Court File No. CV-12-9617-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT,* R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF First Leaside Wealth Management Inc., First Leaside Finance Inc., First Leaside Securities Inc., FL Securities Inc., First Leaside Management Inc., First Leaside Accounting and Tax Services Inc., First Leaside Holdings Inc., 2086056 Ontario Inc., First Leaside Realty Inc., First Leaside Capital Inc., First Leaside Realty II Inc., First Leaside Investments Inc., 965010 Ontario Inc., 1045517 Ontario Inc., 1024919 Ontario Inc., 1031628 Ontario Inc., 1056971 Ontario Inc., 1376095 Ontario Inc., 1437290 Ontario Ltd., 1244428 Ontario Ltd., PrestonOne Development (Canada) Inc., PrestonTwo Development (Canada) Inc., PrestonThree Development (Canada) Inc., PrestonFour Development (Canada) Inc., 2088543 Ontario Inc., 2088544 Ontario Inc., 2088545 Ontario Inc., 1331607 Ontario Inc., Queenston Manor General Partner Inc., 1408927 Ontario Ltd., 2107738 Ontario Inc., 1418361 Ontario Ltd., 2128054 Ontario Inc., 2069212 Ontario Inc., 1132413 Ontario Inc., 2067171 Ontario Inc., 2085306 Ontario Inc., 2059035 Ontario Inc., 2086218 Ontario Inc., 2085438 Ontario Inc., First Leaside Visions Management Inc., 1049015 Ontario Inc., 1049016 Ontario Inc., 2007804 Ontario Inc., 2019418 Ontario Inc., FL Research Management Inc., 1031628 Ontario Inc., 1045516 Ontario Inc., 2004516 Ontario Inc., 2192341 Ontario Inc., and First Leaside Fund Management Inc.

Applicants

SUPPLEMENT TO THE COMBINED SEVENTH REPORT TO COURT OF GRANT THORNTON LIMITED, MONITOR OF THE APPLICANTS UNDER THE COMPANIES' CREDITORS ARRANGEMENT ACT AND PRE-FILING REPORT OF GRANT THORNTON LIMITED AS PROPOSED RECEIVER

DECEMBER 6, 2012

Grant Thornton

Grant Thornton Limited,
Monitor of the Applicants under the Companies' Creditors Arrangement Act

Royal Bank Plaza
200 Bay Street, South Tower, 19th Floor
Toronto, Ontario, M5J 2P9

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DECEMBER 6, 2012

INTRODUCTION

1. This report ("**Supplemental Report**") supplements the combined seventh report to Court of Grant Thornton Limited ("**GTL**") dated December 5, 2012 ("**Seventh Report**").

2. Capitalized terms not defined in this Supplemental Report have the meanings ascribed to such terms in the Seventh Report and the affidavit of Gregory MacLeod, sworn December 3, 2012 ("**December MacLeod Affidavit**").

3. As set out in the Seventh Report, First Leaside has determined that it is appropriate at this time to terminate the CCAA Proceedings and transition the proceedings to a receivership, in order to facilitate the remaining steps required to complete the liquidation and distribution of First Leaside's assets.

4. This Supplemental Report and the Seventh Report have been prepared by GTL in its capacity as monitor ("**Monitor**") and as the proposed receiver ("**Receiver**") of the Receivership Applicants.

PURPOSE OF SUPPLEMENTAL REPORT

5. The purpose of this Supplemental Report is to request that the Court authorize and direct the proposed Receiver, if appointed, to abstain from voting at any meetings of unitholders of any Funds (as defined in the December MacLeod Affidavit). The Monitor understands that meetings of Wimberly Fund and First Leaside Fund are scheduled to be held on December 10, 2012, and a meeting of First Leaside Properties Fund is scheduled to be held on December 13, 2012 (the "**Meetings**").

