior to the time set for the Meeting, or any adjournment thereof; or (ii) delivered to the Monitor at the Meeting prior to the commencement of the Meeting or any adjournment thereof. Failure to so deposit the Instrument of Proxy shall result in the invalidation of same. RCI shall be entitled to solicit and collect Instruments of Proxy containing votes in favour of the Plan for delivery to the Monitor.

Any Creditor who has given an Instrument of Proxy may revoke it (as to any matter on which a vote has not already been cast pursuant to its authority) by an instrument in writing executed by such Creditor or by his representative, duly authorized in writing or, if a Creditor is not an individual, by an officer or attorney thereof duly authorized, and deposited either at the offices of the Monitor above mentioned on or before the last Business Day preceding the date of the meeting or any adjournment thereof, or with the Chairman of the Meeting prior to commencement of the Meeting, or any adjournment thereof.

The Instrument of Proxy must be executed by the Creditor or his duly authorized attorney in writing, or if the Creditor is not an individual, the Instrument of Proxy must be signed in its name by an authorized officer whose title should be indicated. The Instrument of Proxy signed by a person acting in a representative capacity should indicate such person's capacity (following his signature) and it should be accompanied by the appropriate instrument evidencing qualification and authority to act (unless such instrument has previously been filed with the Monitor).

The persons named in the accompanying Instrument of Proxy shall vote Claims of the Creditors in accordance with the direction of the Creditor appointing them on any ballot that may be called for and where the Creditor giving the Instrument of Proxy specifies a choice with respect to any matter to be voted upon, the Claim shall be voted in accordance with the instructions of the Creditor. In the absence of any such direction, such Claim shall be voted as vote in favour of the Plan.

The accompanying Instrument of Proxy confers a discretionary authority upon the persons named therein with respect to amendments or variations to the matters identified in the notice of meeting and in the Plan and with respect to other matters that may properly come before the Meeting.

Confirmation of Plan

In the event that the Plan is agreed to, accepted and approved by the Required Majority at the Meeting pursuant to the terms of the Plan, RCI shall, within a reasonable period of time, apply to the Court for the Final Sanction Order.

Subject to the Final Sanction Order being granted and fulfilment of the conditions precedent in Section 8.3 of the Plan, the Plan will be implemented in accordance with the terms thereof.

In the event that the Plan is not agreed to, accepted and approved in accordance with its terms, the Plan shall automatically terminate.

BACKGROUND

RCI and Railside Industrial Park Inc. ("Railside Industrial") are single-purpose corporations incorporated to raise funds and to acquire and develop a 310 acre land assembly located in the County of Wetaskiwin on the east boundary of the Town of Millet (the "Railside Lands"). The main strategy to realize the value contemplated by RCI and Railside Industrial at the time the Railside Lands were purchased was to develop an industrial park comprised of 107 lots suited for warehousing, manufacturing, oil and gas industry services and other commercial or light industrial development and market the lots for sale, returning the proceeds from the sales to the bondholders. In the spring of 2008, a total of $34,199,100 was raised from a total number of 1,482 investors through the sale of bonds issued by RCI. Of the total bonds sold, approximately 66% are believed to be held in individual registered retirement savings plans. The bonds matured on April 30, 2012. Through a separate offering by Railside Industrial, Bondholders also acquired class B non-voting common shares in Railside Industrial in proportion to their bond holdings, at a price of $0.10 per share. The investment was structured such that Railside Industrial is the legal owner of the Railside Lands, subject to a mortgage in the principal amount of $33,706,727.15 registered on the Railside Lands in favour of RCI. RCI in turn, is indebted to the Bondholders on an unsecured basis.

After purchasing the Railside Lands, RCI and Railside Industrial commenced development work necessary to pursue the strategy to realize value for the Bondholders. The development work includes stripping and grading the westerly quarter section of the Railside Lands. In addition, 9 lots on 40 acres have an unregistered tentative plan of subdivision with utility servicing 90% complete. To assist with this development work and specifically the engineering design, supervision of construction and all necessary project management services required for the development at the Railside Lands, Railside Industrial engaged the services of A.D. Williams Engineering Inc., now referred to as Williams Engineering Ltd. ("Williams Engineering"). The services provided by Williams Engineering on the Railside Lands were deficient and Railside Industrial has commenced an action in the Court of Queen's Bench of Alberta (the "Williams Action") claiming judgment in the amount of $6 million against Williams Engineering as a result of, among other things, cost overruns and delays in completion of the contract services which Williams Engineering was contractually obligated to provide. It is believed that the claims made by Railside Industrial in the Williams Action have a good prospect of succeeding at trial.

