Grant Thornton

July 30, 2012

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Attention: Jane Dietrich and Shayne Kukulowicz

Re: Wimberly Apartments Limited Partnership et al.

This letter has been prepared by Grant Thornton Limited in its capacity as CCAA monitor (the "**Monitor**") of certain First Leaside entities ("**First Leaside**"), including Wimberly Apartments Limited Partnership ("**WALP**") and FL Master Texas, Ltd. ("**Master Texas**"), appointed pursuant to the initial order issued by the Ontario Superior Court of Justice (Commercial List) on February 23, 2012 ("**Initial Order**"). This letter provides additional context regarding the events preceding the preparation of the Monitor's report to investors dated July 20, 2012 ("**July, 2012 Report**"), particularly related to WALP. The Monitor presented the July, 2012 Report to Representative Counsel and the Steering Committee on July 23, 2012. A copy of the July, 2012 Report is attached to this letter.

Since the issuance of the Initial Order, the Court appointed Chief Restructuring Officer ("**CRO**"), with the assistance of the Monitor and respective legal counsel, has been assessing First Leaside's options with respect to the six real properties owned by Texas subsidiaries of Master Texas in an effort to recover value for the investors of WALP and First Leaside. In addition, the CRO and Monitor have been assessing First Leaside's options with respect to FL Master Sherman ("**Master Sherman**"). In this regard, the CRO has, among other things:

1. Inspected all of the Texas properties with the Dallas-based property manager, Leaders Corporation, and maintained regular contact with Leaders Corporation to further understand the operations and cash flows of the Texas properties;
2. Retained Texas-based legal counsel to advise of its options and corporate authority with respect to the Texas subsidiaries;
3. Retained a US-based mortgage advisor;
4. Obtained one appraisal and one assessment of value for the properties owned by Master Texas and Master Sherman;
5. Arranged for the preparation of an accurate organizational chart for WALP and related entities and Texas subsidiaries, which First Leaside did not previously possess and was necessary to consider corporate authority;
6. Arranged for the assembly of information related to the flow of funds between WALP and related entities, for review by the Monitor; and

7. Communicated with various parties that contacted the CRO regarding their interest in First Leaside's Texas properties.

Corporate Authority

The CRO has determined, based on advice from its Texas-based legal counsel, that First Leaside does not have the corporate authority to deal with the properties owned by Master Texas and Master Sherman. This is due to, among other things, the fact that the general partners of each of the limited partnerships owned by Master Texas and Master Sherman are controlled by companies which are controlled and/or owned by David Phillips, the former President of First Leaside, and over which the CRO cannot exercise control. This complex corporate structure was put in place by First Leaside long before the CCAA proceedings.

Communications with Investors and the Funds

On April 20, 2012, the CRO and the Monitor met with a small number of the investors in the Funds (the "Funds" being defined in the July, 2012 Report) to discuss such investors' preliminary "rescue plan" for the properties owned by Master Texas. At that time the investors' plan was not fully developed. On May 10, 2012, the same investors provided the CRO with a written proposal that, among other things, appeared to have a dilutive effect on the interests of the current investors in the Funds, and was still not fully developed.

On May 1, 2012, First Leaside, with the assistance of the Monitor, prepared a report to investors (the "**May 1, 2012 Report**") setting out financial information related to First Leaside entities, as well as preliminary views on the valuation of properties owned by subsidiaries of Master Texas and Master Sherman. The May 1, 2012 Report indicated that, based on third party appraisals, the equity in the properties owned by Master Texas and Master Sherman, after payment of priority secured indebtedness to mortgage holders, was marginal in the circumstances. Further, the CRO communicated to investors that the Master Sherman and Master Texas properties were operating at a deficiency and were imminently going to require substantial additional funding.

On May 17, 2012, shortly prior to the commencement of a Steering Committee meeting, the CRO was advised by the Trustees of the Funds that, among other things, the CRO should not be taking any actions with respect to the properties owned by Master Texas. The Monitor understands that certain of the Fund Trustees have been newly appointed.

Around the same time, the CRO was contacted by a number of interested third party investors, who expressed preliminary interest in the Master Texas and Master Sherman properties; however, the CRO, did not possess the corporate authority to engage in negotiations with these parties.

In June, 2012, the Trustees of the Funds retained legal counsel who has been engaged in discussions with the CRO, the Monitor and their respective legal counsel, in an effort to extricate Master Texas, and possibly Master Sherman, from the CCAA proceedings so that the Trustees can develop a restructuring plan directly with investors in the Funds. At this stage, the Monitor and CRO have no details of the restructuring plan being contemplated by the Trustees. In order to develop a restructuring plan, legal counsel to the Trustees of the Funds questioned the existence of WALP's creditor interests in Master Texas, which gave rise to the July, 2012 Report and the findings contained therein.

The Monitor and CRO will provide recommendations on a course of action with respect to Master Texas and Master Sherman in due course, and in the form of written submissions to the Court.

Yours truly,

GRANT THORNTON LIMITED
IN ITS CAPACITY AS COURT-APPOINTED
CCAA MONITOR OF FIRST LEASIDE
AND IN NO OTHER CAPACITY

Grant Thornton

Confidential Report to Investors

Wimberly Apartments Limited Partnership, Wimberly Fund, First Leaside Fund and First Leaside Properties Fund

July 20, 2012

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Private and Confidential

TO: THE INVESTORS OF FIRST LEASIDE

Re: Wimberly Apartments Limited Partnership et al.

This report (“**Report**”) has been prepared by Grant Thornton Limited in its capacity as CCAA monitor (“**Monitor**”) of certain First Leaside entities (“**First Leaside**”), including Wimberly Apartments Limited Partnership (“**WALP**”) and FL Master Texas, Ltd. (“**Master Texas**”). This Report provides the observations of the Monitor regarding:

i. the intercompany flow of funds between First Leaside Wealth Management Inc. (“**FLWM**”), First Leaside Finance Inc. (“**Finance**”), First Leaside Mortgage Fund (“**Mortgage Fund**”), 15 other entities within First Leaside (FLWM, Finance, Mortgage Fund and the other 15 First Leaside entities are collectively referred to as the “**FL Entities**[1]”) and WALP;

ii. The intercompany flow of funds between the Wimberly Fund, First Leaside Fund, First Leaside Properties Fund (“**Properties Fund**”) and WALP (First Leaside Fund and Wimberly Fund are collectively referred to as the “**Funds**”); and

iii. The banking transactions and accounting journal entries surrounding the flow of funds between the above entities.

This Report summarizes the factual information as recorded and documented by First Leaside and reviewed by the Monitor in respect of WALP and the entities with which WALP has transacted. The attached exhibits are an integral part of this Report and should be read in conjunction with same.

Sources of information

The information contained in this Report is based primarily on:

- An organizational chart for WALP, its owners, subsidiaries and related general partners, was prepared by First Leaside and the Monitor understands that the underlying corporate documents have been reviewed by in-house counsel for First Leaside. The Monitor has relied on the information provided and has not independently investigated the accuracy of said document. A copy of the organizational chart is attached as **Exhibit “1”**;
- Unaudited financial statements for the year ending December 31, 2010 and December 31, 2011 for the following entities:
  - First Leaside Wealth Management Inc.;
  - First Leaside Finance Inc.;
  - First Leaside Mortgage Fund;
  - Wimberly Fund;

[1] Certain of the FL Entities, including Mortgage Fund, are not Applicants in the CCAA proceedings.

- First Leaside Fund;
- First Leaside Properties Fund;
- FL Master Texas, Ltd.; and
- FL Master Sherman, Ltd.

• Bank account activity of the above entities for the period from January 1, 2010 – December 31, 2011;
• Accounting records and general ledger entries of the above entities for the period from January 1, 2010 – December 31, 2011;
• Various agreements between the above entities as described below. The Monitor notes that the majority of the agreements entered into between First Leaside entities (whether or not they are CCAA Applicants) were signed by insiders of First Leaside; and
• Discussions with certain First Leaside's management and accounting personnel.

NOTICE TO READER

Scope of work and limitations

In preparing this Report, we have been provided with, and in making comments herein, have relied upon unaudited financial information, First Leaside's books and records, historical and future-oriented financial information, other information provided by First Leaside and discussions with its management and accounting personnel. Our review does not constitute an audit in accordance with Generally Accepted Auditing Standards or International Financial Reporting Standards. We have not audited, reviewed or otherwise attempted to verify the accuracy and completeness of such information, including future oriented financial information, and accordingly, we do not express an opinion or any other form of assurance in respect of such information or figures included in this Report, whether such information is historical or future-oriented.

The scope of our work has been limited both in terms of the subjects which we have reviewed and the extent to which we have reviewed them. There may be matters, other than those noted in this Report, which a wider scope review might uncover.

Forms of report

For your convenience, this Report may have been made available to you in electronic as well as hard copy format. Multiple copies and versions of this Report may therefore exist in different media. In the case of any discrepancy the final signed hard copy of this Report should be regarded as definitive.

General

The Report is issued on the understanding that First Leaside has drawn our attention to all matters, financial or otherwise, of which they are aware which may have an impact on our Report up to the date of signature of this Report. Additionally, we have no responsibility to update this Report for events and circumstances occurring after this date.

GRANT THORNTON LIMITED, IN ITS CAPACITY AS COURT-APPOINTED CCAA MONITOR OF CERTAIN FIRST LEASIDE ENTITIES AND IN NO OTHER CAPACITY

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Jonathan Krieger, CA•CIRP

Grant Thornton

1. Intercompany and Related Party Balances as at December 31, 2011

Wimberly Fund's primary assets are promissory notes between Wimberly Fund and Master Texas. A copy of the unaudited draft financial statements for Master Texas as at December 31, 2011 is attached as **Exhibit "2"**. A copy of a sample promissory note issued to Wimberly Fund is attached as **Exhibit "3"**. A copy of the unaudited draft financial statements as at December 31, 2011 for Wimberly Fund is attached as **Exhibit "4"**. The total value of promissory notes issued by Master Texas to Wimberly Fund was $10.3M as at December 31, 2011.

First Leaside Fund's primary assets are promissory notes between First Leaside Fund and Master Texas. A copy of a sample promissory note issued to First Leaside Fund is attached as **Exhibit "5"**. A copy of the unaudited draft financial statements as at December 31, 2011 for First Leaside Fund is attached as **Exhibit "6"**. The total value of promissory notes issued by Master Texas to First Leaside Fund was $43.6M as at December 31, 2011.

Properties Fund's primary assets are promissory notes between Properties Fund and FL Master Sherman, Ltd. ("**Master Sherman**"). A copy of the unaudited draft financial statements for Master Sherman as at December 31, 2011 is attached as **Exhibit "7"**. A copy of a sample promissory note issued to Properties Fund is attached as **Exhibit "8"**. A copy of the unaudited draft financial statements as at December 31, 2011 for Properties Fund is attached as **Exhibit "9"**.

Attached as **Exhibit "10"** is a diagram that provides a summary of the intercompany flow of funds as between the above noted entities as at December 31, 2011. With reference to the diagram, it appears that WALP acted as the consolidated bank account into which cash was advanced from the FL Entities and the Funds and distributed to Master Texas, Master Sherman and to the limited partners of WALP. The cash in WALP was used primarily to fund the operations of the Texas properties on an as needs basis and to make cash distributions to the debt holders (i.e. unit holders of Funds) and the limited partners of WALP. However, among other things, WALP funds were also used to pay (i) the property taxes of Sedona, (ii) the legal fees incurred by WALP, Master Texas and Master Sherman, (iii) insurance, (iv) appraisals for all the Texas properties, (v) hedging and foreign exchange losses, and (vi) the annual costs of general meetings, most of which costs paid were never attributed back at the Master Texas and Master Sherman level.

First Leaside advises that in 2005, WALP effected a reorganization, pursuant to which:

1. the six properties owned by subsidiaries of Master Texas were acquired by their present owners from WALP;
2. WALP equity unit holders were given an option to exchange their WALP units for units in the newly formed First Leaside Fund; and,

3. Master Texas was formed and issued promissory notes to First Leaside Fund; First Leaside Fund made cash payments to WALP in conjunction with the issuance of the promissory notes by Master Texas.

Based on the Monitor's limited examination of the reorganization it is apparent that it was complex. The Monitor has not undertaken an assessment of the impact of the reorganization on the positions of the various stakeholders and on the intercompany balances, but notes that value attributed to the Master Texas properties in 2005 would be a key item to review in any such assessment. The Monitor also notes that a thorough assessment of these transactions and the corresponding legal documentation would be costly.

2. The Funds' Advances to WALP

Wimberly Fund and First Leaside Fund

When money was raised by the Funds from investors, the majority of the proceeds would be transferred from the Funds' bank accounts to the WALP bank account and a portion of the proceeds would remain in the Funds' bank accounts and used for future distributions to the Funds' unit holders.

The Monitor understands that at the time money was transferred from the Funds' bank accounts to the WALP bank account, a promissory note for the same amount would be issued by Master Texas to the Funds. Master Texas would then record a "due from" WALP, to account for the cash advanced to WALP in respect of the promissory notes which were issued by Master Texas to the Funds.

Properties Fund

When money was raised by Properties Fund from investors, the majority of the proceeds would be transferred from Properties Fund's bank account to the Master Sherman bank account and a portion of the proceeds would remain in Properties Fund's bank account and used for future distributions to its unit holders.

The Monitor understands that at the time money was transferred from Properties Fund's bank accounts to Master Sherman's bank account, a promissory note for the same amount would be issued by Master Sherman to Properties Fund.

3. Transactions Between the FL Entities and WALP

The intercompany balances recorded as owing from WALP to the FL Entities are made up of cash advances, accrued interest, and in the case of FLWM, professional fees[2] for services provided to WALP, all of which are recorded as a "due from" WALP. Interest was accrued on these balances on a quarterly basis. Attached as **Exhibit "11"** is a copy of the audited financial statements of WALP for the year ending December 31, 2010, which reflect interest accruing on intercompany balances (please refer to note 9 on page 23 of the financial statements).

As described in the August 19, 2011 Grant Thornton report, the FL Entities' cash was largely drawn from other sources in First Leaside, often to fund operating and cash flow deficiencies in WALP. When cash was advanced from an FL Entity to WALP, the funds were commingled with the cash that was advanced from the Funds to WALP.

