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To: Railside Capital Inc. Investors

The purpose of this letter is to provide an update on the restructuring progress of Railside Capital Inc. ("Railside") and to present Railside investors with potential refinancing options. As you are aware, Railside Capital Inc. ("Railside") was successful in its Plan of Compromise and Arrangement (the "Plan") in December, 2012. The Railside Plan obtained the support of more than 96% of Railside's creditors. For the past year, Ernst & Young Inc. in its capacity as Court-Appointed Monitor and Co-Manager of Railside (the "Monitor") has been working closely with the proposed interim directors for Railside on how to proceed with the project. All major decisions taken regarding the Railside project are discussed with the proposed interim board of directors and those decisions are agreed to by the majority of the proposed interim board members.

Those proposed Railside directors are: Messrs. Eldon Schechtel, Gordon Glass, Jeff Zakaluk, David Cobb and Bruce Duckworth.

Restructuring Update

By way of background, the Railside Lands consist of approximately 320 acres on two separately titled parcels (the "Western Quarter" and the "Eastern Quarter") located near the town of Millet, AB. The Railside Lands also include a partial quarter section of land adjacent to the railway line in close proximity to the Western Quarter (the "Hegedus Lands").

As part of the Plan, Railside needed to secure Exit Financing to be able to implement its Plan and proceed with the development of the Railside project. The Monitor was able to secure new financing (the "New Financing") to replace the existing Interim Financing (the "Old Financing") as the Old Financing became due and payable. Repaying the Old Financing prevented the previous lender from potentially taking action to foreclose on the Railside lands given the loan was due and payable and it allowed for an additional year for Railside to obtain Exit Financing; however, the Monitor was not able to obtain sufficient financing to allow Railside to implement its Plan. The New Financing matures on April 26, 2014 and the Monitor believes the lender will not allow for any extension of the term.

The New Financing was approximately $200,000 short to allow for Railside's Plan implementation. In late 2012 and early 2013, the Monitor approached numerous parties seeking financing and had very little success in securing financing due to the challenges with the Western Quarter of the Railside Lands including that the Western Quarter was previously a landfill site (which has been fully remediated per Alberta Environment; however, many proposed lenders still did not like that an old landfill was previously on site) and that the Western Quarter's infrastructure was incorrectly developed (i.e. pipes at different grades) which many lenders believe will have a significant cost to properly repair.

AD Williams Engineering Inc. ("A.D. Williams") Litigation

On November 14, 2013, an amended statement of claim was filed against A.D. Williams in the Court of Queen's Bench of Alberta. The premise of the statement of claim is that the engineering services provided by A.D. Williams in respect of the Railside Lands rendered the lands less valuable due to defects in the design and engineering of the certain infrastructure.

The statement of claim was filed by Railside at the direction of Mr. Ron Aitkens. The statement of claim had to be filed before the end of November, 2013 or it would be forever barred by the Alberta Limitations Act, RSA 2000, c L-12. Had the statement of claim not been filed, Railside would have lost all ability to seek appropriate damages from A. D. Williams.

Unfortunately, Railside's books and records were seriously deficient which resulted in the Monitor not having many supporting documents, communications, agreements or correspondence with A. D. Williams and other parties involved in the past development of the Railside project. The lack of these supporting documents made the filing of the claim against A. D. Williams difficult.

Given the challenges with the A.D. Williams statement of claim, the Monitor has been working with Railside's legal counsel on achieving a quick settlement with A.D. Williams outside of court in order to minimize costs. The Monitor is not overly optimistic that a quick settlement can be achieved and considerable legal costs may have to be incurred if the litigation is to proceed. The Monitor expects to have additional information on the A.D. Williams issue within the next few months and we will keep you apprised of all significant developments.

Exit Financing Requirement

The Monitor estimates that Railside will require approximately $1.2 million ("Exit Financing") to $1.5 million ("Exit Financing + Additional Financing") in order to successfully implement its Plan. The Exit Financing of $1.2 million is comprised of the following:

- $870,000 to pay out the New Financing described above;
- $85,000 to pay outstanding property taxes, various services, and professional fees;
- $30,000 in professional fees to exit CCAA; and
- $200,000 in funds for Railside to pursue development opportunities.
- $1,185,000 total Exit Financing required.