Development on the Railside Lands stopped in early 2009 after a combination of the delays and cost overruns and the financial crash in late 2008, when the market for industrial land collapsed and real estate development in the Province drew to a near-standstill. The forecast market demand for industrial development in or around the Railside Lands failed to materialize beginning in 2009 as the nearby Nisku and north Leduc areas continued to provide ample serviced and partially serviced land for this market. With the value and saleability of undeveloped land dropping, RCI noted that it would have no funds available to either repay the bonds or continue development of the Railside Lands when the bonds matured on April 30, 2012.

In order to have access to a formal restructuring process as well as access to funding, in March of 2012 RCI and Railside Industrial, along with Foundation Place Capital Inc. and Foundation Place Inc. sought and obtained an order of the Court of Queen's Bench of Alberta (the "Initial Order") providing them with protection from their creditors and access to interim financing (known as "DIP" financing) pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (the "CCAA").

Through the restructuring process RCI also identified a need to simplify its corporate structure, to make governance more direct and transparent and to enable management to deal with any needed changes to the terms of the Replacement Bonds to be issued pursuant to the Plan in a flexible and comprehensive way. The appointment of a board of directors of RCI from nominations made by Creditors (the "New Directors"), together with other changes to RCI's corporate and debt structure and governing documents, is intended to accomplish those objectives as part of the Plan.

Because a significant number of Creditors currently hold RCI Bonds in registered retirement savings plans ("Registered Plans"), RCI felt it was important to ensure, if and to the extent possible, that the bonds and shares to be issued to Creditors pursuant to the Plan would also be qualified investments for Registered Plans. In order for that to occur and to minimize the risk of adverse tax consequences, the majority of Creditors' Claims will be exchanged for and converted into Class "A" Bonds, but a portion of each Creditor's Claim will be exchanged for and converted into Class "B" Bonds, which will in turn be exchanged for and converted into New RCI Shares. The New RCI Shares will be supported by equity which will not be available for payment of the Class "A" Bonds. While the overall effect on the value available to Creditors is neutral, this structure is expected to allow both New RCI Shares and Class "A" Bonds to be qualified investments for Registered Plans.

PLAN OF ARRANGEMENT

Overview

Under the Plan, the Claims of all Creditors will be exchanged for and converted to Replacement Bonds issued pursuant to the Bond Indenture. Each Creditor will receive $0.0349534108 of a Class "B" Bond for each $1 of Proven Claim, and $0.9650465892 of a Class "A" Bond for each $1 of Proven Claim. All RCI Bonds will be cancelled following the issuance of the corresponding Replacement Bonds, and all Old RCI Shares will be converted to retractable shares. Replacement Bonds will not bear interest. The Class "A" Bonds will be due for repayment December 31, 2015.

The Class "B" Bonds will be exchanged for and converted to New RCI Shares on the basis of one New RCI Share to each $1 of principal amount of Class "B" Bonds on the Plan Implementation Dates. All Old RCI Shares will be retracted and cancelled on the Plan Implementation Dates, resulting in the Creditors becoming the only shareholders of RCI. No partial New RCI Shares will be issued. Plan implementation will occur over a period of two days.

All Class "A" Bonds and New RCI Shares issued to Creditors pursuant to the terms of the Plan will be issued and recorded in the book entry systems maintained by the Indenture Trustee and the Transfer Agent. Holders of the Class "A" Bonds and the New RCI Shares will be entitled to receive certificates for their Class "A" Bonds and New RCI Shares on application to the Indenture Trustee or Transfer Agent as applicable, and payment of the applicable fee.

Details of the Plan

On the first of the Plan Implementation Dates the principal events which will occur, in the following order, are:

- The Foreclosure Order will become effective;
- The Exit Financing Agreement and the Exit Financing Security will become effective;
- The Exit Financing Net Proceeds will be advanced to the Monitor;
- The Monitor will, from the Exit Financing Net Proceeds, pay or make provision for payment in full of the amounts identified in Article 6 of the Plan;
- The Bond Indenture and the Replacement Bond Security shall become effective;
- The Old RCI Shares shall be designated as retractable and the RCI Bonds shall be amended to add a conversion feature allowing for their conversion, by way of exchange, into Replacement Bonds, the Old Class "B" Shares shall be retracted and cancelled and all other provisions of the corporate reorganization contained in Schedule "C" of the Plan shall become effective;
- All of the RCI Bonds shall be converted to and exchanged for Replacement Bonds on the basis set out in Section 4.1 of the Plan;
- Replacement Bonds will be issued to all Creditors with Proven Claims who are not Bondholders, in the amount of their Proven Claims on the basis set out in Section 4.1 of the Plan;
- All issued Class "B" Bonds held by Specified Bondholders will be converted to and exchanged for New RCI Shares;
- RCI will elect, in the form prescribed under the ITA, to be a "public corporation" for the purposes of the ITA;

On the second of the Plan Implementation Dates the principal events which will occur, in the following order, are:

- The Class "B" Bonds held by Creditors other than the Specified Bondholders shall be converted to and exchanged for New RCI Shares;
- All remaining Old RCI Shares will be retracted and cancelled;
- The compromise with the Creditors and the releases referred to in Article 9.1 and the other provisions of the Plan shall become effective; and
- The provisions of the corporate reorganization contained in Schedule "D" to the Plan shall become effective;

All directors of RCI shall be discharged and the New Directors shall take office.