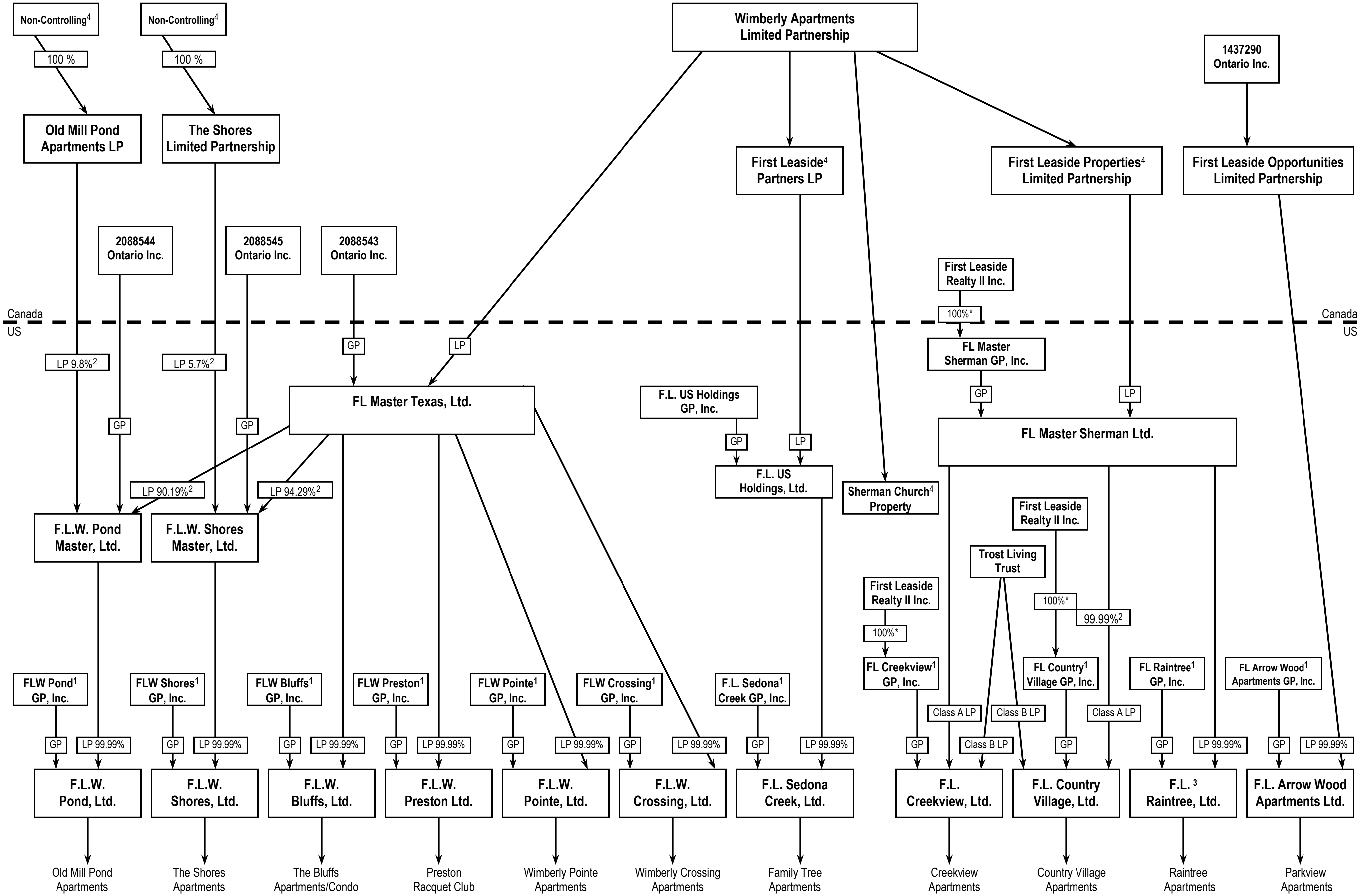
The Monitor notes that certain cash transfers from the FL Entities to WALP took place in the 12 months leading up to the commencement of the CCAA proceedings.

[2] The professional fees include, among other services, accounting services, IT support, administration, agency fees and legal fees all of which are payable to FLWM.

4. Cash Transfers from WALP to Master Texas and Master Sherman

As described above, transfers were made to the WALP bank account from both the Funds and the FL Entities. The Monitor understands that Master Texas and Master Sherman would periodically call upon WALP for funding when they required cash for operations. The transfers from WALP to Master Texas were recorded as reductions in the “due from” WALP account which was initially created when the Funds sent cash to WALP, regardless of the entity from which WALP borrowed (i.e. the Funds vs. the FL Entities). Accordingly, the funding provided to WALP by the FL Entities was comingled in the same account with the advances from the Funds and subsequently used to pay amounts recorded as being due to Master Texas, to fund Master Sherman and to pay distributions to WALP unit holders and the Funds’ unit holders. Based on WALP’s records and the financial statements of Master Texas and Master Sherman, it appears that WALP has no direct creditor claim against Master Texas or Master Sherman. However, the manner in which the investments are structured and the transactions are recorded appear to be advantageous to the position of the Funds (who hold promissory notes from Master Texas) and Properties Fund (who holds promissory notes from Master Sherman) to the detriment of the FL Entities (who have a claim against WALP).

EXHIBIT “1”



1 We have been told by Texas Counsel to First Leaside that these entities are owned and controlled by David Phillips. We have not received the documents to confirm ownership.

2 These percentages match the organizational documents that we have received. , are different than those contained in the original chart.

3 The LP Agreement lists the Limited Partner as FL Master Sherman GP, Ltd.

4 This is information from original chart.

* If no additional shares have been issued, then First Leaside Realty II Inc. is the sole shareholder

2069088.2

EXHIBIT "2"

F.L. Master Texas Ltd.

(A Texas Limited Partnership)

Financial Statements
(unaudited)

December 31, 2011

F.L. Master Texas Ltd.

Balance Sheet
(Expressed in U.S. dollars)

December 31, 2011, with comparative figures for 2010
(unaudited)

	2011	2010
Assets		
Cash	19,435	38,835
Accounts receivable	100	100
Due from related parties	24,248,885	30,430,970
	24,268,421	**30,469,905**
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable and accrued liabilities	525,377	10,598
Deficiency in investments	13,288,481	13,055,795
Promissory notes payable	53,914,211	52,665,341
Partners' Equity (deficiency)	(43,459,648)	(35,261,828)
	24,268,420	**30,469,905**
	0	**(1)**

F.L. Master Texas Ltd.

Statement of Operations
(Expressed in U.S. dollars)

For the year ended December 31, 2011, with comparative figures for 2010
(unaudited)

	2011	2010
Revenue		
Revenue:		
Interest and other	14	719
	14	719
Expenses		
Operating Expenses:		
Advisory fees	39,766	844,950
Administration	4,866,910	3,917,449
	4,906,676	4,762,399
Unrealized foreign exchange (gain) loss	(423,702)	597,970
Loss on investments	3,714,860	5,603,212
	3,291,158	6,201,182
Net Income (Loss)	**(8,197,820)**	**(10,962,861)**
	-	-

F.L. Master Texas Ltd.

Statement of Partners' Equity
(Expressed in U.S. dollars)

For the year ended December 31, 2011, with comparative figures for 2010
(unaudited)

	General Partner	Limited Partners	2011	2010
Partners' equity, beginning of year	(3,980)	(35,257,848)	(35,261,828)	(24,298,967)
Net income (loss)	(820)	(8,197,000)	(8,197,820)	(10,962,861)
Contributions		-	-	-
Distributions	-	-	-	-
Partners' equity, end of year	**(4,800)**	**(43,454,848)**	**(43,459,648)**	**(35,261,828)**
			0.78	0.78

EXHIBIT "3"

FL MASTER TEXAS, LTD.

PROMISSORY NOTE DUE 3/21/2020

US $140000

Issued 3/22/2010
at Dallas, Texas

8 % REDEEMABLE EXTENDABLE PROMISSORY NOTE – CLASS A, SERIES 8% - Designation 2010

This Note is one of the Class A Notes issued by FL Master Texas, LTD. (the "**Maker**"), a limited partnership formed under the laws of Texas. The sole general partner of the Maker is 2088543 ONTARIO, INC. (the "**General Partner**"), a member of the First Leaside Group. The Maker was formed by the General Partner and the initial limited partner, Wimberly Apartments Limited Partnership, and is governed by a limited partnership agreement made as of December 28, 2005, as such agreement may from time to time be amended or otherwise modified.

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Maker hereby agrees as follows with and in favour of the holder (the "**Holder**") set out below:

Wimberly Fund **430 Regional Road #8, RR 1** **Uxbridge, Ontario, L9P 1R1**

1. **Defined Terms**

In this Note:

"**Applicable Rate**" means 8% per annum unless the Maker extends the Maturity Date to the last day of the Extended Term, in which case the Applicable Rate shall mean and be 8% per annum during the Initial Term, and the Cost of Funds Rate thereafter;

"**Banking Day**" means any day, other than a Saturday, Sunday or statutory holiday observed by commercial banks in Dallas, Texas or Toronto, Ontario;

"**Change of Control**" means (i) in the case of the Maker, the change of the General Partner (or the majority shareholder of the General Partner) to a Person that is not a member of the First Leaside Group, or the change of the majority limited partner of the Maker (currently WALP) to a Person that is not a member of the First Leaside Group; and (ii) in the case of WALP, the change of its general partner (or the majority shareholder of its general partner) to a Person that is not a member of the First Leaside Group, or the change of the majority limited partner of WALP to a Person that is not a member of the First Leaside Group;

"**Class A Fund Units**" means the Class A, Series 8% units in the Fund, regardless of designation;

"**Class A Notes**" means all Class A, Series 8% notes, regardless of designation, now or hereafter issued and designated by the Maker as its "Class A, Series 8% Notes";

"**Cost of Funds Rate**" means the rate of interest at which the Maker would be entitled to borrow an amount equal to the aggregate outstanding amount of the Class A Notes being extended by the Maker on or about the first day of the Extended Term relating to such notes, for a term of 10 years, on an unsecured basis, from an arm's length financial institution, as determined by the Maker, acting in good faith;

"**Extended Maturity Date**" has the meaning set out in Section 2 of this Note;

"**Extended Term**" means the 10 year period commencing on the Initial Maturity Date;

"**Extension**" has the meaning set out in Section 2;

"**Fund**" means Wimberly Fund;

"**Initial Maturity Date**" has the meaning set out in Section 2 of this Note;

"**Initial Term**" means the period from the date of this Note up to but excluding the Initial Maturity Date;

"**Majority of Holders**" means the one or more holders of Class A Notes representing not less than 50% of the aggregate outstanding principal amount of all Class A Notes;

"**Maturity Date**" means the Initial Maturity Date prior to an Extension and the Extended Maturity Date upon and following an Extension;

"**Other Notes**" means all notes (other than this Note), regardless of designation, now or hereafter issued and designated by the Maker as its "Class A, Series 8% Notes", "Class B, Series 8% Notes" or "Class C, Series 8% Notes";

"**Person**" means an individual, body corporate or any other juridical entity;

"**Principal Amount**" means the principal amount set out at the top of this Note as it may from time to time be increased by the capitalization of any interest payable hereunder or reduced by any redemptions or payments on account thereof;

"**Redemption Price**" has the meaning set out in Section 3 of this Note;

"**Same Series Same Designation Class A, B and C Notes**" means the Same Series Class A Notes and all Other Notes originally issued in the same Series as this Note;

"**Same Series Same Designation Class A Notes**" means this Note and all other Class A, Series 8% Notes ; and

"**Units**" means units in the Maker.

2. **Promise to Pay**

The Maker hereby promises to pay to the Holder the Principal Amount on the Maturity Date and to pay interest on the daily outstanding balance of the Principal Amount and on any overdue interest or any unpaid Redemption Price at the Applicable Rate both before and after default, maturity and judgment. Interest on the Principal Amount shall be payable on the last Banking Day of each calendar month, on the Maturity Date, on the prepayment of any Principal Amount or on such other date as the Principal Amount may become due and payable pursuant hereto (collectively, the "**Interest Payment Dates**"). Subject to being extended (an "**Extension**") in accordance with the following sentence, the Maturity Date of this Note shall be 3/21/2020 (the "**Initial Maturity Date**"). Provided the Maker extends the maturity date of each of the other Same Series Same Designation Class A, B and C Notes by an additional 10 year term, the Maker may by written notice to the Holder, not less than 21 days prior to March 2, 2010, extend the Maturity Date (such extended Maturity Date, the "**Extended Maturity Date**") of this Note to the last day of the Extended Term (provided that the Extension will proceed notwithstanding any accidental omission to provide notice or the non-receipt of notice). The Maker may capitalize the interest payable on the outstanding Principal Amount on up to 36 separate Interest Payment Dates during the Initial Term and on up to an additional 36 separate Interest Payment Dates during the Extended Term. If the Maker fails to pay any interest when due on any Interest Payment Date, other than the Maturity Date, it will be deemed, provided it has not been deemed to have done so on more than 36 separate Interest Payment Dates during the Initial Term or the Extended Term, as applicable, to have elected to capitalize the interest payable on that date and such interest shall be added to the Principal Amount. Interest on any overdue interest (other than interest that has been deemed to have been capitalized and added to the Principal Amount) or any unpaid Redemption Price shall be payable on demand and shall be compounded monthly. All payments under this Note shall be made in lawful currency of the United States of America and shall be made to the Holder at the last address of the Holder known to the Maker. If the due date of any payment under this Note falls on a day that is not a Banking Day the due date shall be extended to the next Banking Day. This Note shall rank pari passu with the Other Notes with respect to the payment of all amounts due and payable hereunder and thereunder so that any payments made under this Note or any Other Notes shall be made rateably by the Maker to the holders thereof based on the amounts that are then due and payable under this Note and each of the Other Notes.

3. **Voluntary Redemptions by the Maker**

The Maker may redeem all, but not less than all of the Same Series Same Designation Class A, B and C Notes at any time in whole or in part, pro rata, on not less than 15 days and not more than 60 days notice to the holders thereof (provided that the redemption will proceed notwithstanding any accidental omission to provide notice or the non-receipt of notice). If the Maker elects to redeem the Same Series Same Designation Class A, B and C Notes, the Maker will pay to the Holder a redemption price (the "**Redemption Price**") equal to the sum of (a) this Note's pro rata portion of the aggregate outstanding principal amount of all Same Series Same Designation Class A, B and C Notes that is being repaid (the "**Pro Rata Principal Amount**"), plus (b) the Pro Rata Principal Amount multiplied by the applicable percentage (set forth in the following table, the "**Call Premium**"), plus (c) accrued but unpaid interest on the Pro Rata Principal Amount to but excluding the date of redemption. The Call Premium that applies upon redemption will decline over time on the following schedule:

Calendar Year after Issuance in which the Same Series Same Designation A, B and C Notes are Redeemed	**Call Premium**
2012	16.20%
2013	14.40%
2014	12.60%
2015	10.80%
2016	9.00%
2017	7.20%
2018	5.40%
2019	3.60%
2020 (up to 3/21/2020)	1.80%
2020-2030 (if extended)	0%

4. **Mandatory Prepayment**

In the event that any Class A Fund Units are redeemed and the Holder elects to pay the amount payable in respect thereof in cash (the "**Class A Fund Redemption Amount**"), the Holder may by written notice to the Maker require the Maker to redeem Class A Notes and to pay accrued interest thereon, ratably, to the extent equal to the Class A Fund Redemption Amount. In the event that this Note is redeemed in part only, the Holder shall tender this Note to the Maker for cancellation and the Maker will issue a new Class A Note to the Holder in replacement of this Note in an amount equal to the remaining outstanding Principal Amount of this Note.

