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June 20, 2012

BY EMAIL OR ORDINARY MAIL

To all persons who are clients of First Leaside Securities Inc. (the "Investors")

Dear Sirs/Mesdames:

RE: ***Companies' Creditors Arrangement Act*** **("CCAA") proceedings involving First Leaside Wealth Management Inc. ("FLWM") and certain of its affiliates subject to the Initial Order of the Ontario Superior Court of Justice (the "Court") dated February 23, 2012 ("First Leaside")**

AND RE: Fourth Reporting Letter to Investors by Fraser Milner Casgrain LLP as Court-appointed representative counsel for the Investors ("Rep Counsel")

This fourth reporting letter is intended to update you on the status of the CCAA proceedings and the activities that we are currently engaged in on your behalf in our capacity as Rep Counsel.

1. Communications Protocol

The Court ordered First Leaside, the chief restructuring officer, G.S. MacLeod & Associates Inc. (the "**CRO**"), and the monitor, Grant Thornton Limited (the "**Monitor**"), to work with Rep Counsel to implement a communications protocol to ensure that the Investors are given a reasonable opportunity to assess and respond to future proposed asset transactions (the "**Communications Protocol**"). A motion has been brought by First Leaside to be heard on June 28, 2012 (discussed in greater detail in item 5 below) for Court approval of the proposed Communications Protocol, which involves, among other things, the following:

(a) A Realization Plan

The CRO, with the assistance of the Monitor, prepared a realization plan (the "**Realization Plan**") that sets out a timeframe for the sale of First Leaside's assets (the "**Assets**"); lists the actions that must be taken to affect any sale; and identifies the relevant anticipated completion date. A copy of the Realization Plan was delivered by email to the Investors on May 30, 2012. Several of the Investors have expressed to us their concern that the Realization Plan did not discuss certain securities they hold.

Specific securities were not discussed in the Realization Plan because the Realization Plan only covers the sale of the various tangible Assets of First Leaside.

(b) **A Transaction Subcommittee**

The transaction subcommittee is made up of the following members of the Steering Committee: Ross Cochrane, Libby Parente, Simon Parry and Patrick Radice (the "**Transaction Subcommittee**"). The Transaction Subcommittee will be given the opportunity to discuss progress relating to the Realization Plan with the Monitor and the CRO; discuss the status of any marketing, investment or sales process; and review any written offers or proposals received by First Leaside in respect of the Assets.

Please note that all information provided by the CRO and the Monitor to the Transaction Subcommittee and Rep Counsel, pursuant to the Communications Protocol, must be kept confidential and cannot be disclosed to the Investors or any other party until it is either made public by the CRO and the Monitor, or the Monitor otherwise agrees in writing that it can be released.

Once the CRO and the Monitor have a transaction that they consider to be in the best interests of First Leaside and the Investors, they will be required to seek Court approval to move forward with any transaction on notice to stakeholders. In that regard, Rep Counsel will endeavour to provide details of the proposed transaction and the views of both the Transaction Subcommittee and Rep Counsel to the Investors in advance of a Court hearing.

2. The Canadian Investor Protection Fund ("CIPF")

On a regular basis the Investors ask Rep Counsel about the CIPF claims process. The general feedback we have consistently received from the Investors is that they want Rep Counsel to get involved in the CIPF issues and help them advance their claims.

We have conducted preliminary research to determine whether there is merit in having us assist the Investors with the CIPF claims process. Based on the ambiguity of the guidelines and the discretionary nature of CIPF, and with input from the Steering Committee and the Monitor, we concluded that the Investors may benefit from framework that enables a coordinated approach for dealing with their claims in the CCAA proceedings and their claims for CIPF coverage. However, before we conduct the research that is necessary to determine the strength of the Investors' CIPF claims and therefore develop arguments to support any such claims, we need to have our mandate expanded by the Court and First Leaside is seeking such relief from the Court at the next hearing scheduled for June 28, 2012.

In terms of a claims process, we have had discussions with both the Monitor and CIPF in respect of having the Investors file one claim for dual purposes (identifying claims in the CCAA process for distributions and asserting such claims against CIPF). The rationale behind combining the CIPF claims with the CCAA claims process is to avoid duplicating the administrative efforts on the part of the Investors and the professionals involved. As part of such discussions, CIPF has indicated a willingness to consider extending the claims filing deadline to coincide with a CCAA filing deadline date. At this time, CIPF has still not formally agreed to an extension. Accordingly, the deadline for filing a CIPF claim remains August 22, 2012.