THE MEETING OF THE FUND UNITHOLDERS

6. The issue of the Meetings arises in the context of negotiations with certain trustees of the Funds in relation to WALP and the WALP Assets (as defined in the December MacLeod Affidavit). Background concerning WALP and the WALP Assets is provided in paragraphs 17 - 25 and 38 - 42 of the December MacLeod Affidavit.

7. If granted by this Court, the proposed Receivership Order, *inter alia*, will result in the proposed Receiver controlling WALP and the WALP Assets, which include First Leaside's various investments in the Funds. According to First Leaside's books and records, three of the Applicants own approximately 2% of the aggregate outstanding units of the Funds.

8. As set out in paragraph 40 of the December CRO Affidavit, the Meetings are to be held to permit unitholders of the three Funds to vote on the removal and appointment of the Funds' trustees, who are responsible for management of the Funds. In addition, the Monitor understands that the unitholders, will be asked to consider the plans the trustees are proposing for the Funds, which plans include the purchase of the WALP Assets from First Leaside.

9. On December 5, 2012, Torkin Manes LLP ("**Torkin Manes**"), the lawyers for certain of the trustees of the Funds, sent an email to the Monitor's independent legal counsel that, among other things, requested the proposed Receiver to confirm that it would cast the votes of First Leaside in respect of its units in the Funds in favour of retaining the current trustees of the Funds, as opposed to voting to elect other trustee candidates. A copy of the December 5, 2012 email is attached as **Appendix "1"**.

10. The Torkin Manes email also asserts that the proposed Receiver, if appointed, would not be required to seek Court approval to vote in favour of the appointment of any particular trustee candidates and their respective plans for the Funds and the WALP Assets.

11. The Monitor disagrees with this assertion. The Monitor is aware, from discussions with certain investors and Representative Counsel, that certain unitholders of the Funds oppose the plans of the current Trustees. As the Receiver, if appointed, is to be an independent and impartial officer of the Court, the proposed Receiver is of the view that it should abstain from voting at the Meetings, and at any future meetings that may be held. The Monitor understands that the voting procedures provided for in the constating documents of the Funds call for voting results to be calculated on the basis of the number of units voting, rather than based on total outstanding units. The Receiver would control only a small fraction of the units of the Funds, and as such, is not likely to be in a position to have a decisive vote. However, the Monitor and proposed Receiver is of the view that it is not appropriate for the Receiver to play any role in the determination of the governance of the Funds, and that the appointment of trustees and other such governance decisions ought to be left to the investors.

12. Once the trustees of the Funds are appointed, the proposed Receiver, if appointed, would be prepared to negotiate a transaction for the sale of the WALP Assets in a form and on terms acceptable to the Receiver and the Court.

13. The Monitor has also reviewed the affidavit of Henry Wemekamp, dated December 6, 2012 (the "**Wemekamp Affidavit**"), which was served on the Monitor. The Wemekamp Affidavit is attached as **Appendix** "**2**". Paragraphs 17 and 18 of the Wemekamp Affidavit request that the approval of the CRO's conduct be adjourned until after the Meetings in order for the current trustees of the Funds to consider, based on the outcome of the Meetings, whether they wish

to oppose the approval of the CRO's conduct specifically related to the CRO's decision not to complete the sale of the WALP Assets prior to the Meetings. The Wemekamp Affidavit states that the trustees may wish to take the position that CRO has "strung along" the trustees in their negotiations.

14. The Monitor has participated in various meetings with the CRO concerning the negotiations of the terms of the prospective sale of the WALP Assets to the Funds, which the Monitor understands are ongoing. The Monitor understands that no definitive agreement has been reached. The Monitor is of the view that the CRO has been negotiating the terms of the proposed transaction in good faith and has not "strung along" the trustees, as suggested in the Wemekamp Affidavit. The Monitor is of the view that the decision of the CRO to await the outcome of the Meetings and the decisions of the investors at those Meetings regarding the WALP Assets is prudent in the circumstances.