5. **Covenants**

The Maker covenants and agrees that until this Note is paid in full it will:

(a) preserve and maintain its existence as a limited partnership and all of its rights, privileges and franchises necessary or desirable in the normal conduct of its business, and shall conduct its business in a commercially reasonable manner;

(b) comply with requirements of all applicable laws, rules, regulations, and orders of any governmental authority, the breach of which would materially adversely affect the consolidated financial condition of Maker; and

(c) deliver or otherwise make available to the Holder, copies of its annual report and the information, documents and other reports that the Maker is required by the provisions of the F.L. Master Texas, LTD. Limited Partnership Agreement to deliver to the holders of its Units.

6. **Events of Default**

The occurrence of any of the following events shall constitute an "**Event of Default**":

(a) the failure by the Maker to pay (i) any principal, under this Note when due, whether on the Maturity Date, by required prepayment, acceleration, or otherwise, or (ii) any interest or other amount payable under this Note, other than principal or any interest that has been capitalized pursuant hereto, when due and such failure remains unremedied on the 3rd Banking Day following such failure;

(b) the failure by the Maker to perform any obligations under (i) this Note, other than the obligations referred to in (a) above, (ii) the note purchase agreement made as of the 1st day of February, 2010 between the Maker and the Fund, (iii) the cost payment/reimbursement agreement made as of the 1st day of February, 2010 between the Maker and the Fund (including, without limitation, the obligation to pay or reimburse the Fund for all fees and expenses of the Fund as they come due), or (iv) any other agreement or instrument between the Maker and the Holder, and such failure remains unremedied 30 days after a Majority of Holders has given written notice of the failure to the Maker;

(c) any secured party or other encumbrancer takes possession of, or attempts to enforce its security or other encumbrance against any material property of the Maker and the claims of such Persons remain unsatisfied for such period as would permit such property to be sold thereunder;

(d) the Change of Control, whether directly or indirectly, of the Maker without the prior written consent of a Majority of Holders;

(e) the Maker (i) is adjudged or declared bankrupt or insolvent, fails to pay, or admits in writing that it is unable to pay, its debts generally when due; (ii) commences or has commenced against it any proceedings relating to it under any bankruptcy, insolvency, reorganization, winding up or liquidation laws or seeking relief or protection from its creditors or the appointment of any receiver or trustee for it or any of its property, and in the case of proceeding commenced against it, such proceedings are not diligently defended by the Maker in good faith and effectively stayed or discharged within 15 Banking Days; or (iii) takes any actions to authorize any of the foregoing (this Event of Default is also referred to herein as an "**Insolvency Event**");.

7. **Rights on Default**

If an Event of Default (other than an Insolvency Event) occurs and is continuing, a Majority of Holders may by written notice to the Maker declare all obligations and the Call Premium under the Class A Notes to be immediately due and payable, whereupon (and upon the occurrence of any Insolvency Event) all such obligations and the Call Premium shall become and be immediately due and payable without presentment, demand, protest or other notices of any kind, all of which are hereby expressly waived by the Maker.

8. **Replacement Notes**

The Maker shall, upon the written request of the Holder and receipt of this Note for cancellation, issue replacement Class A Notes to the Holder in an aggregate outstanding principal amount equal to the outstanding Principal Amount of this Note at the time of its cancellation.

9. **Costs and Expenses**

The Maker agrees to indemnify the Holder against any losses, claims, damages, liabilities and expenses, including legal fees and expenses on a full indemnity basis, incurred by the Holder in connection with the collection and enforcement of this Note, including, without limitation, any stamp or other documentary taxes which may be payable in connection with Maker's execution or delivery of this Note.

10. **No Recourse to Limited Partners**

The obligations under this Note are obligations of the Maker only and the Holder will not have any recourse against any limited partners of the Maker.

11. **Waivers**

No failure or delay on the part of the Holder to exercise any rights under this Note shall impair such right or operate as a waiver of any default or an acquiescence therein, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The rights provided in this Note are cumulative, and not exclusive of, any other rights the Holder may have at law.

12. **Assignment**

Except as provided in the following sentence, this Note may not be assigned by the Holder to any other Person. This Note may only be assigned to the holders of Class A Fund Units upon a redemption or winding up of the Fund or by operation of law to the heirs, legal representatives or successors of the Holder.

13. **Judgment Currency Indemnity**

In the event that the Holder obtains any judgment in a currency (the "**Other Currency**") in respect of any liability of the Maker hereunder that is not in United States dollars (the "**Original Currency**"), the Holder and the Maker agree that the rate of exchange to be used in determining the amount of the judgment shall be the rate of exchange (the "**Exchange Rate**") quoted by the principal bank of the Holder to its customers as the rate at which its customers could purchase the Original Currency with the Other Currency on the Banking Day preceding the date on which the judgment is rendered. The liability of the Maker hereunder in respect of any amount due in the Original Currency shall, notwithstanding any judgment in the Other Currency, be discharged only to the extent that on the Banking Day following receipt of the payment or satisfaction of the judgment, the Holder would be able to purchase the Original Currency with the Other Currency based on the Exchange Rate then in effect. If the amount of the Original Currency which could be purchased by the Holder is less than the amount of the Original Currency originally due to it hereunder, the Maker, agrees, as a separate obligation, to indemnify the Holder against such loss upon demand.

14. **Governing Law**

THIS NOTE SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES. ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST MAKER ARISING OUT OF OR RELATING TO THIS NOTE MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE OF TEXAS, AND BY EXECUTION AND DELIVERY OF THIS NOTE MAKER ACCEPTS FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE NONEXCLUSIVE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH THIS NOTE.

The Maker further irrevocably consents to the service of process out of any of the aforementioned courts in any action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the Maker at its address set forth below its signature hereto, such service to become effective seven days after such mailing. Nothing herein shall affect the right of the Holder to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Maker in any other jurisdiction. The Maker hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Note brought in the courts referred to above and further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

15. **Usury**

It is expressly stipulated and agreed to be the intent of the Maker and the Holder at all times to comply with applicable state law governing the maximum rate or amount of interest payable on or in connection with the Note (or applicable United States federal law to the extent that it permits the Holder to contract for, charge, take, reserve or receive a greater amount of interest than under state law). If the applicable law is ever judicially interpreted so as to render usurious any amount called for under the Note, or if redemption of the Note or if any prepayment by Maker results in Maker having paid any interest in excess of that permitted by law, then it is Maker's and Holder's express intent that all excess amounts theretofore collected by Holder be credited on the principal balance of the Note (or, if the Note has been or would thereby be paid in full, refunded to Maker), and the provisions of the Note immediately be deemed reformed and the amounts thereafter collectible hereunder and thereunder reduced, without the necessity of the execution of any new documents, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder and thereunder. The right to redeem the Note does not include the right to accelerate any interest which has not otherwise accrued on the date of such redemption, and the Holder does not intend to collect any unearned interest in the event of redemption. To the extent permitted by law, hereby waives and releases all claims and defenses based upon usury in connection with the execution of the Note.

16. **Waiver of Jury Trial**

THE MAKER AND, BY ITS ACCEPTANCE OF THIS NOTE, THE HOLDER, HEREBY IRREVOCABLY AGREE TO WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS NOTE OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS NOTE AND THE RELATIONSHIP THAT IS ESTABLISHED HEREBY.

The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including without limitation contract claims, tort claims, breach of duty claims and all other common law and statutory claims. The Maker and, by its acceptance of this Note, the Holder, each (i) acknowledges that this waiver is a material inducement to enter into a business relationship, that each has already relied on this waiver in entering into this relationship, and that each will continue to reply on this waiver in their related future dealings and (ii) further warrants and represents that each has reviewed this waiver with its legal counsel and that each knowingly and voluntarily waives its jury trial rights following consultation with legal counsel.

THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS OF THIS NOTE.

In the event of litigation, this provision may be filed as a written consent to a trial by the court.

Executed and delivered at Dallas, Texas.

FL MASTER TEXAS, LTD.
by its sole General Partner
2088543 Ontario Inc., Inc.

By: ______________________

Name: David C. Phillips

Title: President

Address: 430 Regional Rd. #8, R.R. 1
Uxbridge, ON, L9P 1R1

EXHIBIT “4”

Wimberly Fund

Financial Statements

(unaudited)

December 31, 2011

Wimberly Fund

Balance Sheet
(Expressed in U.S. dollars)

December 31, 2011 and 2010
(unaudited)

		2011		2010
Assets				
Cash	$	206	$	159
Due from related party (note 7)		111,530		17,172
		111,736		17,331
Promissory notes receivable (note 2)		10,296,974		9,742,996
	$	**10,408,710**	**$**	**9,760,326**
Liabilities and Unitholders' Equity				
Liabilities:				
Accounts payable and accrued liabilities	$	115,009	$	17,000
Due to related party (note 7)		-		
		115,009		17,000
Call premium derivative (note 2)		-		-
Redeemable units (note 3)		8,836,608		8,480,340
Unitholders' Equity (note 5)		1,457,093		1,262,986
	$	**10,408,710**	**$**	**9,760,326**

See accompanying notes to the financial statements. **0.01**

On behalf of the Trustees:

____________________ Trustee

____________________ Trustee

Wimberly Fund

Statement of Operations
(Expressed in U.S. dollars)

Years ended December 31, 2011 and 2010
(unaudited)

	2011	2010
Revenue		
Revenue:		
Interest and other	817,513	292,300
Recovery of costs (note 4)	30,717	11,513
	848,231	303,812
Expenses		
Operating Expenses:		
Interest expense	708,937	242,602
Administration	30,717	11,513
	739,655	254,115
Net Income	**108,576**	**49,698**

Wimberly Fund

Interim Statement of Unitholders' Equity
(Expressed in U.S. dollars)

Years ended December 31, 2011 and 2010
(unaudited)

				2011	2010
	Class C Units	Amount	Accumulated other comprehensive income (loss)		
Unitholders' equity, beginning of period	-	$ -	$ -	$ -	$ -
Net income	-	108,576	-	108,576	49,698
Issuances	-	1,348,518	-	1,348,518	1,213,288
Distributions reinvested		111,849	-	111,849	49,367
Distributions	-	(111,849)	-	(111,849)	(49,367)
Unitholders' equity, end of period	**-**	**$ 1,457,093**	**$ -**	**$ 1,457,093**	**$ 1,262,986**

See accompanying notes to the interim financial statements.

EXHIBIT “5”

FL MASTER TEXAS, LTD.

PROMISSORY NOTE DUE March 18, 2019

CDN $ 5,000.00

Issued March 19, 2009
at Dallas, Texas

9 % REDEEMABLE EXTENDABLE PROMISSORY NOTE – SERIES C

This Note is one of the Series C Notes issued by FL Master Texas, LTD. (the "**Maker**"), a limited partnership formed under the laws of Texas. The sole general partner of the Maker is 2088543 ONTARIO INC. (the "**General Partner**"), a member of the First Leaside Group. The Maker was formed by the General Partner and the initial limited partner, Wimberly Apartments Limited Partnership, and is governed by a limited partnership agreement made as of December 28, 2005 as such agreement may from time to time be amended or otherwise modified.

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Maker hereby agrees as follows with and in favour of the holder (the "**Holder**") set out below:

FIRST LEASIDE FUND 430 Regional Rd. #8 RR1 Uxbridge, Ontario L9P 1R1

1. **Defined Terms**

In this Note:

"**Applicable Rate**" means 9% per annum unless the Maker extends the Maturity Date to the last day of the Extended Term, in which case the Applicable Rate shall mean and be 9% per annum during the Initial Term, and the Cost of Funds Rate thereafter;

"**Banking Day**" means any day, other than a Saturday, Sunday or statutory holiday observed by commercial banks in Sherman, Texas or Toronto, Ontario;

"**Series C Fund Units**" means the Series C units in the Fund;

"**Series C Notes**" means all notes, regardless of series, now or hereafter issued and designated by the Maker as its "Series C Notes";

"**Cost of Funds Rate**" means the rate of interest at which the Maker would be entitled to borrow an amount equal to the aggregate outstanding amount of the Same Year Series A, B and C Notes being extended by the Maker on or about the first day of the Extended Term relating to such notes, for a term of 10 years, on an unsecured basis, from an arm's length financial institution, as determined by the Maker, acting in good faith;

"**Extended Maturity Date**" has the meaning set out in Section 2 of this Note;

"**Extended Term**" means the 10 year period commencing on the Initial Maturity Date;

"**Extension**" has the meaning set out in Section 2;

"**Fund**" means First Leaside Fund;

"**Initial Maturity Date**" has the meaning set out in Section 2 of this Note;

"**Initial Term**" means the period from the date of this Note up to but excluding the Initial Maturity Date;

"**Majority of Holders**" means the one or more holders of Series C Notes representing not less than 50% of the aggregate outstanding principal amount of all Series C Notes;

"**Maturity Date**" means the Initial Maturity Date prior to an Extension and the Extended Maturity Date upon and following an Extension;

"**Other Notes**" means all notes (other than this Note) now or hereafter issued and designated by the Maker as its "Series A Notes", "Series B Notes" or "Series C Notes";

"**Person**" means an individual, body corporate or any other juridical entity;

"**Principal Amount**" means the principal amount set out at the top of this Note as it may from time to time be increased by the capitalization of any interest payable hereunder or reduced by any redemptions or payments on account thereof;

"**Same Year Series A, B and C Notes**" means the Same Year Series C Notes and all Other Notes issued in the same calendar year as this Note;

"**Same Year Series C Notes**" means this Note and all other Series C Notes issued in the same calendar year as this Note; and

"**Units**" means units in the Maker.

2. **Promise to Pay**

The Maker hereby promises to pay to the Holder the Principal Amount on the Maturity Date and to pay interest on the daily outstanding balance of the Principal Amount and on any overdue interest at the Applicable Rate both before and after default, maturity and judgment. Interest on the Principal Amount shall be calculated and compounded monthly on the last day of each calendar month and shall be payable on the Maturity Date, on the prepayment of any Principal Amount or on such other date as the Principal Amount may become due and payable pursuant hereto (collectively, the "**Interest Payment Dates**"). Interest on any overdue interest shall be payable on demand and compounded monthly. Subject to being extended (an "**Extension**") in accordance with the following sentence, the Maturity Date of this Note shall be March 18, 2019 (the "**Initial Maturity Date**"). Provided the Maker extends the maturity date of each of the other Same Year Series A, B and C Notes by an additional 10 year term, the Maker may by written notice to the Holder, not less than 21 days prior to January 5, 2019, extend the Maturity Date (such extended Maturity Date, the "**Extended Maturity Date**") of this Note to the last day of the Extended Term (provided that the Extension will proceed notwithstanding any accidental omission to provide notice or the non-receipt of notice). All payments under this Note shall be made in lawful currency of Canada and shall be made to the Holder at the last address of the Holder known to the Maker. If the due date of any payment under this Note falls on a day that is not a Banking Day the due date shall be extended to the next Banking Day. This Note shall rank pari passu with the Other Notes with respect to the payment of all amounts due and payable hereunder and thereunder so that any payments made under this Note or any Other Notes shall be made rateably by the Maker to the holders thereof based on the amounts that are then due and payable under this Note and each of the Other Notes.