Prior to completion of plan implementation, the following events shall occur:

- The Foreclosure Order shall be obtained from the Court and registered with the Alberta Land Titles Office;

- The Williams Action shall be assigned by Railside Industrial to RCI pursuant to Rule 4.34 of the *Alberta Rules of Court* A.R. 124/2010 and the Assignment Order shall be obtained and served on the named defendants in the Williams Action; and

- The Exit Financing Security shall be registered.

Delivery of Statements

As soon as reasonably practicable on or after the Plan Implementation Dates, statements outlining holdings of Class "A" Bonds and New RCI Shares issued to Creditors and held on their behalf by the Indenture Trustee and the Transfer Agent in the book entry system will be provided by the Indenture Trustee or the Transfer Agent, as the case may be, to the Monitor for distribution to all Creditors with Proven Claims.

Conditions to Implementation of the Plan

The implementation of the Plan shall be conditional upon the fulfillment of the following conditions on or prior to the Plan Implementation Dates, as the case may be:

- The Foreclosure Order shall have been obtained and registered with the Alberta Land Titles Office;

- The Williams Action shall have been assigned by Railside Industrial to RCI pursuant to Rule 4.34 of the *Alberta Rules of Court* A.R. 124/2010 and the Assignment Order shall be obtained and served on the named defendants in the Williams Action;

- The Exit Financing Agreement and the Exit Financing Security shall have been duly executed and registered or otherwise perfected;

- The Plan shall have been approved by the Required Majority of Creditors with Eligible Voting Claims;

- The Final Sanction Order shall have been granted in substantially the form described in Section 10.1;

- All applicable governmental, regulatory and judicial consents, orders and any and all filings with all governmental authorities and other regulatory authorities having jurisdiction, in each case to the effect deemed necessary or desirable by RCI shall have been obtained; and,

- The Exit Financing Net Proceeds along with the Class "A" Bonds and the New RCI Shares attributable to each Creditor with a Proven Claim shall have been deposited with the Monitor.

BUSINESS PLAN AND DESCRIPTION OF ASSETS

The Railside Lands consist of two parcels with approximately 304 acres located alongside the Canadian Pacific Railway's north-south line within the town of Millet, Alberta, approximately 40 kilometres south of Edmonton, Alberta. The Railside Lands are currently zoned and approved for industrial use and have been levelled and serviced and are prepared for development. The registered owner of the Railside Lands is currently Railside Industrial.

Since the date of the Initial Order, RCI and Railside Industrial have been working with a real estate expert and legal and other advisors to develop a strategy for dealing with the Railside Lands, restructure their debt, and maximize value for Bondholders and other stakeholders. It has been noted that the market for serviced industrial land in the greater Edmonton region is growing stronger with demand forecast to increase in the 2012-2013 period. With the ability to offer industrial or commercial development at prices 60% below the Nisku and North Leduc areas, it is anticipated that the value of the Railside Lands will increase over the next three years. Railside Industrial has been working with an engineering firm to correct the existing servicing errors and maximize the value of the utility infrastructure already in place. The prospects for executing a development agreement with the County of Wetaskiwin appear very good and it is contemplated that the new board which will be installed in conjunction with the implementation of the Plan will determine when, and on what terms, presentation of such an agreement to the County of Wetaskiwin is appropriate.

RCI anticipates that, factoring in holding costs and development expenses, the net value of the Railside Lands will appreciate substantially over the next three years should current market trends in industrial land demand remain strong. Based upon reasonable projections, if the Railside Lands were held until ready for further development, the value available to bondholders and other Creditors would exceed the amounts otherwise available in a liquidation scenario. Further, while there are always risks inherent in, and costs associated with the litigation process, RCI believes that if the Williams Action is pursued, there is a good prospect of recovering a portion of the costs incurred by Railside Industrial and RCI to remedy the deficiencies. Accordingly, the financial restructuring portion of the Plan is designed to allow RCI to acquire the Railside Lands from Railside Industrial and to issue Replacement Bonds in place of existing bonds and other debt. This will enable RCI to extend the term of all of the outstanding debt of RCI for a period of three years, without interest or other payments to Creditors, and to raise additional funds as needed to enable it to defray the costs of holding and developing the Railside Lands, all with a view to allowing sufficient time for Creditors to maximize their recovery from the appreciation in value of the Railside Lands. Railside Industrial will not be restructured and if Creditors and the Court approve the Plan, then on plan implementation the Railside Lands will be transferred to RCI. Further, on Plan Implementation the Williams Action will be transferred from Railside Industrial to RCI in exchange for RCI paying out certain Unaffected Plan Closing Claims on behalf of Railside Industrial. Once this is complete and plan implementation occurs, Railside Industrial will likely be dissolved.