REQUESTED RELIEF

15. The Monitor respectfully recommends that this Court authorize and direct the Receiver, if appointed, to abstain from voting at the Meetings and future meetings of the Funds.

All of which is respectfully submitted,

GRANT THORNTON LIMITED,
In its capacity as CCAA Monitor of the Applicants
under the *Companies' Creditors Arrangements Act*
and not in any other capacity

Per:

Jonathan Krieger, CA•CIRP
Senior Vice President

MCEACHERN, KATHERINE

From:	Fay Sulley <fsulley@torkinmanes.com>
Sent:	Wednesday, December 05, 2012 12:48 PM
To:	'Ward, David'
Cc:	Andrew J. Wilder; Jonathan.Krieger@ca.gt.com; MCEACHERN, KATHERINE; Michael Hanley; 'Henry Wemekamp'; 'Ken Rice'; 'Simon Parry'; Jeffrey J. Simpson
Subject:	First Leaside et al

David,

Further to our telephone discussion today, I have spoken to Andrew Wilder about the status of the documentation relating to the transfer of the identified assets, which includes without limitation, the units held by First Leaside in Wimberly Fund and First Leaside Fund (the "assets") in the Funds, or their nominees, for $330,000 (the "transaction"). Andrew has advised that he is waiting to receive draft documentation from Peter Dunne at this time.

Also as discussed, although Andrew requested that the CRO/Receiver abstain from voting at the meetings that have been scheduled, having learned more about what the dissidents are proposing, the trustees are now requesting that the proposed Receiver vote in favour of the Rescue Plans and the slate of Trustees that are being put forward by our clients at the upcoming meetings.

The dissidents have not offered to pay anything for any of the assets that the current slate of trustees have offered to purchase as part of the transaction. The proposed Receiver will be faced with a choice of voting in favour of our clients' proposed slate of trustees and the Rescue Plan with the full knowledge that, subject to obtaining court approval, it will be paid $330,000. If the proposed Receiver does not vote in favour of our clients' slate of trustees and the Rescue Plan, it may end up receiving, little if anything, for the assets. According to information being circulated by the dissidents, they have no immediate plans to do anything but take over management of the properties and then potentially sell the properties. In fact, the dissidents appear to believe that our clients have agreed to pay too much for the various assets they have offered to acquire.

If our clients' proposals are not successful as a result of the proposed Receiver's abstention, then our clients could incur significant damages. The trustees have expended a great deal of money in legal and other fees to bring the Rescue Plan together. The potential Receiver would be potentially defeating the Rescue Plan without any knowledge as to whether or not it can do better (that is, realize more money) at a later date. If the dissidents had wanted to buy the assets, they would have made an offer by now. Furthermore, the First Leaside Group could then be faced with a situation of having wasting assets with little prospect of recovery, which would cause damage to the greater body of creditors as a whole. We understand that $330,000 in the whole scheme of things may not seem like a lot of money, but to our clients it is a lot of money and ultimately, the upside over time to our clients and the unit holders at large could be much greater if the Rescue Plans are approved.

I have reviewed many of the mortgages in Texas. If there is a change of control of the GPs, it would give the mortgage companies a reason to accelerate the mortgages. I understand that some of the mortgages are to be renewed in 2013 and 2014. If David Phillips is not prepared to sign a new guarantee, none of the trustees are prepared to sign guarantees to sign guarantees in place of David Phillips. I am not sure if any members of the dissident groups would be prepared to sign guarantees either. Without a willing guarantor, a situation in which the mortgage companies exercise their rights of foreclosure could arise and in that event, again, there could be little, if anything, available to distribute to the unit holders.