3. **Voluntary Redemptions by the Maker**

The Maker may redeem all, but not less than all of the Same Year Series A, B and C Notes at any time in whole or in part, pro rata, on not less than 15 days and not more than 60 days notice to the holders thereof (provided that the redemption will proceed notwithstanding any accidental omission to provide notice or the non-receipt of notice). If the Maker elects to redeem the Same Year Series A, B and C Notes, the Maker will pay to the Holder a redemption price (the "**Redemption Price**") equal to the sum of (a) this Note's pro rata portion of the aggregate outstanding principal amount of all Same Year Series A, B and C Notes that is being repaid (the "**Pro Rata Principal Amount**"), plus (b) the Pro Rata Principal Amount multiplied by the applicable percentage (set forth in the following table, the "**Call Premium**"), plus (c) accrued but unpaid interest on the Pro Rata Principal Amount to but excluding the date of redemption. The Call Premium that applies upon redemption will decline over time on the following schedule:

Calendar Year after Issuance in which the Same Year Series A, B and C Notes are Redeemed	Call Premium
2011	16.20%
2012	14.40%
2013	12.60%
2014	10.80%
2015	9.00%
2016	7.20%
2017	5.40%
2018	3.60%
2019 (up to March 18, 2019)	1.80%
2019 – 2029 (if extended)	0%

4. **Mandatory Prepayment**

In the event that any Series C Fund Units are redeemed and the Holder elects to pay the amount payable in respect thereof in cash (the "**Series C Fund Redemption Amount**"), the Holder may by written notice to the Maker require the Maker to redeem Series C Notes and to pay accrued interest thereon, ratably, to the extent equal to the Series C Fund Redemption Amount. In the event that this Note is redeemed in part only, the Holder shall tender this Note to the Maker for cancellation and the Maker will issue a new Series C Note to the Holder in replacement of this Note in an amount equal to the remaining outstanding Principal Amount of this Note.

5. **Covenants**

The Maker covenants and agrees that until this Note is paid in full it will:

(a) preserve and maintain its existence as a limited partnership and all of its rights, privileges and franchises necessary or desirable in the normal conduct of its business, and shall conduct its business in a commercially reasonable manner;

(b) comply with requirements of all applicable laws, rules, regulations, and orders of any governmental authority, the breach of which would materially adversely affect the consolidated financial condition of Maker; and

(c) deliver or otherwise make available to the Holder, copies of its annual report and the information, documents and other reports that the Maker is required by the provisions of the F.L. Master Texas, LTD. Limited Partnership Agreement to deliver to the holders of its Units.

6. **Events of Default**

The occurrence of any of the following events shall constitute an "**Event of Default**":

(a) the failure by the Maker to pay (i) any principal, under this Note when due, whether on the Maturity Date, by required prepayment, acceleration, or otherwise, or (ii) any interest or other amount payable under this Note, other than principal or any interest that has been capitalized pursuant hereto, when due and such failure remains unremedied on the 3rd Banking Day following such failure;

(b) the failure by the Maker to perform any obligations under (i) this Note, other than the obligations referred to in (a) above, (ii) the note purchase agreement made as of the 16th day of September, 2009 between the Maker and the Fund, (iii) the cost payment/reimbursement agreement made as of the 16th day of September, 2006 between the Maker and the Fund (including, without limitation, the obligation to pay or reimburse the Fund for all fees and expenses of the Fund as they come due), or (iv) any other agreement or instrument between the Maker and the Holder, and such failure remains unremedied 30 days after a Majority of Holders has given written notice of the failure to the Maker;

(c) any secured party or other encumbrancer takes possession of, or attempts to enforce its security or other encumbrance against any material property of the Maker and the claims of such Persons remain unsatisfied for such period as would permit such property to sold thereunder;

(d) the change of control, whether directly or indirectly, of the Maker without the prior written consent of a Majority of Holders; or

(e) the Maker (i) is adjudged or declared bankrupt or insolvent, fails to pay, or admits in writing that it is unable to pay, its debts generally when due; (ii) commences or has commenced against it any proceedings relating to it under any bankruptcy, insolvency, reorganization, winding up or liquidation laws or seeking relief or protection from its creditors or the appointment of any receiver or trustee for it or any of its property, and in the case of proceeding commenced against it, such proceedings are not diligently defended by the Maker in good faith and effectively stayed or discharged within 15 Banking Days; or (iii) takes any actions to authorize any of the foregoing (this Event of Default is also referred to herein as an "**Insolvency Event**").

7. **Rights on Default**

If an Event of Default (other than an Insolvency Event) occurs and is continuing, a Majority of Holders may by written notice to the Maker declare all obligations and the Call Premium under the Series C Notes to be immediately due and payable, whereupon (and upon the occurrence of any Insolvency Event) all such obligations and the Call Premium shall become and be immediately due and payable without presentment, demand, protest or other notices of any kind, all of which are hereby expressly waived by the Maker.

8. **Replacement Notes**

The Maker shall, upon the written request of the Holder and receipt of this Note for cancellation, issue replacement Series C Notes of the same series as this Note to the Holder in an aggregate outstanding principal amount equal to the outstanding Principal Amount of this Note at the time of its cancellation.

9. **Costs and Expenses**

The Maker agrees to indemnify the Holder against any losses, claims, damages, liabilities and expenses, including legal fees and expenses on a full indemnity basis, incurred by the Holder in connection with the collection and enforcement of this Note, including, without limitation, any stamp or other documentary taxes which may be payable in connection with Maker's execution or delivery of this Note.

10. **No Recourse to Limited Partners**

The obligations under this Note are obligations of the Maker only and the Holder will not have any recourse against any limited partners of the Maker.

11. **Waivers**

No failure or delay on the part of the Holder to exercise any rights under this Note shall impair such right or operate as a waiver of any default or an acquiescence therein, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The rights provided in this Note are cumulative, and not exclusive of, any other rights the Holder may have at law.

12. **Assignment**

Except as provided in the following sentence, this Note may not be assigned by the Holder to any other Person. This Note may only be assigned to the holders of Series C Fund Units upon a redemption or winding up of the Fund or by operation of law to the heirs, legal representatives or successors of the Holder.

13. **Judgment Currency Indemnity**

In the event that the Holder obtains any judgment in a currency (the "**Other Currency**") in respect of any liability of the Maker hereunder that is not in Canadian dollars (the "**Original Currency**"), the Holder and the Maker agree that the rate of exchange to be used in determining the amount of the judgment shall be the rate of exchange (the "**Exchange Rate**") quoted by the principal bank of the Holder to its customers as the rate at which its customers could purchase the Original Currency with the Other Currency on the Banking Day preceding the date on which the judgment is rendered. The liability of the Maker hereunder in respect of any amount due in the Original Currency shall, notwithstanding any judgment in the Other Currency, be discharged only to the extent that on the Banking Day following receipt of the payment or satisfaction of the judgment, the Holder would be able to purchase the Original Currency with the Other Currency based on the Exchange Rate then in effect. If the amount of the Original Currency which could be purchased by the Holder is less than the amount of the Original Currency originally due to it hereunder, the Maker, agrees, as a separate obligation, to indemnify the Holder against such loss upon demand.

14. **Governing Law**

THIS NOTE SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES. ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST MAKER ARISING OUT OF OR RELATING TO THIS NOTE MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE OF TEXAS, AND BY EXECUTION AND DELIVERY OF THIS NOTE MAKER ACCEPTS FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE NONEXCLUSIVE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH THIS NOTE.

The Maker further irrevocably consents to the service of process out of any of the aforementioned courts in any action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the Maker at its address set forth below its signature hereto, such service to become effective seven days after such mailing. Nothing herein shall affect the right of the Holder to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Maker in any other jurisdiction. The Maker hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Note brought in the courts referred to above and further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

15. **Usury**

It is expressly stipulated and agreed to be the intent of the Maker and the Holder at all times to comply with applicable state law governing the maximum rate or amount of interest payable on or in connection with the Note (or applicable United States federal law to the extent that it permits the Holder to contract for, charge, take, reserve or receive a greater amount of interest than under state law). If the applicable law is ever judicially interpreted so as to render usurious any amount called for under the Note, or if redemption of the Note or if any prepayment by Maker results in Maker having paid any interest in excess of that permitted by law, then it is Maker's and Holder's express intent that all excess amounts theretofore collected by Holder be credited on the principal balance of the Note (or, if the Note has been or would thereby be paid in full, refunded to Maker), and the provisions of the Note immediately be deemed reformed and the amounts thereafter collectible hereunder and thereunder reduced, without the necessity of the execution of any new documents, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder and thereunder. The right to redeem the Note does not include the right to accelerate any interest which has not otherwise accrued on the date of such redemption, and the Holder does not intend to collect any unearned interest in the event of redemption. To the extent permitted by law, hereby waives and releases all claims and defenses based upon usury in connection with the execution of the Note.

16. Waiver of Jury Trial

THE MAKER AND, BY ITS ACCEPTANCE OF THIS NOTE, THE HOLDER, HEREBY IRREVOCABLY AGREE TO WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS NOTE OR ANY

DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS NOTE AND THE RELATIONSHIP THAT IS ESTABLISHED HEREBY.

The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including without limitation contract claims, tort claims, breach of duty claims and all other common law and statutory claims. The Maker and, by its acceptance of this Note, the Holder, each (i) acknowledges that this waiver is a material inducement to enter into a business relationship, that each has already relied on this waiver in entering into this relationship, and that each will continue to reply on this waiver in their related future dealings and (ii) further warrants and represents that each has reviewed this waiver with its legal counsel and that each knowingly and voluntarily waives its jury trial rights following consultation with legal counsel.

THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS OF THIS NOTE. In the event of litigation, this provision may be filed as a written consent to a trial by the court.

Executed and delivered at Dallas, Texas.

FL MASTER TEXAS, LTD.
by its sole General Partner
2088543 Ontario Inc.

By: ______________________

Name: David C. Phillips

Title: President

Address: 430 Regional Rd. #8, R.R. 1
Uxbridge, ON, L9P 1R1

EXHIBIT “6”

DRAFT

First Leaside Fund

Financial Statements

(unaudited)

December 31, 2011

First Leaside Fund

DRAFT

Balance Sheet
(Expressed in U.S. dollars)

December 31, 2011, with comparative figures for 2010
(unaudited)

		2011		2010
Assets				
Cash	$	298	$	122
Accounts Receivables and prepaids		-		-
Due from related parties (note 8)		524,685		9,121
Promissory notes receivable (note 2)		43,204,498		42,922,345
	$	**43,729,482**	**$**	**42,931,587**
Liabilities and Shareholders' Equity				
Liabilities:				
Accounts payable and accrued liabilities	$	16,950	$	16,949
Due to related party (note 8)		634,484		-
Promissory note interest payable		412,998		-
		1,064,432		16,949
Redeemable units (note 3)		29,609,229		30,238,909
Unitholders' equity (note 2 and 5)		13,055,821		12,675,729
Commitment (note 11)				
	$	**43,729,482**	**$**	**42,931,587**
		-		**-**

First Leaside Fund

DRAFT

Statement of Operations
(Expressed in U.S. dollars)

For the year ended December 31, 2011, with comparative figures for 2010
(unaudited)

	2011	2010
Revenue		
Interest and other	$ 3,293,514	$ 3,447,521
Recovery of costs (note 4)	(103,112)	422,412
	3,190,402	3,869,932
Expenses		
Interest expense	2,492,715	2,395,358
Administration	399	422,410
	2,493,114	2,817,767
Net Income	$ 697,288	$ 1,052,165

First Leaside Fund

DRAFT

Statement of Unitholders' Equity
(Expressed in U.S. dollars)

For the year ended December 31, 2011, with comparative figures for 2010
(unaudited)

	2011		2010	
	Number	Amount	Number	Amount
Unitholders' equity, beginning of year	12,615,857	$ 12,675,728	9,994,175	$ 9,500,648
Units issued	-	-	1,608,837	1,527,138
Unit redemptions	-	-	(76,556)	(20,734)
Distributions	-	(1,227,826)	-	(1,052,121)
Distributions reinvested	1,210,853	1,227,826	1,089,401	1,052,121
Net income	-	697,288	-	1,052,163
Foreign currency translation	-	(317,195)	-	616,513
Unitholders' equity, end of year	**13,826,710**	**$ 13,055,821**	**12,615,857**	**$ 12,675,728**

First Leaside Fund

DRAFT

Statement of Cash Flows
(Expressed in U.S. dollars)

For the years ended December 31, 2011 and 2010
(unaudited)

	2011	2010
Cash provided by (used in):		
Operating activities:		
Net income	$ 697,288	$ 1,052,163
Items not involving cash:		
Non-cash interest income	(1,229,029)	(1,051,833)
Change in other non-cash operating items	412,998	16,037
	(118,743)	16,367
Financing activities:		
Issuance of redeemable units	-	5,798,032
Redemption of redeemable units	-	(295,480)
Issuance of Class C units	-	1,527,138
Redemption of Class C units	-	(20,734)
Due to/from related parties	118,919	(264,548)
	118,919	6,744,408
Investing activities:		
Investment in promissory notes	-	(7,325,170)
Repayment of promissory notes	-	316,214
	-	(7,008,956)
Increase (decrease) in cash	176	(248,181)
Cash (bank indebtedness), beginning of year	122	248,303
Cash (Bank indebtedness), end of year	**$ 298**	**$ 122**
	(0)	
Supplemental disclosure of non-cash financing and investing activities:		
Distributions reinvested	$ 1,227,826	$ 668,990

EXHIBIT “7”

FL Master Sherman, Ltd.

(A Texas Limited Partnership)

Consolidated Financial Statements
(unaudited)

December 31, 2011

FL Master Sherman, Ltd.