If the Court approves expanding our mandate, then we will be able to determine how we can best assist Investors with the CIPF claims process. Until then, we cannot advise the Investors with respect to their

CIPF claims. For more information on filing a CIPF claim, visit the following CIPF link: www.cipf.ca/Libraries/News_Releases/CIPF_Issues_Notice_to_the_Customers_of_First_Leaside_Securities_Inc.sflb.ashx.

3. Ontario Securities Commission ("OSC") Proceedings

The OSC has started proceedings against David Phillips and John Wilson. On June 6, 2012, we sent out a copy by e-mail to the Investors of the Notice of Hearing and the Statement of Allegations that were issued by the OSC in respect of David Phillips and John Wilson.

On June 6, 2012, the OSC also issued an Order for the following:

(a) an extension of the Temporary Cease Trade Order that was issued by the OSC against David Phillips on May 15, 2012, for a period ending Friday, September 28, 2012;

(b) that David Phillips shall cease trading in all securities, except for trades made through a registrant for his own account or for the account of his "registered retirement savings plans", "registered retirement income fund" or "tax free savings account" (as those terms are defined in the *Income Tax Act* (Canada)) in respect of (i) government debt securities within the scope of the *Securities Act*, and (ii) those securities that are listed and posted for trading on the Toronto Stock Exchange or the New York Stock Exchange; and

(c) that any exemptions contained in Ontario securities law do not apply to David Phillips.

Our mandate does not include representing the Investors at the OSC Proceedings and we are not involved with any investigations conducted by the OSC. We will, however, continue to inform the Investors of any information that we receive or are made aware of that we think will be of interest to the Investors. Information regarding the OSC proceedings against Phillips and Wilson can also be found at the OSC website: http://www.osc.gov.on.ca.

4. Challenging Preferential Insider Transactions

We were advised by the Monitor that on or about November 3, 2011, a transfer in the amount of $500,000 was made from the account of First Leaside Finance Inc. to the account of a 970877 Ontario Inc. ("**970**") to repay a $500,000 loan made by 970 to First Leaside Wealth Management Inc. ("**FLWM**"). We understand that David Phillips is the sole officer and director of 970.

We sent a letter to the Monitor's counsel formally requesting the Monitor to take action with respect to this repayment. In the Monitor's view, this transfer appears to be a preferential payment, which has the effect of favouring one creditor of First Leaside, 970, at the expense of the other creditors, and as a result, the Monitor has sent two letters to 970, care of David Phillips, demanding repayment of the $500,000 by 970 to First Leaside Finance Inc. No formal response to the Monitor's letters has yet been received. The Monitor may seek the Court's advice and direction regarding pursuing 970 for repayment of the $500,000 at a future hearing.

5. Upcoming Court Proceedings

On June 19, 2012, First Leaside served us with a copy of its motion record (the "**Motion Record**") for a motion scheduled to be heard on June 28, 2012. In addition to seeking a Court order approving the Communications Protocol and the expansion of Rep Counsel's mandate to assist the Investors with the CIPF claims process, First Leaside is seeking Court approval of the following:

- **Extension of the Stay Period.** The Initial Order which provided for a stay of proceedings against First Leaside currently expires on June 29, 2012. An extension of the stay period is being sought until October 26, 2012, to allow First Leaside to continue to work with the Monitor and Rep Counsel to wind-down First Leaside's operations and portfolio of assets and take appropriate steps to maximize value for the creditors.

- **Inter-Company Charge.** First Leaside is made up of several corporations, trusts and limited partnerships. Not all of these entities have enough cash to fund ongoing operations and the costs of the CCAA proceedings. If funds from certain of those entities are used to fund the expenses of another entity, there is concern that the funding entity creditors will be unfairly prejudiced. As a result, First Leaside is seeking an order for an inter-company charge to ensure that if any entity borrows money from a related entity in the course of the CCAA proceedings, such monies will be subject to a priority charge that secures its payment back to the entity that it borrowed from.

- **Venture Okanagan Properties.** The CRO entered into an agreement on behalf of certain First Leaside entities with Grant Thornton Corporate Finance Inc. ("**GTCFI**") under which GTCFI will act as the financial advisor with respect to the proposed divesture of: (a) First Leaside Retirement Residences Limited Partnership's 50.1% interest in PrimeTime Living LP; and (b) the real properties, known as the Venture Okanagan properties, owned by other First Leaside entities. GTCFI was chosen to advise First Leaside given its knowledge and experience dealing with the divestures of real estate in the retirement residences market.