I do not believe that the receiver needs Court approval to vote in favour of our clients' proposed slate of trustees and the Rescue Plans. Even if the Rescue Plans are approved, the transaction would still be subject to Court approval. The dissidents will have the opportunity at that stage to oppose the approval of the transaction if they saw fit to do so. It would be very similar to a proposal trustee recommending a proposal to creditors and then having disgruntled creditors oppose approval of the proposal at the time of the Court hearing. It is my understanding that Grant Thornton, as monitor and now as proposed Receiver, was satisfied with the transaction and the reasonableness of the purchase price being offered for the assets. The fact that there are now a dissident group of unit holders who may oppose the Rescue Plan should not be influencing Grant Thornton from the perspective of whether or not the proposed Receiver would be getting a reasonable deal that it could recommend to the Court. I am not aware of anything that has changed that could increase the value of the assets. To the contrary, based upon the information that the dissidents have been circulating, they are offering to pay nothing.

This correspondence is being sent to you to urge the proposed Receiver to reconsider its position, especially in light of the fact that our clients could incur significant losses and other creditors of the First Leaside Group could incur a reduction in their dividends, if the proposed Receiver does not vote in favour of the proposed slate of trustees and the Rescue Plans at the upcoming meeting.

Best regards,

S. Fay Sulley
Direct Tel: 416 777 5419
Direct Fax: 1 888 587 5769

fsulley@torkinmanes.com
Click here to Open Contact Card

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AFFIDAVIT OF HENRY WEMEKAMP

I, Henry Wemekamp, of the City of Toronto, in the Province of Ontario, MAKE OATH AND SAY:

1. I am one of the trustees (the "Trustees") of the First Leaside Fund, and Wimberly Fund and I am familiar with First Leaside Properties Fund and First Leaside Mortgage Fund (collectively, the "Funds"). Except for the Mortgage Fund, the funds are the major unsecured creditors of F.L. Master Texas, Ltd. ("Master Texas") and F.L. Master Sherman Ltd. ("Master Sherman"), two limited partnerships created under the laws of the state of Texas. Master Texas and Master Sherman are two of the non-Applicant parties over which the Court has extended the benefit of the Initial Order and subsequent Orders in this matter. In addition, my wife and I have personally invested over $2 million in various First Leaside entities since 1992.

2. As such, I have knowledge of the facts and matters to which I hereinafter depose either through my own knowledge or by informing myself with respect thereto in which case I have indicated the source of my information and belief.

3. I swear this Affidavit in response to the Motion brought by First Leaside (all capitalized terms have the same meaning as defined in the Affidavit of Gregory MacLeod sworn December 3, 2012) for various relief returnable December 7, 2012. The Trustees of the Funds take the position that the approval of the conduct of the CRO in this matter and the approval of the fees and disbursements of Representative Counsel should be adjourned pending a number of events, including:

(a) The results of the votes in respect of the Funds and their Trustees which will be held on December 10 and December 13, 2012;

(b) Confirmation by GT in its capacity as Receiver that it is prepared to complete, or not complete, the proposed sale of First Leaside's equity in Master Texas L.P and Master Sherman L.P, on the terms negotiated by counsel for the Trustee with counsel for First Leaside, referenced in paragraph 39 of Mr. MacLeod's Affidavit; and

(c) An appropriate review of the Bill of Costs and conduct of Representative Counsel, together with the opportunity to consider a response to same, and for counsel to obtain instructions as to whether approval of the fees and disbursements of Representative Counsel will be opposed or not.

The Funds

4. The Funds are each investment trusts created between October 2005 and February 2010, as investment vehicles through which various arms-length, third party investors invested funds in respect of certain real property located in the State of Texas. The funds are single purpose entities and, as stated above, I am one of the Trustees of two of the Funds.

5. The constating documents of the First Leaside and Wimberly Funds consist of Declaration of Trusts (the "Declarations of Trust") and amendments thereto. The Declarations of Trusts grant the Trustees extensive powers of management over the Funds. Paragraph 9.1 of the First Leaside Declaration of Trust dated October 6, 2005 provides as follows:

> 9.1 – Powers of the Trustees. Subject to the terms and conditions of this Declaration of Trust the Trustees may exercise from time to time in respect of the Trust Assets and the investments and affairs of the Trust any and all rights, powers and privileges that could be exercised by a legal and beneficial owner thereof.