Consolidated Balance Sheet
(Expressed in U.S. dollars)

December 31, 2011, with comparative figures for 2010
(unaudited)

	2011	2010
Assets		
Revenue-producing properties:	25,725,094	25,604,193
Cash	1,383,794	287,133
Receivables, prepaid expenses and deposits	143,239	104,394
Call premium deriviative	109,000	158,000
Deposits in escrow (note 3)	874,348	784,790
Loan receivable from related party (note 7)		293,880
Due from related parties (note 7)	5,178	1,389,244
	$ 28,240,654	**$ 28,621,634**
Liabilities and Partners' Equity		
Liabilities:		
Accounts payable and accrued liabilities	$ 1,509,217	$ 388,009
Tenants' security deposits	114,524	123,318
Promissory notes payable (note 8)	14,386,509	14,355,497
Due to related parties (note 7)	228,356	36,829
Mortgage notes payable, net of deferred financing costs (note 3)	16,034,083	16,184,522
Long-term debt (note 4)	-	500,000
	32,272,689	31,588,176
Partners' Equity (note 5)	(4,032,034)	(2,966,542)
	$ 28,240,654	**$ 28,621,634**

See accompanying notes to financial statements.

On behalf of the Trustees:

______________________________ Director

______________________________ Director

FL Master Sherman, Ltd.

Consolidated Statement of Operations
(Expressed in U.S. dollars)

For the year ended December 31, 2011, with comparative figures for 2010
(unaudited)

	2011	2010
Revenue		
Revenue:		
Rental Revenue	$ 3,510,798	$ 3,686,803
Interest (note 7)	35,905	546,267
Other Revenue	337,020	326,566
	3,883,723	4,559,636
Expenses		
Operating Expenses:		
Administration	807,090	684,695
Repairs and maintenance	548,966	589,794
Utilities	694,943	577,592
Property taxes	350,433	459,680
Property management fees	151,970	155,035
Insurance	140,676	120,919
Bad debts	44,825	32,631
Advertising and leasing	25,109	13,280
	2,764,013	2,633,626
Net Operating Income	1,119,710	1,926,010
Professional fees		140,492
Mortgage and other interest	2,444,091	2,366,998
Other maintenance charges	1,748,049	263,055
Fair value change in call premium deriviative	49,000	(64,000)
Foreign exchange loss (gain)	(257,589)	900,036
Amortization of revenue-producing properties	-	544,566
	3,983,552	4,151,147
Loss before non-controlling interest	(2,863,843)	(2,225,136)
Non-controlling interest	213	42
Loss for the year and comprehensive loss	**$ (2,863,629)**	**$ (2,225,094)**

See accompanying notes to financial statements.

FL Master Sherman, Ltd.

Consolidated Statement of Partners' Equity
(Expressed in U.S. dollars)

For the year ended December 31, 2011, with comparative figures for 2010
(unaudited)

	General Partner	Limited Partners	2011	2010
Partners' equity, beginning of year			(2,966,541)	(1,162,274)
Net income (loss) for the period	(286)	(2,863,342)	(2,863,629)	(2,225,094)
Unit purchase loan receivable			-	(35)
Contributions		1,798,135	1,798,135	420,863
Distributions	-	-	-	
Partners' equity, end of year	**(286)**	**(1,065,207)**	**(4,032,034)**	**(2,966,541)**

See accompanying notes to financial statements.

EXHIBIT “8”

FL MASTER SHERMAN, LTD.

PROMISSORY NOTE DUE March 26, 2019

CDN $21,264.00

Issued March 27, 2009
at Sherman, Texas

9 % REDEEMABLE EXTENDABLE PROMISSORY NOTE – CLASS B, SERIES 2009-I (B79)

This Note is one of the Class B Notes issued by FL Master Sherman, LTD. (the "**Maker**"), a limited partnership formed under the laws of Texas. The sole general partner of the Maker is FL Master Sherman GP, INC. (the "**General Partner**"), a member of the First Leaside Group. The Maker was formed by the General Partner and the initial limited partner, First Leaside Properties Limited Partnership ("**FLP**"), and is governed by a limited partnership agreement made as of December 15, 2006, as such agreement may from time to time be amended or otherwise modified.

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Maker hereby agrees as follows with and in favour of the holder (the "**Holder**") set out below:

FIRST LEASIDE PROPERTIES FUND

430 REGIONAL RD. #8, R.R. 1
UXBRIDGE, ONTARIO
L9P 1R1

1. **Defined Terms**

In this Note:

"**Applicable Rate**" means 9% per annum unless the Maker extends the Maturity Date to the last day of the Extended Term, in which case the Applicable Rate shall mean and be 9% per annum during the Initial Term, and the Cost of Funds Rate thereafter;

"**Banking Day**" means any day, other than a Saturday, Sunday or statutory holiday observed by commercial banks in Sherman, Texas or Toronto, Ontario;

"**Change of Control**" means (i) in the case of the Maker, the change of the General Partner (or the majority shareholder of the General Partner) to a Person that is not a member of the First Leaside Group, or the change of the majority limited partner of the Maker (currently FLP) to a Person that is not a member of the First Leaside Group; and (ii) in the case of FLP, the change of its general partner (or the majority shareholder of its general partner) to a Person that is not a member of the First Leaside Group, or the change of the majority limited partner of FLP to a Person that is not a member of the First Leaside Group;

"**Class B Fund Units**" means the Class B units in the Fund;

"**Class B Notes**" means all notes, regardless of series, now or hereafter issued and designated by the Maker as its "Class B Notes";

"**Cost of Funds Rate**" means the rate of interest at which the Maker would be entitled to borrow an amount equal to the aggregate outstanding amount of the Same Year Class A, B and C Notes being extended by the Maker on or about the first day of the Extended Term relating to such notes, for a term of 10 years. on an unsecured basis, from an arm's length financial institution, as determined by the Maker, acting in good faith;

"**Extended Maturity Date**" has the meaning set out in Section 2 of this Note;

"**Extended Term**" means the 10 year period commencing on the Initial Maturity Date;

"**Extension**" has the meaning set out in Section 2;

"**Fund**" means First Leaside Properties Fund;

"**Initial Maturity Date**" has the meaning set out in Section 2 of this Note;

"**Initial Term**" means the period from the date of this Note up to but excluding the Initial Maturity Date;

"**Majority of Holders**" means the one or more holders of Class B Notes representing not less than 50% of the aggregate outstanding principal amount of all Class B Notes;

"**Maturity Date**" means the Initial Maturity Date prior to an Extension and the Extended Maturity Date upon and following an Extension;

"**Other Notes**" means all notes (other than this Note), regardless of series, now or hereafter issued and designated by the Maker as its "Class A Notes", "Class B Notes" or "Class C Notes";

"**Person**" means an individual, body corporate or any other juridical entity;

"**Principal Amount**" means the principal amount set out at the top of this Note as it may from time to time be increased by the capitalization of any interest payable hereunder or reduced by any redemptions or payments on account thereof;

"**Redemption Price**" has the meaning set out in Section 3 of this Note;

"**Same Year Class A, B and C Notes**" means the Same Year Class B Notes and all Other Notes originally issued in the same calendar year as this Note;

"**Same Year Class B Notes**" means this Note and all other Class B Notes originally issued in the same calendar year as this Note; and

"**Units**" means units in the Maker.

2. Promise to Pay

The Maker hereby promises to pay to the Holder the Principal Amount on the Maturity Date and to pay interest on the daily outstanding balance of the Principal Amount and on any overdue interest or any unpaid Redemption Price at the Applicable Rate both before and after default, maturity and judgment. Interest on the Principal Amount shall be payable on the last Banking Day of each calendar month, on the Maturity Date, on the prepayment of any Principal Amount or on such other date as the Principal Amount may become due and payable pursuant hereto (collectively, the "**Interest Payment Dates**"). Subject to being extended (an "**Extension**") in accordance with the following sentence, the Maturity Date of this Note shall be March 26, 2019 (the "**Initial Maturity Date**"). Provided the Maker extends the maturity date of each of the other Same Year Class A, B and C Notes by an additional 10 year term, the Maker may by written notice to the

Holder, not less than 21 days prior to March 26, 2019, extend the Maturity Date (such extended Maturity Date, the "**Extended Maturity Date**") of this Note to the last day of the Extended Term (provided that the Extension will proceed notwithstanding any accidental omission to provide notice or the non-receipt of notice). The Maker may capitalize the interest payable on the outstanding Principal Amount on up to 36 separate Interest Payment Dates during the Initial Term and on up to an additional 36 separate Interest Payment Dates during the Extended Term. If the Maker fails to pay any interest when due on any Interest Payment Date, other than the Maturity Date, it will be deemed, provided it has not been deemed to have done so on more than 36 separate Interest Payment Dates during the Initial Term or the Extended Term, as applicable, to have elected to capitalize the interest payable on that date and such interest shall be added to the Principal Amount. Interest on any overdue interest (other than interest that has been deemed to have been capitalized and added to the Principal Amount) or any unpaid Redemption Price shall be payable on demand and shall be compounded monthly. All payments under this Note shall be made in lawful currency of Canada and shall be made to the Holder at the last address of the Holder known to the Maker. If the due date of any payment under this Note falls on a day that is not a Banking Day the due date shall be extended to the next Banking Day. This Note shall rank pari passu with the Other Notes with respect to the payment of all amounts due and payable hereunder and thereunder so that any payments made under this Note or any Other Notes shall be made rateably by the Maker to the holders thereof based on the amounts that are then due and payable under this Note and each of the Other Notes.

3. **Voluntary Redemptions by the Maker**

The Maker may redeem all, but not less than all of the Same Year Class A, B and C Notes at any time in whole or in part, pro rata, on not less than 15 days and not more than 60 days notice to the holders thereof (provided that the redemption will proceed notwithstanding any accidental omission to provide notice or the non-receipt of notice). If the Maker elects to redeem the Same Year Class A, B and C Notes, the Maker will pay to the Holder a redemption price (the "**Redemption Price**") equal to the sum of (a) this Note's pro rata portion of the aggregate outstanding principal amount of all Same Year Class A, B and C Notes that is being repaid (the "**Pro Rata Principal Amount**"), plus (b) the Pro Rata Principal Amount multiplied by the applicable percentage (set forth in the following table, the "**Call Premium**"), plus (c) accrued but unpaid interest on the Pro Rata Principal Amount to but excluding the date of redemption. The Call Premium that applies upon redemption will decline over time on the following schedule:

Calendar Year after Original Issuance in which the Same Year Class A, B and C Notes are Redeemed	**Call Premium**
2011	16.20%
2012	14.40%
2013	12.60%
2014	10.80%
2015	9.00%
2016	7.20%
2017	5.40%
2018	3.60%

2019 (up to March 26, 2019)	1.80%
2019 to 2029(if extended)	0%

4. **Mandatory Prepayment**

In the event that any Class B Fund Units are redeemed and the Holder elects to pay the amount payable in respect thereof in cash (the "**Class B Fund Redemption Amount**"), the Holder may by written notice to the Maker require the Maker to redeem Class B Notes and to pay accrued interest thereon, ratably, to the extent equal to the Class B Fund Redemption Amount. In the event that this Note is redeemed in part only, the Holder shall tender this Note to the Maker for cancellation and the Maker will issue a new Class B Note to the Holder in replacement of this Note in an amount equal to the remaining outstanding Principal Amount of this Note.

5. **Covenants**

The Maker covenants and agrees that until this Note is paid in full it will:

(a) preserve and maintain its existence as a limited partnership and all of its rights, privileges and franchises necessary or desirable in the normal conduct of its business, and shall conduct its business in a commercially reasonable manner;

(b) comply with requirements of all applicable laws, rules, regulations, and orders of any governmental authority, the breach of which would materially adversely affect the consolidated financial condition of Maker; and

(c) deliver or otherwise make available to the Holder, copies of its annual report and the information, documents and other reports that the Maker is required by the provisions of the F.L. Master Sherman, LTD. Limited Partnership Agreement to deliver to the holders of its Units.

6. **Events of Default**

The occurrence of any of the following events shall constitute an "**Event of Default**":

(a) the failure by the Maker to pay (i) any principal, under this Note when due, whether on the Maturity Date, by required prepayment, acceleration, or otherwise, or (ii) any interest or other amount payable under this Note, other than principal or any interest that has been capitalized pursuant hereto, when due and such failure remains unremedied on the 3rd Banking Day following such failure;

(b) the failure by the Maker to perform any obligations under (i) this Note, other than the obligations referred to in (a) above, (ii) the note purchase agreement made as of the 30th day of September, 2008 between the Maker and the Fund, (iii) the cost payment/reimbursement agreement made as of the 30th day of September, 2008 between the Maker and the Fund (including, without limitation, the obligation to pay or reimburse the Fund for all fees and expenses of the Fund as they come due), or (iv) any other agreement or instrument between the Maker and the Holder, and such failure remains unremedied 30 days after a Majority of Holders has given written notice of the failure to the Maker;

(c) any secured party or other encumbrancer takes possession of, or attempts to enforce its security or other encumbrance against any material property of the Maker and the claims of such Persons remain unsatisfied for such period as would permit such property to sold thereunder;

(d) the Change of Control, whether directly or indirectly, of the Maker or FLP without the prior written consent of a Majority of Holders; or

(e) the Maker (i) is adjudged or declared bankrupt or insolvent, fails to pay, or admits in writing that it is unable to pay, its debts generally when due; (ii) commences or has commenced against it any proceedings relating to it under any bankruptcy, insolvency, reorganization, winding up or liquidation laws or seeking relief or protection from its creditors or the appointment of any receiver or trustee for it or any of its property, and in the case of proceeding commenced against it, such proceedings are not diligently defended by the Maker in good faith and effectively stayed or discharged within 15 Banking Days; or (iii) takes any actions to authorize any of the foregoing (this Event of Default is also referred to herein as an "**Insolvency Event**").

7. **Rights on Default**

If an Event of Default (other than an Insolvency Event) occurs and is continuing, a Majority of Holders may by written notice to the Maker declare all obligations and the Call Premium under the Class B Notes to be immediately due and payable, whereupon (and upon the occurrence of any Insolvency Event) all such obligations and the Call Premium shall become and be immediately due and payable without presentment, demand, protest or other notices of any kind, all of which are hereby expressly waived by the Maker.

8. **Replacement Notes**

The Maker shall, upon the written request of the Holder and receipt of this Note for cancellation, issue replacement Class B Notes of the same series as this Note to the Holder in an aggregate outstanding principal amount equal to the outstanding Principal Amount of this Note at the time of its cancellation.

9. **Costs and Expenses**

The Maker agrees to indemnify the Holder against any losses, claims, damages, liabilities and expenses, including legal fees and expenses on a full indemnity basis, incurred by the Holder in connection with the collection and enforcement of this Note, including, without limitation, any stamp or other documentary taxes which may be payable in connection with Maker's execution or delivery of this Note.

10. **No Recourse to Limited Partners**

The obligations under this Note are obligations of the Maker only and the Holder will not have any recourse against any limited partners of the Maker.

11. **Waivers**

No failure or delay on the part of the Holder to exercise any rights under this Note shall impair such right or operate as a waiver of any default or an acquiescence therein, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The rights provided in this Note are cumulative, and not exclusive of, any other rights the Holder may have at law.