RCI's Monitor is currently conducting a process, with input from RCI to locate the most cost effective source of funds to repay the costs incurred in these proceedings and to provide exit financing to allow RCI to meet expenses for a period of approximately six months following its discharge from CCAA. This is intended to allow RCI's new board of directors sufficient time to explore all available options for the longer term financing required to carry RCI through to the sale of some or all of the Railside Lands, and to select the most suitable financing alternative for RCI.

Commencing on the Plan Implementation Dates the day-to-day management of the Corporation will be provided on an interim, month-to-month basis by Harvest CCAA Operations Ltd. ("HCOL"), an arm's length corporation incorporated to provide services to members of the Harvest group of companies in connection with the CCAA process. HCOL was established by

BTM Advisory Services Inc., the Court-appointed Chief Restructuring Officer of a number of related Harvest companies that have filed for protection under the CCAA. HCOL employs consulting staff who provide administrative, accounting, land consulting and investor relations services to the Harvest companies. Interim management by HCOL will allow the New Directors sufficient time to conduct a process for the selection of a manager/management firm to provide those services on a longer term basis.

DESCRIPTION OF THE REPLACEMENT BONDS

The Corporation will issue Class A Bonds and Class B Bonds to Bondholders upon the Plan becoming effective. The Class B Bonds will be exchanged for and converted to Common Shares of the Corporation immediately after their issue. Each Bondholder will receive an aggregate amount of Class A Bonds and Class B Bonds equal to the principal and interest accrued on his Bonds.

The Class A Bonds will be issued pursuant to a Bond Indenture between the Corporation and a Trustee (the "Indenture"). The Class A Bonds will be due December 31, 2015.

The Bonds will be secured by a fixed mortgage on the Property, and a floating charge on all other assets of the Corporation, other than the Excluded Assets Account described below (the "Non-recourse Assets"). The Bonds will permit the Corporation to place security ranking prior to the Bonds, to allow for development financing and other financing required by the Corporation. The value of the Non-recourse Assets will, unless subsequent financing charges those assets, support a value in the equity of the Corporation. The Indenture will contain a provision that provides that an amount of $1,500,000 realized from sales of assets of the corporation or realization on the security for the Bonds will be placed in the Excluded Assets Account and will be available to the Corporation for use, and may not be paid to the Bondholders. This amount may be available for the shareholders of the Corporation, or for other creditors, depending on the circumstances of the Corporation at the time of any realization.

The following will be events of default for the Class A Bonds:

(a) failure to pay principal when due on the Bonds;

(b) default in the observance or performance of any covenant or condition of this Indenture by the Corporation and the failure to cure (or obtain a waiver for) such default for a period of 30 days after notice in writing has been given by the Trustee or from holders of not less than 25% in aggregate principal amount of the Bonds to the Corporation specifying such default and requiring the Corporation to rectify such default or obtain a waiver for same;

(c) certain events of bankruptcy, insolvency or reorganization affecting the Corporation.

The Corporation and the Trustee may enter into supplemental indentures that add, change or eliminate provisions of the Bond Indenture or modify the rights of the holders of the Bonds with the consent of the holders of at least a majority in principal amount of the Bonds then outstanding.

Without the consent of the holders of the Bonds, the Corporation and the Trustee may enter into supplemental indentures for any of the following purposes:

(a) providing for the issuance of Additional Bonds under the Indenture;

(b) adding to the covenants of the Corporation herein contained for the protection of the Bondholders, or of the Bonds of any series, or providing for events of default, in addition to those herein specified;

(c) making such provisions not inconsistent with the Indenture as may be necessary or desirable with respect to matters or questions arising thereunder, including the making of any modifications in the form of the Bonds which do not affect the substance thereof and which in the opinion of the Trustee relying on an opinion of Counsel will not be prejudicial to the interests of the Bondholders;

(d) evidencing the succession, or successive successions, of others to the Corporation and the covenants of and obligations assumed by any such successor in accordance with the provisions of the Indenture;

The holders of a majority of 66 2/3% of the principal amount of Bonds represented and voting at a meeting of Bondholders may authorize any other amendment to the terms of the Bonds or the Bond Indenture, other than to reduce the majority required to approve amendments or, except during the continuance of an event of default, to reduce the principal amount of the Bonds.

DESCRIPTION OF THE COMMON SHARES

Following Plan Implementation, the Corporation will have only one class of shares – designated "Common Shares", all of which will have been issued to Creditors under the Plan. All previously issued shares will have been retracted for no consideration and cancelled. The Common Shares are entitled to one vote per share, and to receive any dividends declared thereon, and to the remaining property of the Corporation on liquidation.