Master Texas

6. Master Texas is a limited partnership (notwithstanding the use of the term "Ltd." in its name) created pursuant to the laws of the State of Texas with its head office in Dallas, Texas. Its general partner is 2088543 Ontario Inc. ("208"), which is an Ontario-incorporated company. David Phillips is the principal of 208, which company is an included Applicant in this CCAA proceeding.

7. Master Texas holds a controlling interest in six separate limited partnerships which own properties in the State of Texas.

Master Sherman

8. Master Sherman is a limited partnership (notwithstanding the use of the term "Ltd." in its name) created pursuant to the laws of the State of Texas with its head office in Dallas, Texas. Its general partner is FL Master Sherman GP, Inc., which is a US entity. Sherman holds a controlling interest in four separate limited partnerships which own properties in the State of Texas.

Creditors of F.L. Master Texas Ltd. and Sherman

9. The latest financial statements for Master Texas which are available to me are dated December 31, 2010 and, I understand, were prepared in mid-2011. These financial statements indicate that Master Texas is indebted to the First Leaside and Wimberly Funds pursuant to two or more promissory notes in the total amount (at that time) of $52,665,341.00.

10. According to information provided to the investors by the Monitor in August, 2011, Master Sherman was indebted to First Leaside Properties Fund in the amount of $14.37 million as of June 30, 2011 pursuant to a debt instrument bearing interest at 9%, maturing between 2017 and 2019 with an additional ten-year extension at Master Sherman's option.

11. UCC and Ontario PPSA searches conducted on Master Texas and Master Sherman indicate that there are no registrations outstanding against either of those parties in either jurisdiction. To the best of my knowledge there are no secured creditors of Master Texas or Master Sherman.

12. In other words, it appears clear that the largest stakeholders with respect to Master Texas and Master Sherman are the Funds, which are currently owed in excess of $66,000,000.00 by Master Texas and Master Sherman.

Reasons for Requested Adjournment

(a) CRO conduct

13. The conduct of the CRO ought not to be approved at this time. That is not to say that the Trustees have determined that they wish to oppose approval of the CRO's conduct or ultimately that the Motion for approval will be opposed.

14. The Trustees have, however, entered into a written agreement in principle with the CRO, which is non-binding by its terms, concerning the transfer of the equity in the Texas LP to the Funds, or as they shall direct. Considerable time and expense, including significant legal fees have been invested in this endeavour. In addition, the Trustees have advised unitholders and prepared a plan going forward with respect to the Texas properties based on the assumption that they would eventually acquire that equity from the CRO.

15. The CRO has now backed away from completing that transaction, for reasons set out in Mr. MacLeod's Affidavit. Grant Thornton has thus far not committed to completing the transactions as negotiated.

16. If, ultimately, the current slate of Trustees is not successful at the vote returnable on December 10, 2012, and a new slate of Trustees is elected, or alternatively, if Grant Thornton as Receiver is not prepared to complete the transaction on the terms previously negotiated, the transaction as negotiated may not ultimately close.

17. If that is the case, then the current Trustees may wish to take the position that the CRO has, in essence, strung along the Trustees, causing them to invest significant funds in reliance on completion of a transaction that the CRO was aware all along would probably, or possibly, never close. In other words, there is a possibility, depending on the outcome of the vote, of a scenario unfolding in which the Trustees of the Funds may wish to take the position that the CRO's conduct in negotiating with the Funds ought not to be approved by the Court.

18. Obviously, whether or not the Trustees wish to oppose approval of the CRO's conduct in negotiating the agreement is highly dependent on the results of the vote and the ultimate position taken by Grant Thornton with respect to transfer of the equity.