12. **Assignment**

Except as provided in the following sentence, this Note may not be assigned by the Holder to any other Person. This Note may only be assigned to the holders of Class B Fund Units upon a redemption or winding up of the Fund or by operation of law to the heirs, legal representatives or successors of the Holder.

13. **Judgment Currency Indemnity**

In the event that the Holder obtains any judgment in a currency (the "**Other Currency**") in respect of any liability of the Maker hereunder that is not in Canadian dollars (the "**Original Currency**"), the Holder and the Maker agree that the rate of exchange to be used in determining the amount of the judgment shall be the rate of exchange (the "**Exchange Rate**") quoted by the principal bank of the Holder to its customers as the rate at which its customers could purchase the Original Currency with the Other Currency on the Banking Day preceding the date on which the judgment is rendered. The liability of the Maker hereunder in respect of any amount due in the Original Currency shall, notwithstanding any judgment in the Other Currency, be discharged only to the extent that on the Banking Day following receipt of the payment or satisfaction of the judgment, the Holder would be able to purchase the Original Currency with the Other Currency based on the Exchange Rate then in effect. If the amount of the Original Currency which could be purchased by the Holder is less than the amount of the Original Currency originally due to it hereunder, the Maker, agrees, as a separate obligation, to indemnify the Holder against such loss upon demand.

14. **Governing Law**

THIS NOTE SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES. ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST MAKER ARISING OUT OF OR RELATING TO THIS NOTE MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE OF TEXAS, AND BY EXECUTION AND DELIVERY OF THIS NOTE MAKER ACCEPTS FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE NONEXCLUSIVE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH THIS NOTE.

The Maker further irrevocably consents to the service of process out of any of the aforementioned courts in any action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the Maker at its address set forth below its signature hereto, such service to become effective seven days after such mailing. Nothing herein shall affect the right of the Holder to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Maker in any other jurisdiction. The Maker hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Note brought in the courts referred to above and further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

15. **Usury**

It is expressly stipulated and agreed to be the intent of the Maker and the Holder at all times to comply with applicable state law governing the maximum rate or amount of interest payable on or in connection with the Note (or applicable United States federal law to the extent that it permits the Holder to contract for, charge, take, reserve or receive a greater amount of interest than under state law). If the applicable law is ever judicially interpreted so as to render usurious any amount called for under the Note, or if redemption of the Note or if any prepayment by Maker results in Maker having paid any interest in excess of that permitted by law, then it is Maker's and Holder's express intent that all excess amounts theretofore collected by Holder be credited on the principal balance of the Note (or, if the Note has been or would thereby be paid in full, refunded to Maker), and the provisions of the Note immediately be deemed reformed and the amounts thereafter collectible hereunder and thereunder reduced, without the necessity of the execution of any new documents, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder and thereunder. The right to redeem the Note does not include the right to accelerate any interest which has not otherwise accrued on the date of such redemption, and the Holder does not intend to collect any unearned interest in the event of redemption. To the extent permitted by law, hereby waives and releases all claims and defenses based upon usury in connection with the execution of the Note.

16. **Waiver of Jury Trial**

THE MAKER AND, BY ITS ACCEPTANCE OF THIS NOTE, THE HOLDER, HEREBY IRREVOCABLY AGREE TO WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS NOTE OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS NOTE AND THE RELATIONSHIP THAT IS ESTABLISHED HEREBY.

The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including without limitation contract claims, tort claims, breach of duty claims and all other common law and statutory claims. The Maker and, by its acceptance of this Note, the Holder, each (i) acknowledges that this waiver is a material inducement to enter into a business relationship, that each has already relied on this waiver in entering into this relationship, and that each will continue to reply on this waiver in their related future dealings and (ii) further warrants and represents that each has reviewed this waiver with its legal counsel and that each knowingly and voluntarily waives its jury trial rights following consultation with legal counsel.

THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS OF THIS NOTE.

In the event of litigation, this provision may be filed as a written consent to a trial by the court.

Executed and delivered at Sherman, Texas.

FL MASTER SHERMAN, LTD.
by its sole General Partner
FL Master Sherman GP, Inc.

By: Joanna L. Hampton
Name: Joanna L. Hampton
Title: Chief Financial Officer
Address: 430 Regional Rd. #8, R.R. 1
Uxbridge, ON, L9P 1R1

EXHIBIT “9”

First Leaside Properties Fund

Condensed Interim Financial Statements

(unaudited)

for the twelve months ended December 31, 2011

NOTICE OF NO REVIEW OF INTERIM FINANCIAL STATEMENTS

Pursuant to National Instrument 51-102 Continuous Disclosure Obligations, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements of a reporting issuer, the interim financial statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The unaudited condensed interim financial statements of First Leaside Properties Fund for the period ended December 31, 2011 have been prepared by and are the responsibility of First Leaside Properties Fund's management.

First Leaside Properties Fund’s independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

First Leaside Properties Fund

Condensed Interim Balance Sheets
(Expressed in U.S. dollars)

December 31, 2011 with comparison figures for 2010
(unaudited)

	December 31, 2011	December 31, 2010	January 1, 2010
Assets			
Cash	$ 4	$ 538	$ 3
Due from related parties (note 7)	154,614	21,183	23,405
	154,617	21,721	23,408
Promissory notes receivable (note 2)	14,384,009	14,355,497	13,285,154
	$ 14,538,625	**$ 14,377,218**	**$ 13,308,562**
Liabilities and Unitholders' Equity			
Liabilities:			
Accounts payable and accrued liabilities	$ 154,173	$ 21,713	$ 23,405
	154,173	21,713	23,405
Call premium derivative (note 2)	109,000	158,000	90,000
Redeemable units (note 3)	10,294,757	10,524,995	9,963,465
Unitholders' Equity (note 5)	3,980,696	3,672,510	3,231,692
Subsequent event (note 11)			
	$ 14,538,626	**$ 14,377,218**	**$ 13,308,562**

See accompanying notes to the condensed interim financial statements. (1)

On behalf of the Trustees:

____

____

First Leaside Properties Fund

Condensed Interim Statement of Operations and Comprehensive Income
(Expressed in U.S. dollars)

Three and twelve months ended December 31, 2011 with comparatives as at December 31, 2010
(unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Revenue				
Interest and other	$ 647,481	$ 304,046	$ 1,308,322	$ 903,547
Recovery of costs and other (note 4)	(19,733)	5,283	40,091	50,684
	627,747	309,329	1,348,412	954,231
Expenses				
Interest expense	469,751	226,109	955,310	680,075
Administration	(19,733)	5,283	40,091	50,684
Change in fair value of call premium derivative	(7,000)	28,000	(49,000)	(12,000)
	443,017	259,392	946,400	718,759
Net Income	**184,730**	**49,937**	**402,012**	**235,472**
Comprehensive Income				
Foreign Currency Translation	(212,757)	117,470	(93,827)	72,831
Comprehensive Income	**($28,026)**	**$167,407**	**$308,186**	**$308,303**
Net Income per Unit	**$0.05**	**$0.01**	**$0.10**	**$0.07**
Weighted average number of units outstanding	**4,048,145**	**3,538,719**	**3,916,288**	**3,525,157**

See accompanying notes to the condensed interim financial statements.

First Leaside Properties Fund

Condensed Interim Statement of Unitholders' Equity
(Expressed in U.S. dollars)

Three and twelve months ended December 31, 2011 with comparatives as at December 31, 2010
(unaudited)

	Class C Units	Amount	Accumulated other comprehensive income (loss)	2011	2010
Unitholders' equity, beginning of the year	3,755,701	$ 3,233,996	$ 438,514	$ 3,672,510	$ 3,231,692
Net income	-	402,012	-	402,012	243,030
Issuances	-	-	-	-	-
Distributions reinvested	322,095	357,253	-	357,253	311,118
Unit redemptions	-	-	-	-	-
Distributions	-	(357,253)	-	(357,253)	(311,118)
Foreign currency translation	-	-	(93,827)	(93,827)	197,788
Unitholders' equity, end of period	**4,077,796**	**$ 3,636,008**	**$ 344,688**	**$ 3,980,696**	**$ 3,672,510**

See accompanying notes to the condensed interim financial statements.

First Leaside Properties Fund

Condensed Interim Statement of Cash Flows
(Expressed in U.S. dollars)

Three and twelve months ended December 31, 2011 with comparatives as at December 31, 2010
(unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31, 2011	December 30, 2010	December 31, 2011	December 30, 2010
Cash provided by (used in):				
Operating activities:				
Net income	$ 184,730	$ 49,937	$ 402,012	$ 235,472
Items not involving cash:				
Change in fair value of call premium derivative	(7,000)	28,000	(49,000)	(12,000)
Non-cash interest income	(179,709)	(78,347)	(357,253)	(228,979)
Non-cash interest on promissory notes receivable	2,407	1,043	4,677	3,026
Transactions with entities within the First Leaside Group of Companies	(142,097)	(5,789)	(133,413)	11,403
Change in other non-cash operating working capital	141,672	4,999	132,460	(8,404)
	3	(157)	(516)	517
Financing activities:				
Issuance of Class C units	-	-	-	-
Redemption of Class C units	-	-	-	-
Issuance of redeemable units	-	-	-	-
Redemption of redeemable units	-	-	-	-
	-	-	-	-
Investing activities:				
Investment in promissory notes receivable			-	-
Repayment of promissory notes receivable			-	-
	-	-	-	-
Effect of exchange rate changes on cash			-	-
Increase (decrease) in cash	3	(157)	(516)	517
Cash, beginning of period	-	677	520	3
Cash, end of period	**$ 3**	**$ 520**	**$ 4**	**$ 520**
Supplemental disclosure of non-cash financing and investing activities:				
Distributions reinvested	179,709	78,347	357,253	228,979

See accompanying notes to the condensed interim financial statements.

First Leaside Properties Fund

Condensed Interim Statement of Cash Flows
(Expressed in U.S. dollars)

Three and twelve months ended December 31, 2011 with comparatives as at December 31, 2010
(unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31, 2011	December 30, 2010	December 31, 2011	December 30, 2010
Cash provided by (used in):				
Operating activities:				
Net income	$ 184,730	$ 49,937	$ 402,012	$ 235,472
Items not involving cash:				
Change in fair value of call premium derivative	(7,000)	28,000	(49,000)	(12,000)
Non-cash interest income	(179,709)	(78,347)	(357,253)	(228,979)
Non-cash interest on promissory notes receivable	2,407	1,043	4,677	3,026
Transactions with entities within the First Leaside Group of Companies	(142,097)	(5,789)	(133,413)	11,403
Change in other non-cash operating working capital	141,672	4,999	132,460	(8,404)
	3	(157)	(516)	517
Financing activities:				
Issuance of Class C units	-	-	-	-
Redemption of Class C units	-	-	-	-
Issuance of redeemable units	-	-	-	-
Redemption of redeemable units	-	-	-	-
	-	-	-	-
Investing activities:				
Investment in promissory notes receivable			-	-
Repayment of promissory notes receivable			-	-
	-	-	-	-
Effect of exchange rate changes on cash			-	-
Increase (decrease) in cash	3	(157)	(516)	517
Cash, beginning of period	-	677	520	3
Cash, end of period	**$ 3**	**$ 520**	**$ 4**	**$ 520**
Supplemental disclosure of non-cash financing and investing activities:				
Distributions reinvested	179,709	78,347	357,253	228,979

See accompanying notes to the condensed interim financial statements.

First Leaside Properties Fund (the "Fund") is an open-ended mutual fund trust that has been established by way of a Declaration of Trust (the "Declaration of Trust") made as of July 3, 2007, amended and restated as of September 30, 2008, under the laws of the Province of Ontario, terminating on July 31, 2037. The Fund's investment objectives are to invest its funds in securities and investments of persons engaged in the ownership of primarily income-producing multiple-unit residential real property located in Canada and the United States.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements are presented in U.S. dollars and are prepared in accordance with accounting principles generally accepted in Canada.

(b) Investment Income:

Investment income, which consists of interest income, is recorded on the accrual basis.

(c) Foreign currency:

The Fund's functional currency is Canadian dollars but reporting currency is U.S. dollars. The translation of the items on the statement of operations and comprehensive income (loss) and cash flows into U.S. dollars is done using the exchange rates in effect at the date of the transaction and assets and liabilities are translated using the exchange rate at the end of the period. The exchange differences from the foregoing translation procedures are reported in a separate component of other comprehensive income (loss).

(d) Income taxes:

The Fund currently qualifies as a Mutual Fund Trust for Canadian income tax purposes. Income earned by the Fund and distributed annually to unitholders is not subject to taxation in the Fund, but is taxed at the individual unitholder level. For financial statement reporting purposes, the tax deductibility of the Fund distributions is treated as an exemption from taxation as the Fund distributes and is committed to continue distributing all of its taxable income to its unitholders.

On June 22, 2007, new legislation relating to the federal income taxation of a specified investment flow-through trust or partnership ("SIFT") received royal assent (the "SIFT Rules").

Under the SIFT Rules, certain distributions from a SIFT will no longer be deductible in computing a SIFT's taxable income and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. Distributions paid by a SIFT as returns of capital will not be subject to the tax.

1. Significant accounting policies (continued):

The Fund is not subject to the SIFT tax regime as its units are not listed on a stock exchange or other public market.

Accordingly, the Fund does not record a provision for income taxes, or future income tax assets or liabilities, in respect of the Fund.

(e) Revenue recognition

Interest income on promissory notes receivable and recovery of costs under the cost/payment reimbursement agreement with F.L. Master Sherman, Ltd (note 4) is recognized on an accrual basis in the period earned.

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods. Actual results could differ from those estimates.

(g) **Future accounting change:**

The Canadian Accounting Standards Board ("AcSB") has confirmed its plan to adopt all International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board, on or after January 1, 2011. The Fund will be required to prepare IFRS financial statements for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require restatement for comparative purposes of amounts reported by the Partnership for the year ended December 31, 2010.

The Fund is currently in the process of evaluating the potential impact of IFRS to its financial statements. This will be an on-going process as new standards and recommendations are issued by the International Accounting and Standards Board and the AcSB.

(h) Net income per unit:

Net income per unit is computed by dividing net income by the weighted average units outstanding during the period.

2. Promissory notes receivable:

F.L. Master Sherman, Ltd. ("Master Sherman") borrowed funds from the Fund during the 2007 and 2008 periods. During 2007, the terms of the promissory notes receivable were not formally documented at the time, but the parties agreed that the loan would consist of three classes of notes, namely, Class A notes, Class B notes and Class C notes, each issuable in series. These notes are unsecured and non-recourse to the limited partners of Master Sherman.

The Class A notes are denominated in U.S. dollars and bear interest at 9% per annum. As at December 31, 2011, there were $50,736 (2010 - $50,736) of notes outstanding.