DIRECTORS OF THE CORPORATION

Currently the sole director of the Corporation is Mr. Ron Aitkens.

It is intended that the affairs of the Corporation will be initially managed by an interim board of directors (the “**Interim Directors**”) who will be elected in accordance with the Proposed Plan, the *Business Corporations Act* (Alberta) (the “**ABCA**”) and the articles of the Corporation (the “**Articles**”). The Articles provide for the appointment of a minimum of three (3) directors and a maximum of nine (9) directors of the Corporation. In the event that the Proposed Plan is implemented, the Interim Directions will be required to call an annual general meeting of the Corporation within 120 days of the date of implementation (the “**AGM**”). The shareholders of the Corporation will have the opportunity to elect directors of the Corporation at the AGM in accordance with the ABCA and the Articles.

The Monitor, in its capacity as co-manager of the Corporation with input from the Corporation and the unsecured creditors committee created pursuant to various orders issued by the Court of Queen’s Bench of Alberta (the “**Court**”) in the CCAA proceedings involving the Corporation (the “**UCC**”), will nominate up to five (5) individuals (each, a “**Nominee**”) as proposed Interim Directors of the Corporation. The Creditors will then be requested to vote on the approval of the Proposed Plan in accordance with the CCAA. If the Proposed Plan is approved by the Creditors in accordance with the CCAA and sanctioned by the Court, the Nominees will be installed as the Interim Directors of the Corporation at the time that the Court sanctions the Proposed Plan.

In selecting the Nominees, the Monitor will consider, *inter alia*, the following:

(a) The amount of the individual's investment in the Corporation in the event that the Proposed Plan is implemented in accordance with its terms;

(b) Any previous experience that the individual has in serving as a director or officer of a publicly traded company;

(c) Any previous experience that the individual has in the development of real-estate projects;

(d) Any relevant input received by the Corporation or the UCC from Creditors in respect of the individual wishing to be a Nominee; and

(e) Any other factor that the Monitor, the Corporation or the UCC consider relevant to whether an individual should be a Nominee.

Individuals who have previously worked as a director, officer, employees, consultant, agent (including sales agents and agents who sold securities of the Harvest Group of Companies or Foundation Group of Companies), contractor, or advisor to any entity related or affiliated with the Harvest Group of Companies or Foundation Group of Companies or any relation thereof will not be eligible to be an Interim Director.

Any individual, including any Creditor, can request that his or her name be put forth as a Nominee. An individual wishing to be a Nominee should submit a request to the Monitor that he or she be a Nominee, along with any information relevant to the individual's proposed appointment as a Nominee, by no later than December 10, 2012. Requests to the Monitor to serve as a Nominee should be submitted by registered mail, facsimile or email to the following address:

Ernst & Young Inc., in its capacity as court appointed Monitor of Railside Capital Inc. and not in its personal capacity
Ernst & Young Tower
1000, 440 2nd Avenue S.W.,
Calgary, AB T2P 5E9
Attention: Jessica Caden
Email: Jessica.Caden@ca.ey.com
Facsimile: 403 206 5075

The Monitor with input from the Corporation and the UCC will determine who will be the Nominees on or before December 13, 2012, or such later date as may be determined by the Monitor. In the event that there is a disagreement between the Monitor and Corporation or the UCC over whether a particular individual should be a Nominee, the Monitor will seek advice and direction from the Court as to whether a particular individual should be a Nominee.

The identity of the Nominees will be provided to the Creditors at or prior to the time that the Proposed Plan is scheduled to be voted on and the Nominees and will be posted on the Monitor’s web site by December 18, 2012, or such other date as may be determined by the Monitor or ordered by the Court, at www.ey.com/ca/foundationgroup.

Any individual, including any Creditor, who is not selected as a Nominee by the Monitor will still be eligible to be elected as a future director of the Corporation in accordance with the Proposed Plan, the ABCA and the Articles.

PRINCIPAL SHAREHOLDERS

Currently, the Class A Preferred voting shares of the Corporation are held by Eyelogic Systems Inc.(“Eyelogic”) , (which holds 60% of the voting shares) and Ronald J Aitkens, who holds 40% of the voting shares. No other shares are outstanding.

Under the Plan, all the above shares would be cancelled and new Common Shares issued to the Creditors. To the knowledge of the Corporation, this would result in no persons holding directly or indirectly, 10% or more of the outstanding voting shares of the Corporation.

CAPITALIZATION

The following table shows the existing capitalization of RCI, and capitalization after giving effect to the Plan. Please refer to “Description of the Replacement Bonds” for information about the Class A Bonds, and to the Monitor’s Report for additional information on the First Mortgage and the DIP Financing.