- **Rep Counsel's Fees.** Removal of the limit on Rep Counsel's fees is being sought, subject to the Court reviewing and approving such fees, because Rep Counsel has had to and will continue to undertake significant work given the complexity of these proceedings.

- **Visions II Limited Partnership ("Visions II") and eSight Corp. ("eSight").** Visions II invested in eSight, a technology company. The continued operations of eSight are jeopardized by liquidity shortfalls. An investor group has committed to provide up to $2 million in funding to eSight in conjunction with a restructuring of the interest of current investors of eSight (including Visions II). Since there is no ability to sell Visions II's current interests (being warrants entitling Visions II to a 19% equity stake in eSight and a promissory note in the principal amount of $311,250) in eSight, the Monitor, Rep Counsel and the Investors that hold the majority stake in Visions II support the proposed transaction.

Other key highlights from the Motion Record include the following information discussed in the affidavit of the CRO:

- **Queenston Manor.** The sale of the Queenston Manor was completed on May 1, 2012, and resulted in the receipt of net proceeds of approximately $2,390,764.15 after payment of real estate commissions and the payment to the mortgagee, Midland Loan Services Inc. The net proceeds are being used to fund costs secured by the Administration Charge (as defined in the Initial Order) and otherwise are being held pending further order of the Court.

- **Beverages.** First Leaside's interest in the First Leaside Beverages Limited Partnership was sold to Provincial Beverages of Canada Inc. for $760,000. The transaction was completed on May 17, 2012.

- **US Properties.** First Leaside continues to review its options with respect to interests in Wimberly Apartment Limited Partnership and the Texas limited partnerships ("**Texas LPs**"). First Leaside has retained legal counsel and real estate advisors in Texas to assist with preparing an exit strategy for these interests. To date, the Texas LPs continue to meet their debt service obligations, however, one or more of the properties may default on its mortgage payments as early as August 2012.

- **First Leaside Funds.** A letter was sent by counsel to the purported trustees of the First Leaside Fund and Wimberly Fund to counsel to the CRO. This letter suggested, among other things, that counsel to First Leaside should not be assisting the CRO in dealing with matters that impact either Fund, particularly with respect to the Texas LPs. The response by counsel to First Leaside (who disagreed with the assertions that were made in this letter) can be found at Exhibit "R" of the Motion Record.

- **Other Real Property Assets.** First Leaside obtained appraisals from CBRE Limited and Colliers International Canada in order to select the appropriate listing price for the following properties that have been listed for sale:

  1. 36 Bramtree Court, Brampton, Ontario ($5,000,000);
  2. 164 Cemetery Road, Uxbridge, Ontario ($2,700,000);
  3. 62 Mill Street, Uxbridge, Ontario ($1,600,000);
  4. 168 Brock Street, Uxbridge, Ontario ($1,500,000);
  5. 4 Victoria Street, Uxbridge Ontario ($1,500,000);
  6. 65 Fort Street, Tilbury, Ontario ($3,250,000); and
  7. 123 Erie Street, Wheatley, Ontario ($450,000).

  First Leaside is currently in the process of evaluating offers that have been made by prospective purchasers to purchase some of the properties.

- **Construction Liens.** The lien claims against properties owned by First Leaside entities total $3,446,276. H&S Equipment ("**H&S**") and Strucform International Limited ("**Structform**"), two of the lien claimants, have brought motions before the Court asserting claims against the bank accounts of FLEX. First Leaside reached an agreement to resolve Structform's motion, but has not been successful in settling the motion brought by H&S. At the hearing on June 28, 2012, H&S intends to seek a declaration that FLEX is holding a $100,000 performance security deposit in trust for H&S and requiring immediate payout of this amount by FLEX. First Leaside's position on this motion is that there is no basis to lift the stay of proceedings to allow this claim to proceed and furthermore, should the stay be lifted, that this claim does not have priority over other trust claimants.

For a more detailed analysis of First Leaside's upcoming motion, you can obtain a copy of the Motion Record on the Monitor's website: www.grantthornton.ca/firstleaside.

If you have any questions, please contact us through our hotline at 416-863-4414 (within the GTA)/ 1-877-669-4414 (outside the GTA) or by email at FirstLeaside@fmc-law.com.

Yours Truly,

Fraser Milner Casgrain LLP

for

Shayne Kukulowicz