The Class B notes are denominated in Canadian dollars and bear interest at 9% per annum. As at December 31, 2011, there were $10,244,021, (Cdn. $10,418,002) (2010 - $10,474,259; Cdn. $10,418,002) of notes outstanding.

The Class C notes are denominated in Canadian dollars and bear interest at 9% per annum, and such interest is re-invested in Class C units on a monthly basis. As at December 31, 2011, there were $3,692,982 (Cdn. $3,755,702) (2010 - $3,775,983; Cdn $3,755,702) of notes outstanding.

The promissory notes are due ten years from issuance, which is on or before June 1, 2019. For all classes of notes, Master Sherman is able to redeem the notes subject to a call premium and to extend the term for a further 10 years. The promissory notes receivable are redeemable in whole or in part, at Master Sherman's option, and any time prior to the tenth anniversary of the original issuance of the promissory notes receivable, subject to a certain prepayment call premium. The prepayment option represents an embedded derivative that is to be accounted for separately at fair value. The fair value of the embedded derivative liability is $109,000 (2010 - $158,000). As a result of bifurcating the prepayment option from the promissory notes receivable on issuance of the notes, a basis adjustment of $49,842 (2010 - $54,519), net of accumulated amortization of $11,675 (2010 - $8,481), is included in the cost of the promissory notes receivable. This basis adjustment is amortized over the term of the receivable using the effective interest rate method and reported as a reduction to interest income.

3. Redeemable units:

Class A units of the Fund are issuable in series and are denominated in U.S. dollars. Class A unitholders are entitled to one vote per Class A unit owned at all meetings of unitholders. All distributions made by the Fund to holders of Class A units shall be made in U.S. dollars including any payments relating to the participation rights (note 6). Each Class A unit will have a corresponding Series A promissory note denominated in U.S. dollars issued by Master Sherman to the Fund. The promissory note will be issued the same date the Class A units are issued.

3. Redeemable units (continued):

Class B units of the Fund are issuable in series and are denominated in Canadian dollars. Class B unitholders are entitled to one vote per Class B unit owned at all meetings of unitholders. All distributions made by the Fund to holders of Class B units shall be made in Canadian dollars other than payments relating to the participation rights (which shall be made in U.S. dollars - note 6). Each Class B unit will have a corresponding Series B promissory note denominated in Canadian dollars issued by Master Sherman to the Fund. The promissory note will be issued the same date the Class B units are issued.

The Class A and Class B units of the Fund have identical rights relating to redemption, distributions and upon termination of the Fund as Class C units described in note 5.

Since the completion of the initial public offering in 2009, the Fund has not issued additional Class A or Class B units.

	Class A		Class B		Total	
	Units	Amount	Units	Amount	Units	Amount
As at December 31, 2008	2,000	$ 2,000	2,958,877	$ 2,429,238	2,960,877	$ 2,431,238
Units issued	37,813	37,813	2,919,517	2,355,969	2,957,330	2,393,782
Unit redemptions	–	–	–	–	–	–
Foreign exchange	–	–	–	(124,816)	–	(124,816)
As at March 31, 2009	39,813	$ 39,813	5,878,394	$ 4,660,391	5,918,207	$ 4,700,204
Units issued	10,923	10,923	4,609,317	4,036,265	4,620,240	4,047,188
Unit redemptions	–	–	(69,709)	(65,375)	(69,709)	(65,375)
Foreign exchange	–	–	–	326,117	–	326,117
As at June 30, 2009	50,736	$ 50,736	10,418,002	$ 8,957,398	10,468,738	$ 9,008,134
Units issued	–	–	–	–	–	–
Unit redemptions	–	–	–	–	–	–
Foreign exchange	–	–	–	773,016	–	773,016
As at September 30, 2009	50,736	$ 50,736	10,418,002	$ 9,730,414	10,468,738	$ 9,781,150
Units issued	–	–	–	–	–	–
Unit redemptions	–	–	–	–	–	–
Foreign exchange	–	–	–	182,315	–	182,315
As at December 31, 2009	50,736	$ 50,736	10,418,002	$ 9,912,729	10,468,738	$ 9,963,465
Units issued	–	–	–	–	–	–
Unit redemptions	–	–	–	–	–	–
Foreign exchange	–	–	–	342,752	–	342,752
As at March 31, 2010	50,736	$ 50,736	10,418,002	$ 10,255,481	10,468,738	$10,306,217
Units issued	–	–	–	–	–	–
Unit redemptions	–	–	–	–	–	–
Foreign exchange	–	–	–	(469,852)	–	(469,852)
As at June 30, 2010	50,736	$ 50,736	10,418,002	$ 9,785,629	10,468,738	$ 9,836,365
Units issued	–	–	–	–	–	–
Unit redemptions	–	–	–	–	–	–
Foreign exchange	–	–	–	338,585	–	338,585
As at September 30, 2010	50,736	$ 50,736	10,418,002	$ 10,124,214	10,468,738	$10,174,950
Units issued	–	–	–	–	–	–
Unit redemptions	–	–	–	–	–	–
Foreign exchange	–	–	–	350,045	–	350,045
As at December 31, 2010	50,736	$ 50,736	10,418,002	$ 10,474,259	10,468,738	$ 10,524,995

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4. Management agreement and cost/payment reimbursement agreement:

The Fund entered into a management agreement with First Leaside Management Inc. on September 30, 2008, with effect from July 3, 2007, whereby First Leaside Management Inc. will provide certain management, administrative and support services on behalf of the Fund. In accordance with the new agreement, there will be no fee charged for performing the management services. The term of the agreement, which can be terminated by either party at any time, is 10 years with an automatic renewal of an additional 10 years.

The Fund also entered into a Fee Payment Agreement with FL Master Sherman, Ltd. ("Master Sherman") on September 30, 2008, where Master Sherman has agreed to pay all of the fees and expenses of the Fund. As of January 1, 2009, the fees and expenses cannot exceed $250,000 on an annual basis without the prior written consent of the Fund. This new agreement terminates on July 3, 2037.

The Fund has recorded a recovery charge in the statements of operations and comprehensive income of $65,091 the year ended December 31, 2011 (2010 - $58,401).

5. Unitholders' equity:

Pursuant to the Declaration of Trust dated July 3, 2007, the number of Class C units that are authorized and may be issued is unlimited.

Class C units of the Fund are issuable in series and are denominated in Canadian dollars. Class C unitholders are entitled to one vote per Class C unit owned at all meetings of unitholders. All distributions made by the Fund to holders of Class C units shall be made in Canadian dollars other than payments relating to the participation rights (which shall be made in U.S. dollars - see note 6). The cash distributions shall not be paid to the holders of Class C units; any amounts payable to holders of Class C units shall be paid by issuing additional Class C units.

Each Class C unit will have a corresponding series C promissory note denominated in Canadian dollars attached to it issued by Master Sherman to the Fund. The promissory note will be issued the same date the Class C units are issued. If the initial term of the Master Sherman promissory note is extended beyond 10 years, the distributions payable during the extension period to the Class C unitholders will not be reinvested, but will be paid in Canadian dollars.

Redemption rights by Fund unitholders:

Each Fund unitholder shall be entitled to require the Fund to redeem on a monthly basis at the demand of the Fund unitholder all or any part of the Fund units registered in the name of the Fund unitholder at the fair market value of the unit as determined by the Trustees. The Trustees shall be entitled in their discretion to determine and designate whether any payments made in respect of any redemption are on account of income or capital, and whether any such redemption shall be effected by an in-specie redemption or by a cash redemption. A cash redemption shall not be applicable to Fund units tendered for redemption by a Fund

5. Unitholders' equity (continued):

unitholder, if the total amount payable by the Fund in the same calendar month exceeds $50,000 unless waived by the Trustees of the Fund.

Distributions:

The computation of distributable cash flow is defined in the Declaration of Trust. Distributions for a class of unit will include such things as all cash amounts received from the Master Sherman promissory notes that correspond to the series of a Class of units and all other income, distributions, interest, dividends, proceeds from the disposition of securities, returns of capital and repayments of indebtedness. The distributions will be reduced for all costs and expenses attributable to the series of a Class of units and any series of a Class of units' proportionate share of the common expenses of the Fund.

In the event that the Trustees determine that the Fund does not have available cash in an amount sufficient to make payment of the full amount of any distribution that has been declared to be payable to Fund unitholders, the Fund may issue, on a pro rata basis, additional units, or fractions of units, if necessary, having a value equal to the difference between the amount of such distribution and the amount of cash that has been determined by the Trustees to be available for the payment of such distribution, subject to all necessary regulatory approvals.

Termination of Fund:

Upon the termination of the Fund, the proceeds of the net assets of the Fund after paying for all known liabilities and obligations will be distributed to the unitholders in accordance with their pro rata interests.

6. Participation rights:

Effective September 30, 2008, the Fund has received participation rights from FLP, the limited partner of Master Sherman, concurrent with the promissory notes issued by Master Sherman to the Fund. The cost of the participation rights is 1/10 of U.S. $0.01 for each U.S. $1.00 principal amount of promissory note issued by Master Sherman. As at December 31, 2010, the fair value of these participation rights is nil.

Each participation right entitles the Fund, upon exercise, to a cash payment equal to the fair market value of one FLP unit as determined by FLP or the closing price of the FLP unit if FLP is a reporting issuer and the FLP units are traded on an exchange, as at the time that the participation right in question is exercised less the base FLP unit cost equal to 120% of the fair market value of one FLP unit at the time that the participation right in question is granted. Each series of participation rights shall vest on the tenth anniversary of the date of the grant of such participation rights, being September 30, 2008, and shall expire 30 days after the vesting date. If the term of the promissory notes that corresponds to a series of participation rights is extended for a further 10 years, then the vesting date of the corresponding participation rights is extended for a further 10 years. The participation rights are retractable, subject to a call premium, by FLP at any prior to the vesting

(Expressed in U.S. dollars)

6. Participation rights (continued):

date. If the Fund's unitholders redeem some or all of the Fund's units, the participation rights that correspond to the promissory notes attached to the Fund units will expire and terminate.

7. Transactions with First Leaside Group of Companies:

The First Leaside Group of Companies are multi-disciplinary investment management and advisory firms, which include entities such as First Leaside Management Inc., which is the manager of the Fund. Except as disclosed elsewhere, amounts due from/to entities within the First Leaside group of companies are due on demand, are unsecured and non-interest bearing as follows:

	2010	2009
Due from:		
FL Master Sherman, Ltd.	$ 21,183	$ 23,368
F.L. Securities Inc.	-	37
	$ 21,183	$ 23,405

8. Risk management and financial instruments:

(a) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The risk of future cash flows fluctuating is managed by having fixed rates on the promissory notes receivable.

(b) Credit and collection risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the Fund by failing to discharge its obligation. The nature and maximum exposure to credit risk as at December 31, 2010 is:

	Carrying amount
Cash	$ 538
Promissory notes receivable	14,355,497
Due from related party	21,183
	$ 14,377,218

8. Risk management and financial instruments (continued):

The Fund is exposed to credit risk on its promissory notes receivable in the event the borrower is unable to make the contracted payments. Such risk is mitigated through careful evaluation of the value of the underlying assets held by the borrower.

(c) Liquidity risk:

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its contractual obligations associated with financial liabilities. The Fund manages its liquidity risk through the use of budgets and forecasts. Cash requirements are monitored regularly based on actual financial results and actual cash flows to ensure that there are sufficient resources to meet operational requirements.

(d) Fair values of financial instruments:

The fair market values of cash, amounts receivable, accounts payable and accrued liabilities and amounts payable approximate their fair values due to the immediate or short-term maturities of these financial instruments.

The fair values of promissory notes receivable and redeemable units could not be reasonably calculated as no comparable commercial terms are obtainable.

(Expressed in U.S. dollars)

9. Capital management:

The Fund's capital management objective is to maximize unitholder returns while ensuring that the Fund is capitalized in a manner which appropriately supports working capital needs and business expansion. The Fund's capital management practices are focused on preserving the quality of its financial position by maintaining a strong capital base. Capital of the Fund consists of long-term debt and unitholders' equity.

The Fund's capital is primarily utilized in its ongoing business operations to support working capital requirements, long-term investments made by the Fund, business expansion and other strategic objectives.

Capital structure:

The Fund defines its capital structure to include unitholders' equity and redeemable units, net of cash.

	2010	2009
Cash	$ (538)	$ (3)
Redeemable units	10,524,995	9,963,465
Unitholders' equity	3,672,510	3,231,692
	$ 14,196,967	$ 13,195,154

There are no external or internal restrictions on the Fund's capital.

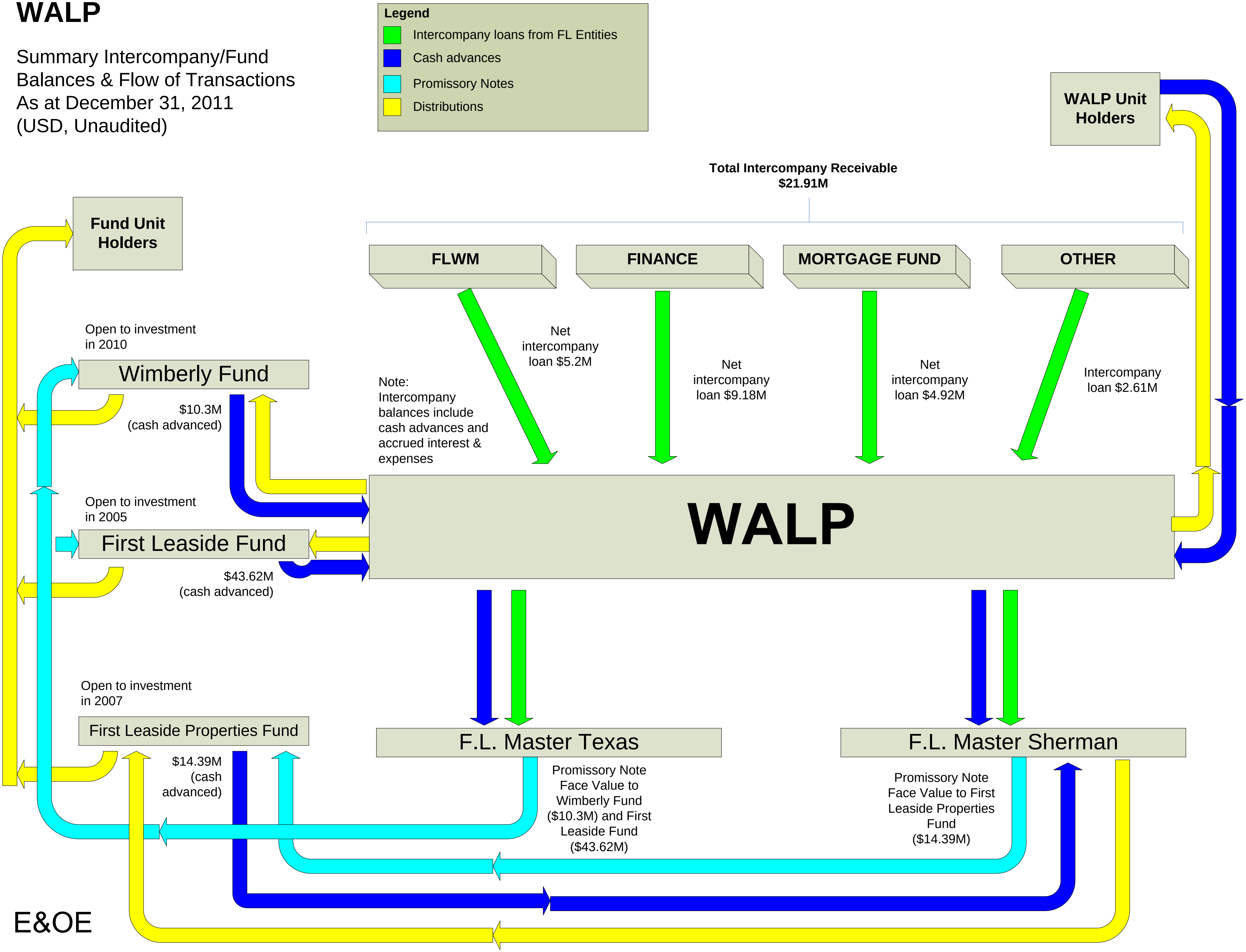
10. Economic dependence:

The promissory notes receivable and virtually all of the interest income are from Master Sherman. The loss of interest income or the inability of Master Sherman to repay the promissory notes receivable could have a material adverse effect on the Fund's results of operations and financial position.