(unaudited)	**Before giving effect to the Plan**	**After giving effect to the Plan**
1st Mortgage	$ -	$ 1,500,000
DIP Financing	500,000	-
Class A Bonds	-	41,414,278
RCI Bonds	34,199,100	-
RCI Bond interest	8,645,177	-
Accounts payable	69,990	-
Total debt and liabilities	$43,414,267	$42,914,278
Shareholders' Equity	$1,000	$1,500,000
Total capitalization	$43,415,267	$44,414,278

MANAGEMENT COMPENSATION

Pursuant to a Management Agreement Railside Industrial Park Inc. agreed to pay Foundation Capital Corporation an annual fee of 1% of the aggregate loan proceeds received by SRE from loans form the corporation, subject to a maximum of $200,000, in exchange for management services.

Pursuant to an agreement with Eyelogic dated March 3, 2008, the Corporation agreed to pay Eyelogic an annual administration fee of 1/20 of 1% on funds raised through registered plans, from $500,000 to $5,000,000 and 1/40 of 1% on amounts raised over $5,000,000 and Eyelogic agreed to organize shareholder meetings of the Corporation.

Pursuant to a consulting agreement dated March 3, 2008, the Corporation agreed to pay KMC Capital Inc. an annual fee equal to the greater of $2,500 and 9/20 of 1% of the funds raised from registered plans in the sale of bonds, and 9/40 of 1% on any funds raised from registered plans in excess of $5,000,000. KMC is wholly owned by a director and shareholder of Eyelogic.

Commencing on the Plan Implementation Dates the day-to-day management of the Corporation will be provided on an interim, month-to-month basis by HCOL. This will allow the New Directors sufficient time to conduct a process for the selection of a manager/management firm to provide those services on a longer term basis. HCOL's compensation is based on cost recovery from the various Harvest entities under its management. The Corporation's share of those costs is estimated to be in the range of $5,000 to $7,000 per month.

INDEBTEDNESS OF INSIDERS

Certain entities affiliated with Ron Aitkens may be indebted to the Corporation in respect of Management Fees overpaid. The amounts of any overpayments and the amounts which may be recoverable are uncertain at this time.

RISK FACTORS

Investment in the Common Shares and Class A Bonds of RCI (collectively, the "Securities") is subject to many risks, some of which are described below. Creditors should analyse the risks set out below compared to the amount of realization expected on their Claims if the Plan is not approved, in determining how to vote on the Plan. Please refer to the Monitor's Report for an analysis of the Plan and of a liquidation scenario.

(a) **All real estate investment is subject to significant risk arising from rapidly changing market conditions.** Factors which could result in a change in conditions include regulatory matters, taxes, general economic conditions, local competition from other projects, competition from projects in other areas, and many other factors. Any of these could result in a significant decrease in the value of the RCI Lands and in the ability of RCI to realize any return from holding the RCI Lands.

(b) **Property Value.** There are no assurances that the value of the RCI Lands will increase as intended.

(c) **Real estate development is subject to additional risks**. Resale of the RCI Lands, may require regulatory approvals, which is not assured. The prices which will be achievable on sale of the real estate may decrease over time, or may not have been accurately estimated by management. Costs may escalate over time, or may not have been accurately estimated by management. As a result, the development process may be less profitable than anticipated, or may result in a loss.

(d) **Refinancing uncertainty.** It will be necessary for RCI to refinance the Exit financing, and to obtain additional financing, in order to continue development of the RCI Lands. There are no assurances that this will be possible on attractive terms, or at all. Any additional financing is expected to require security which will rank prior to the security for the Class A Bonds.

(e) **There is no market for the Securities and no market is expected to develop. You may not be able to liquidate your investment**.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Borden Ladner Gervais LLP, special tax counsel to RCI **("Counsel")** the following is, as of the date hereof, a fair and adequate summary of the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) (the "**Tax Act**") applicable to an individual (other than a trust) who (i) disposes of existing RCI Bonds in exchange for Class A Bonds and Class B Bonds (collectively, "**New Bonds**"); exchanges Class B Bonds for new RCI Common Shares, all in accordance with the Plan, and (ii) who, for all purposes of the Tax Act and at all material times, is resident in Canada, deals at arm's length and is not affiliated with RCI and holds any applicable securities as capital property for the purposes of the Tax Act. Generally, the existing RCI Bonds, the New Bonds and the new RCI Common Shares will be considered to be capital property to a person provided that such person (a) does not hold such securities in the course of carrying on a business, (b) has not acquired such securities in one or more transactions considered to be an adventure in the nature of trade, and (c) does not hold such securities as "mark-to-market property". Except as otherwise expressly provided, this summary does not address the tax consequences to Creditors other than Bondholders or to any holders of Class A Shares, and such persons should consult their own tax advisors with respect to the tax consequences of the Arrangement in their particular circumstances.