(b) <u>Approval of the Fees of Representative Counsel</u>

19. The fee Affidavit of Representative Counsel was served the afternoon of Wednesday, December 5, 2012. The fee Affidavit is accompanied by hundreds of pages of document entries. The total amount claimed by Representative Counsel in respect of its fees and disbursements is approximately $774,000. While the Trustees have been advised by counsel that the Court, in this type of proceeding, does not engage in a line-by-line analysis of the dockets entered by counsel, I believe the Trustees should nonetheless be a reasonable amount of time to review the time entries and tasks completed by Representative Counsel in order to instruct their counsel as to

whether, in the opinion of the Trustees, the fees and disbursements of Representative Counsel have been reasonable in the circumstances.

20. This determination is complicated by the impending vote on December 10, 2012. Obviously, if the current slate of Trustees is replaced, it is entirely possible that instructions to counsel with respect to approval of Representative Counsel's fees will be very different. As a client of First Leaside, however, I or other individual investors may nonetheless wish to take a position in respect of Representative Counsel's fees.

21. I wish to be clear that the Trustees are taking an adverse position against Representative Counsel or, at this time, making any accusations of inappropriate conduct on the part of Representative Counsel. Representative Counsel is, however, in somewhat of a difficult position insofar as both the current slate of Trustees, and a rival committee of fund unitholders, represented by their acronym FLIPA (First Leaside Investors Protection Association) are investors in First Leaside. I understand that FLIPA has now retained its own independent counsel. Even so, I believe that Representative Counsel is required to fairly represent the interests of all stakeholders, including the various groups of stakeholders with differing visions as to how the Texas properties ought to be dealt with, and that it would not be appropriate for Representative Counsel to, in essence, side with one group of investors.

22. As mentioned in the Information Circular circulated to Fund unitholders, the current Trustees of the Fund have been excluded from certain meetings of the steering committee of First Leaside investors with Representative Counsel. There is a possibility, again depending on the results of the vote on December 10, 2012, that the Trustees will take the position that Representative Counsel has preferred the interests of one group of investors, represented by

FLIPA, over the interests of another group of investors, represented by the current slate of Fund Trustees.

23. If, ultimately, the Trustees determine that they wish to advance that position, then obviously approval of the fees and disbursements and conduct of Representative Counsel should be adjourned for the moment pending results of the December 10, 2012 vote, an appropriate notice period to permit the Trustees and counsel to review the fees and disbursements of Representative Counsel, a reasonable period of time to permit the current slate of Trustees to formulate a position with respect to those fees and disbursements and potentially further discussions with Representative Counsel in respect of same.

(c) Current Position of Grant Thornton with respect to the Vote

24. I attach hereto an e-mail sent by counsel for the Trustees on December 5, 2012[1] to all relevant counsel setting out the Trustees' position in more detail. In essence, First Leaside, and, assuming the Receiver is appointed, the Receiver after December 7, 2012, control a block of units in the Funds and are in a position to vote those units at the meeting returnable Monday, December 10, in the vote to appoint the Trustees of the Funds. It is not clear that the block of votes controlled by the Receiver will be determinative of the vote. The Trustees have formally requested that the Receiver exercise that right to vote in favour of the current slate of Trustees for reasons set out in the attached email.

25. At this time, the proposed Receiver is taking the position that it will abstain from exercising its right to vote the units that it controls at the meeting.

---

[1] Attached hereto and marked as Exhibit "A" is a true copy of e-mail correspondence dated December 5, 2012.