In addition to the base amount of $1.2 million, Railside may incur the following additional costs depending on the courses of action taken:

- $75,000 in fees and costs to complete an Exit Financing as described below; and
- $250,000 in fees and costs to pursue the litigation against A.D. Williams.
- $325,000 total additional financing required.
- $1,185,000 Exit Financing
- $1,510,000 total Exit + Additional Financing required.

The Monitor has identified two potential sources of Exit Financing to implement the Plan:

1) *Partial Sale of Railside Lands*

On January 9, 2014 the Monitor obtained a subdivision of the Eastern Quarter into two 80 acre parcels for the purpose of providing the flexibility in selling one or both of the newly subdivided parcels to generate the $1.2 million to $1.5 million needed to implement the Plan.

On September 30, 2013 the Monitor engaged DTZ Barneckie to list the Eastern Quarter for sale without a specified listing price in order to ensure the most competitive bids are received. The Monitor has recently included the Hegedus Lands in the real estate listing. It is important to note that the Western Quarter and possibly up to 80 acres of the Eastern Quarter would be held for future development by Railside and that the listing of the Eastern Quarter is solely due to the need to obtain funds to repay the outstanding New Financing and provide funds to Railside to allow it to operate after the Plan is implemented.

To date, the listing of the Eastern Quarter has not attracted any offers after approximately 90 days. The lands are now listed at $15,000/acre and while some investors believe that price is too low, the comparable market transactions in the Millet area suggest that this price is not below market prices.

2) *Cash Call*

As part of the review of options to refinance the New Financing, the Monitor and the proposed interim directors considered the possibly of raising funds from the existing Railside investor group which, if these investors raised a sufficient amount would allow for the repayment of the New Financing and retention of all the Railside Lands. In the event that the Railside investor group is not able to raise sufficient funds to repay the New Financing in full, it may be that the Railside investors could raise sufficient funds such that only a portion of the Eastern Quarter would need to be sold to allow for the full repayment of the New Financing.

Building a better working world

The proposed Railside investor financing (the "Investor Financing") would have priority over the existing investor held bonds; however, it would be subordinate to the any outstanding New Financing and expenses covered by the Court-Ordered Administrative Charge. Once the New Financing and the Administrative Charge have been fully satisfied, the Investor Financing would hold first secured position against the title of the Railside Lands. The Investor Financing would carry an interest rate of 7% and a term of 5 years.

Any investor who is interested in participating in the Investor Financing is asked to reply to Rob Peterson (contact information below) by February 7, 2014 with his/her name and amount he/she is willing to invest in Railside under the proposed Investor Financing. To minimize administrative costs, the minimum investment per unit is $2,500.

Once the Monitor has reviewed the level of Railside investor interest in an Investor Financing, it will determine in conjunction with Railside if an Investor Financing is a viable financing option for Railside. The Monitor will continue with the Eastern Quarter land sale described above in order to keep both refinancing options available.

A communication will follow in February 2014 regarding the Investor Financing and proposed go-forward strategy for Railside.

Once the necessary financing is obtained – either through a sale of certain of the acres in the Eastern Quarter, by an Investor Financing or by a combination of both – the Monitor will proceed to implement the Plan at which time the proposed interim board of directors will be appointed to the board and they will then work on developing a strategy for the remaining Railside Lands.

The Monitor has engaged Wheelhouse Support to provide investor relations services to Railside. Investors are asked to contact Wheelhouse Support if they are interested in participating in the Investor Financing.

In addition, should you have any questions about this update, please contact Wheelhouse Support:

Contact:	Rob Petersen
Tel:	403-266-9316
Email:	robp@wheelhousesupport.ca

Sincerely,

ERNST & YOUNG INC.
in its capacity as Monitor and Co-Manager
of Railside and not in its personal or corporate capacity

Neil Narfason, CA, CIRP, CBV
Senior Vice President