This summary is based on the terms of the Arrangement, certain representations made by RCI, the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**"), and Counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency ("**CRA**") publicly available prior to the date hereof. This summary assumes that the Tax Proposals will be enacted as currently proposed, although no assurance can be given that such proposals will be enacted in that form or at all. Except for the Tax Proposals, this summary does not take into account or anticipate any changes in law or administrative policy and assessing practice, whether by way of legislative, governmental or judicial decision or action, nor does it take into account other federal or any provincial or foreign tax legislation or considerations which may differ materially from those described herein. RCI has not applied and does not propose to apply for an advance income tax ruling from the CRA regarding any of the income tax considerations summarized below, so no assurance can be given that the tax consequences will be as described herein.

This summary is not applicable to security holders: (a) that are "financial institutions" or "specified financial institutions" (as defined in the Tax Act); (b) that are partnerships; (c) an interest in which would be a "tax shelter investment" (as defined in the Tax Act); (d) that are exempt from tax under Part I of the Tax Act; (e) who acquired any of such securities on the exercise of any option, warrant or similar right, or (f) who make or have made a functional currency reporting election under section 261 of the Tax Act. The above-noted security holders should consult their own tax advisors with respect to the matters discussed herein.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations applicable to the Arrangement and an investment in the New Bonds and the RCI Common Shares (collectively, the "**New Securities**"). Moreover, the income tax and other tax consequences of acquiring, holding or disposing of securities will vary according to the status of the investor, the province or provinces in which the investor resides or carries on business and, generally, the investor's own particular circumstances. Accordingly, the following description of income tax matters is of a general nature only and is not intended to constitute advice to any particular investor. Holders of securities in RCI (including the RCI Bonds and the New Securities) should consult their own tax advisors with respect to the income tax and other tax consequences of the Arrangement and an investment in the New Securities based upon such security holder's particular circumstances.

Eligibility for Investment

Provided that RCI qualifies as a "public corporation" on and throughout the Second Plan Implementation Date and the transactions under the Plan of Arrangement occur in the manner and sequence contemplated herein, the New Securities will be qualified investments for registered retirement savings plans ("RRSP") registered education savings plans, registered retirement income funds ("RRIF"), deferred profit sharing plans, registered disability savings plans and tax-free savings ("TFSA") (collectively "Registered Plans") on the Second Plan Implementation Date.

In order for RCI to qualify as a "public corporation" on and throughout the Second Plan Implementation Date, (a) RCI must elect on the First Plan Implementation Date to be a "public corporation", (b) at the time of the election RCI must comply with certain conditions set forth in the regulations under the Tax Act relating to the number of its shareholders, the dispersal of ownership of its shares and the public trading of its shares, and (c) RCI must not have ceased to be a "public corporation" because of an election or designation under the Tax Act. Counsel has been advised by RCI that RCI expects to satisfy all of these conditions and to qualify as a "public corporation" on and throughout the Second Plan Implementation Date.

Notwithstanding that the New Securities may be a qualified investment for Registered Plans, (a) the holder of a TFSA or an annuitant under a RRSP or RRIF will be subject to a penalty tax with respect to the New Securities held in the Registered Plan if such securities are a "prohibited investment" within the meaning ascribed thereto in the Tax Act, and (b) a holder of securities in RCI may, in certain circumstances as described in the Tax Act, be subject to a tax on any "advantage" (as defined in section 207.01 of the Tax Act) in relation to their Registered Plan.

Persons who intend to hold New Securities in a Registered Plan are urged to consult their own tax advisors in relation to these matters.

Accrued Interest

Bondholders (other than Registered Plans) will be required to include all Accrued Interest in computing their taxable income. To the extent that such amount is doubtful of collection, a reserve may be allowed in accordance with the applicable rules in the Tax Act. A reserve for a doubtful debt claimed in one year generally must be included in income the following year. This deduction in one taxation year and re-inclusion in the following taxation year will generally last for as long as the debt remains doubtful. If a debt becomes a bad debt, Bondholders may be entitled to claim a deduction in respect thereof without a corresponding income inclusion. **Bondholders should consult their own tax advisors with respect to the treatment of Accrued Interest.**

Exchange of RCI Bonds for New Bonds

Pursuant to the Arrangement, a conversion feature will be added to the RCI Bonds to facilitate their conversion to Replacement Bonds, following which a portion of the RCI Bonds will be exchanged for Class A Bonds and a portion of the RCI Bonds will be exchanged for Class B Bonds, all in accordance with the terms of the RCI Bonds (the “Bond Exchange”). The addition of such a conversion right should not result in a disposition of the RCI Bonds. Provided that the principal amount of the RCI Bonds exchanged for Class A Bonds or Class B Bonds, as the case may be, is equal to the principal amount of the Class A Bonds or Class B Bonds, respectively received for such RCI Bonds, the disposition of such RCI Bonds by the Bondholders will be deemed to have taken place at an amount equal to the adjusted cost base of such RCI Bonds immediately before the Bond Exchange, and the Bondholders will be deemed to have acquired such Class A Bonds and Class B Bonds, respectively at a cost equal to such adjusted cost base. Accordingly, no capital gain (or capital loss) should arise as a result of the Bond Exchange.