26. I make this Affidavit in good faith and for no improper purpose.

SWORN BEFORE ME at the City of Toronto, in the Province of Ontario on December 6, 2012	
Commissioner for Taking Affidavits *(or as may be)*	**HENRY WEMEKAMP**

31797.0001/5062171_.1

This is Exhibit **"A"** referred to in the Affidavit of Henry Wemekamp, sworn December 6, 2012

Commissioner for Taking Affidavits (or as may be)

Jeffrey J. Simpson

From: Fay Sulley
Sent: December 5, 2012 12:48 PM
To: 'Ward, David'
Cc: Andrew J. Wilder; Jonathan.Krieger@ca.gt.com; MCEACHERN, KATHERINE; Michael Hanley; 'Henry Wemekamp'; 'Ken Rice'; 'Simon Parry'; Jeffrey J. Simpson
Subject: First Leaside et al

David,

Further to our telephone discussion today, I have spoken to Andrew Wilder about the status of the documentation relating to the transfer of the identified assets, which includes without limitation, the units held by First Leaside in Wimberly Fund and First Leaside Fund (the "assets") in the Funds, or their nominees, for $330,000 (the "transaction"). Andrew has advised that he is waiting to receive draft documentation from Peter Dunne at this time.

Also as discussed, although Andrew requested that the CRO/Receiver abstain from voting at the meetings that have been scheduled, having learned more about what the dissidents are proposing, the trustees are now requesting that the proposed Receiver vote in favour of the Rescue Plans and the slate of Trustees that are being put forward by our clients at the upcoming meetings.

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If our clients' proposals are not successful as a result of the proposed Receiver's abstention, then our clients could incur significant damages. The trustees have expended a great deal of money in legal and other fees to bring the Rescue Plan together. The potential Receiver would be potentially defeating the Rescue Plan without any knowledge as to whether or not it can do better (that is, realize more money) at a later date. If the dissidents had wanted to buy the assets, they would have made an offer by now. Furthermore, the First Leaside Group could then be faced with a situation of having wasting assets with little prospect of recovery, which would cause damage to the greater body of creditors as a whole. We understand that $330,000 in the whole scheme of things may not seem like a lot of money, but to our clients it is a lot of money and ultimately, the upside over time to our clients and the unit holders at large could be much greater if the Rescue Plans are approved.

I have reviewed many of the mortgages in Texas. If there is a change of control of the GPs, it would give the mortgage companies a reason to accelerate the mortgages. I understand that some of the mortgages are to be renewed in 2013 and 2014. If David Phillips is not prepared to sign a new guarantee, none of the trustees are prepared to sign guarantees to sign guarantees in place of David Phillips. I am not sure if any members of the dissident groups would be prepared to sign guarantees either. Without a willing guarantor, a situation in which the mortgage companies exercise their rights of foreclosure could arise and in that event, again, there could be little, if anything, available to distribute to the unit holders.

I do not believe that the receiver needs Court approval to vote in favour of our clients' proposed slate of trustees and the Rescue Plans. Even if the Rescue Plans are approved, the transaction would still be subject to Court approval. The dissidents will have the opportunity at that stage to oppose the approval of the transaction if they saw fit to do so. It would be very similar to a proposal trustee recommending a proposal to creditors and then having disgruntled creditors oppose approval of the proposal at the time of the Court hearing. It is my understanding that Grant Thornton, as monitor and now as proposed Receiver, was satisfied with the transaction and the reasonableness of the purchase price being offered for the assets. The fact that there are now a dissident group of unit holders who may oppose the Rescue Plan should not be influencing Grant Thornton from the perspective of whether or not the proposed Receiver would be getting a reasonable deal that it could recommend to the Court. I am not aware of anything that has changed that could increase the value of the assets. To the contrary, based upon the information that the dissidents have been circulating, they are offering to pay nothing.

This correspondence is being sent to you to urge the proposed Receiver to reconsider its position, especially in light of the fact that our clients could incur significant losses and other creditors of the First Leaside Group could incur a reduction in their dividends, if the proposed Receiver does not vote in favour of the proposed slate of trustees and the Rescue Plans at the upcoming meeting.

Best regards,

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IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF FIRST LEASIDE WEALTH MANAGEMENT INC., ET AL.

Court File No. CV-12-9617-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

PROCEEDING COMMENCED AT TORONTO

AFFIDAVIT OF HENRY WEMEKAMP
Sworn December 6, 2012

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