Exchange of Class B Bonds for RCI Common Shares

Pursuant to the Arrangement, the Class B Bonds will be exchanged for RCI Common Shares and no other consideration in accordance with their terms (the “Share Exchange”). The exchange of Class B Bonds for RCI Common Shares will generally be deemed not to be a disposition of property, and accordingly should not give rise to any capital gain (or capital loss).

The aggregate cost to a holder of the RCI Common Shares received on the Share Exchange will be deemed to be equal to the holder’s aggregate adjusted cost base of the Class B Bonds exchanged for such RCI Common Shares immediately before the Share Exchange. The adjusted cost base of RCI Common Shares at a particular time will generally be the average cost of all RCI Common Shares held by such holder as capital property at the particular time.

Dividends on RCI Common Shares

Dividends received or deemed to be received by a holder of RCI Common Shares will be included in computing the holder’s income for the purposes of the Tax Act for the year in which such dividends are received or deemed to have been received. The gross-up and dividend tax credit rules normally applicable to taxable dividends paid by taxable Canadian corporations will apply to dividends received by an individual (other than certain trusts), including the enhanced gross-up and dividend tax credit provisions where the Corporation provides notice designating the dividend as an "eligible dividend".

Holders of RCI Common Shares to whom these rules may be relevant should consult their own tax advisors.

Dispositions of RCI Common Shares

A disposition or deemed disposition of a RCI Common Share (other than a disposition of a RCI Common Share to RCI) will generally result in a capital gain (or capital loss) equal to the amount by which the proceeds of disposition are greater (or less) than the aggregate of the holder's adjusted cost base thereof and any reasonable costs of disposition. See the discussion regarding "*Capital Gains and Capital Losses*" below.

Capital Gains and Capital Losses

Generally, one half of a capital gain ("**taxable capital gain**") realized by a holder of securities of RCI must be included in income for the taxation year of disposition and one half of any capital loss ("**allowable capital loss**") must be deducted by such holder against any taxable capital gains realized in the same taxation year. Any excess of allowable capital losses over taxable capital gains for the year of disposition is generally deductible against net taxable capital gains realized in any of the three prior taxation years or in any subsequent taxation year in the circumstances and to the extent described in the Tax Act.

Taxable capital gains realized and dividends received by a holder of securities of RCI that is an individual or a trust, other than certain specified trusts, may give rise to minimum tax under the Tax Act.

AUDITORS

The Corporation currently does not have an auditor. The Interim Directors will have the authority to appoint and fix the remuneration of an auditor of the Corporation after the Implementation Date of the Plan.

FINANCIAL INFORMATION

The following financial statements have been prepared for internal purposes by the Corporation without audit and are included herein for completeness purposes only. The financial statements do not include any notes and in addition may not have been prepared in accordance with generally accepted accounting principles in other respects.

The Monitor has prepared statements of Cash Flow for the Corporation for the period commencing with the start of the CCAA Proceedings, which are included in the Monitor's Reports and may be found on the Monitor's website at www.ey.com/ca/foundationgroup.

RAILSIDE CAPITAL INC.
BALANCE SHEETS
(Prepared by management without independent review or audit)

	March 21, 2012	December 31, 2011	December 31, 2010	December 31, 2009
ASSETS				
Cash	$ 182,167	$ 208,010	$ 474,082	$ 475,288
Accrued interest - loans from Railside Industrial Park Inc.	8,974,319	8,413,305	5,896,276	3,390,471
Loans receivable, Railside Industrial Park Inc.	33,731,727	33,706,727	33,410,727	33,410,727
	$ 42,888,213	$ 42,328,042	$ 39,781,084	$ 37,276,486
LIABILITIES AND SHAREHOLDER'S DEFICIENCY				
Liabilities:				
Accounts payable	$ 69,990	$ 69,990	$ -	$ -
Investor bonds	34,199,100	34,199,100	34,169,100	34,169,100
Investor interest payable	8,645,177	8,113,840	5,719,533	3,325,226
	42,914,267	42,382,930	39,888,633	37,494,326
Shareholder's deficiency:				
Class A common shares	1,000	1,000	1,000	1,000
Deficit	(27,054)	(55,888)	(108,549)	(218,840)
	(26,054)	(54,888)	(107,549)	(217,840)
	$ 42,888,213	$ 42,328,042	$ 39,781,084	$ 37,276,486