EXHIBIT "10"

WALP

Summary Intercompany/Fund Balances & Flow of Transactions
As at December 31, 2011
(USD, Unaudited)



E&OE

EXHIBIT “11”

Consolidated Financial Statements
(Expressed in U.S. dollars)

WIMBERLY APARTMENTS LIMITED PARTNERSHIP

(A CANADIAN LIMITED PARTNERSHIP)

Years ended December 31, 2010 and 2009

KPMG

KPMG LLP
Chartered Accountants
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Canada

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INDEPENDENT AUDITORS' REPORT

To the General Partner and Limited Partners of
Wimberly Apartments Limited Partnership

We have audited the accompanying consolidated financial statements of Wimberly Apartments Limited Partnership (a Canadian Limited Partnership), which comprise the consolidated balance sheets as at December 31, 2010 and 2009, the consolidated statements of operations, partners' deficiency and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Wimberly Apartments Limited Partnership as at December 31, 2010 and 2009, and its consolidated results of operations and its consolidated cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1(a) in the consolidated financial statements which indicates the existence of material uncertainties that may cast significant doubt about the ability of Wimberly Apartments Limited Partnership to continue as a going concern.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

September 16, 2011
Toronto, Canada

WIMBERLY APARTMENTS LIMITED PARTNERSHIP
(A CANADIAN LIMITED PARTNERSHIP)

Consolidated Balance Sheets
(Expressed in U.S. dollars)

December 31, 2010 and 2009

	2010	2009
Assets		
Revenue-producing properties (note 3)	$ 48,057,608	$ 49,245,451
Deposits in escrow (note 4)	2,993,475	2,583,351
Deferred financing costs	826,852	982,146
Prepaid expenses and deposits	292,644	350,301
Due from related parties (note 9)	1,915,977	3,400,853
Accounts receivable	154,106	97,491
Financial derivatives (note 15)	798,519	–
Restricted cash	465,000	501,538
Cash and cash equivalents	5,222,371	2,318,068
	$ 60,726,552	$ 59,479,199
Liabilities and Partners' Deficiency		
Liabilities:		
Mortgages payable (note 4)	$ 54,604,169	$ 50,077,299
Accounts payable and accrued liabilities (notes 11 and 15)	2,672,461	2,862,281
Promissory notes payable (note 5)	66,966,320	46,427,226
Due to related parties (note 9)	11,322,790	18,791,616
Tenants' security deposits	272,967	273,980
Future income tax liability	2,025,810	2,025,810
Long-term debt (note 6)	500,000	500,000
Unearned income	1,706	3,983
	138,366,223	120,962,195
Non-controlling interest	144,360	116,343
Partners' deficiency (note 7)	(77,784,031)	(61,599,339)
Commitment and contingencies (note 14)		
Subsequent events (note 18)		
	$ 60,726,552	$ 59,479,199

See accompanying notes to consolidated financial statements.

Approved on behalf of the Partnership by its
General Partner, 965010 Ontario Inc.:

______________________________ Director

WIMBERLY APARTMENTS LIMITED PARTNERSHIP
(A CANADIAN LIMITED PARTNERSHIP)

Consolidated Statements of Operations
(Expressed in U.S. dollars)

Years ended December 31, 2010 and 2009

	2010	2009
Revenue:		
Rental	$ 9,933,300	$ 10,684,917
Interest	829,819	801,215
Other	1,454,283	2,008,238
	12,217,402	13,494,370
Expenses:		
Administration (note 9)	2,488,429	2,798,382
Utilities	2,403,694	2,275,689
Repairs and maintenance	1,892,270	2,061,148
Property taxes	1,194,015	1,375,170
Property management fees (notes 9 and 10)	469,403	492,566
Insurance	408,378	492,821
Bad debts	148,782	306,767
Advertising and leasing	129,426	121,932
	9,134,397	9,924,475
	3,083,005	3,569,895
Other income (expenses):		
Interest and other financing costs (note 13)	(9,778,543)	(8,395,367)
Other maintenance charges	(4,619,715)	(2,945,844)
Professional and other (note 9)	(2,499,767)	(4,475,404)
Amortization of revenue-producing properties	(1,754,061)	(1,787,392)
Change in derivative instruments (note 15)	960,057	829,927
Foreign exchange loss	(2,952,191)	(5,253,511)
	(20,644,220)	(22,027,591)
Loss for the year	$ (17,561,215)	$ (18,457,696)

See accompanying notes to consolidated financial statements.

WIMBERLY APARTMENTS LIMITED PARTNERSHIP
(A CANADIAN LIMITED PARTNERSHIP)

Consolidated Statements of Partners' Deficiency
(Expressed in U.S. dollars)

Years ended December 31, 2010 and 2009

2010	General partner	Limited partners Units	Limited partners Amount	Total
Partners' deficiency, beginning of year	$ (544,052)	73,496,264	$ (61,055,287)	$ (61,599,339)
GP receivable	20,716	–	–	20,716
Units issued (note 7(b))	–	1,447,322	967,504	967,504
Units redeemed (note 7(b))	–	(2,261,563)	(1,496,125)	(1,496,125)
Unit issue costs	–	–	(46,351)	(46,351)
Contributed surplus (note 8)	–	–	4,000,000	4,000,000
Loss for the year	(135,612)	–	(17,425,603)	(17,561,215)
Distributions	(20,103)	–	(2,049,118)	(2,069,221)
Partners' deficiency, end of year	$ (679,051)	72,682,023	$ (77,104,980)	$ (77,784,031)

2009	General partner	Limited partners Units	Limited partners Amount	Total
Partners' deficiency, beginning of year	$ (412,853)	72,770,275	$ (45,276,694)	$ (45,689,547)
GP receivable	18,703	–	–	18,703
Units issued (note 7(b))	–	2,540,969	1,835,061	1,835,061
Units redeemed (note 7(b))	–	(1,814,980)	(1,270,486)	(1,270,486)
Unit issue costs	–	–	(80,298)	(80,298)
Contributed surplus (note 8)	–	–	4,757,462	4,757,462
Loss for the year	(137,002)	–	(18,320,694)	(18,457,696)
Distributions	(12,900)	–	(2,699,638)	(2,712,538)
Partners' deficiency, end of year	$ (544,052)	73,496,264	$ (61,055,287)	$ (61,599,339)

See accompanying notes to consolidated financial statements.

WIMBERLY APARTMENTS LIMITED PARTNERSHIP
(A CANADIAN LIMITED PARTNERSHIP)

Consolidated Statements of Cash Flows
(Expressed in U.S. dollars)

Years ended December 31, 2010 and 2009

	2010	2009
Cash provided by (used in):		
Operating activities:		
Loss for the year	$ (17,561,215)	$ (18,457,696)
Items not involving cash:		
Amortization of revenue-producing properties	1,754,061	1,787,392
Amortization of deferred financing costs	155,294	153,474
Non-cash interest on promissory notes payable	1,409,959	876,398
Non-controlling interest	28,017	55,854
Foreign exchange currency adjustment on promissory notes	2,726,514	3,659,511
Foreign exchange currency adjustment on mortgages payable	184,840	–
Change in derivative instruments	960,057	829,927
Change in non-cash operating items	(1,950,398)	(2,708,823)
	(12,292,871)	(13,803,963)
Financing activities:		
Units issued for cash, net of issue costs	916,034	1,661,265
Units redeemed for cash	(1,496,125)	(1,270,991)
Distributions	(2,064,102)	(2,747,541)
Promissory notes issued	16,912,032	18,812,491
Promissory notes repaid	(509,411)	(3,080,278)
Proceeds from mortgage financing	5,143,780	–
Mortgages payable principal repayments	(801,750)	(5,285,615)
Due to/from related parties	(1,963,480)	6,550,886
Restricted cash	36,538	368,462
Deposits in escrow	(410,124)	(155,540)
	15,763,392	14,853,139
Investing activities:		
Additions to revenue-producing properties	(566,218)	(227,154)
Increase in cash	2,904,303	822,022
Cash and cash equivalents, beginning of year	2,318,068	1,496,046
Cash and cash equivalents, end of year	$ 5,222,371	$ 2,318,068
Supplemental cash flow information:		
Interest paid	$ –	$ 4,639,401
Supplemental disclosure of non-cash transactions:		
Distributions reinvested in additional units	5,119	17,641
Contributed surplus (note 8)	4,000,000	4,757,462
Units issued in exchange for investments in limited partnerships (note 2)		

See accompanying notes to consolidated financial statements.

Wimberly Apartments Limited Partnership (the "Partnership") consists of a general partner, 965010 Ontario Inc., and a number of limited partners holding partnership units. The general partner is entitled to a 1% share of the income (loss) of the Partnership.

The Limited Partnership Agreement provides that the general partner has unlimited liability for the debts and obligations of the Partnership. The liability of each limited partner is limited to the amount of capital contributed, or agreed to be contributed, plus the limited partner's share of undistributed income.

1. Significant accounting policies:

(a) Basis of presentation - going concern:

These consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles ("GAAP"). The going concern basis of presentation assumes that the Partnership will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about the appropriateness of the use of the going concern assumption because the Partnership does not have sufficient cash on hand to meet its obligations, which include maturities and regular principal repayments of mortgages payable (note 4), redemptions of promissory notes payable (note 5), amounts due to related parties (note 9), collateral requirements under derivative contracts (note 15), obligations to reimburse First Leaside Fund (the "Fund") for costs and expenses (note 14(c)), other current liabilities, and funding of future operating losses. The Partnership has been experiencing significant negative cash flows from operations over a number of years and such negative cash flows are expected to continue as it proceeds with its plan to rehabilitate its properties.

Management is seeking to raise additional capital to meet the Partnership's obligations as they become due and to provide the ongoing cash flow required to fund the remaining costs of its rehabilitation plan and any cash flow deficiencies from operations. No agreements with providers of additional capital have been reached and there can be no assurance that such agreements will be reached at terms and conditions favourable to the Partnership, or at all.

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1. Significant accounting policies (continued):

The ability of the Partnership to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on the ability of the Partnership to complete the rehabilitation plan, generate positive cash flows from operations and raise a sufficient amount of capital, under terms and conditions favourable to the Partnership, and thereby mitigate the adverse conditions and events which raise doubt about the validity of the going concern assumption used in preparing these consolidated financial statements. There is no certainty that management will raise sufficient capital to permit the Partnership to continue its operations and discharge its liabilities when due.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities and reported revenue and expenses.

(b) Principles of consolidation:

These consolidated financial statements are presented in U.S. dollars and are prepared in accordance with accounting principles generally accepted in Canada. These consolidated financial statements include only the assets, liabilities, revenue, expenses and cash flows of the Partnership, its subsidiary partnerships and variable interest entities subject to consolidation (as outlined below) and do not include other assets, liabilities, revenue, expenses and cash flows of the limited and general partners.

WIMBERLY APARTMENTS LIMITED PARTNERSHIP

(A CANADIAN LIMITED PARTNERSHIP)

Notes to Consolidated Financial Statements (continued)
(Expressed in U.S. dollars)

Years ended December 31, 2010 and 2009

1. Significant accounting policies (continued):

U.S. Partnerships:

- F.L. Master Texas, Ltd.
- F.L. Sedona Creek, Ltd.
- F.L. US Holdings, Ltd.
- F.L. Wimberly Crossing, Ltd.
- F.L.W. Bluffs, Ltd.
- F.L.W. Crossing, Ltd.
- F.L.W. Pointe, Ltd.
- F.L.W. Pond, Ltd.
- F.L.W. Preston, Ltd.
- F.L.W. Shores, Ltd.
- Lakewood Bluffs Partners, Ltd.
- Wimberly Partners, Ltd.
- FLW Shores Master Ltd.
- FLW Pond Master Ltd.
- F.L. Master Sherman, Ltd.
- F.L. Raintree, Ltd.
- F.L. Arrowwood Ltd.
- F.L. Country Village, Ltd.
- F.L. Creekview, Ltd.

U.S. Corporations:

- Bluffs of Lakewood Home Owners Association
- Preston Racquet Club Home Owners Association
- PrestonOne Developments Inc.
- PrestonTwo Developments Inc.
- PrestonThree Developments Inc.
- PrestonFour Developments Inc.

Canadian Partnerships:

- First Leaside Partners Limited Partnership
- Preston Racquet Club Real Estate Limited Partnership Series 910-PA
- Preston Racquet Club Real Estate Limited Partnership Series 910-PC
- Preston Racquet Club Real Estate Limited Partnership Series 910-PD
- Preston Racquet Club Real Estate Limited Partnership Series 91B-PB
- The Bluffs of Lakewood Limited Partnership
- First Leaside Opportunities Limited Partnership
- First Leaside Enterprises Limited Partnership
- First Leaside Advantage Limited Partnership
- First Leaside Properties Limited Partnership

Canadian Corporations:

- PrestonOne Developments (Canada) Inc.
- PrestonTwo Developments (Canada) Inc.
- PrestonThree Developments (Canada) Inc.
- PrestonFour Developments (Canada) Inc.

These partnerships and corporations hold an ownership interest in 11 residential complexes, which are located in the Dallas-Fort Worth and Sherman areas of Texas.

1. Significant accounting policies (continued):

(c) Revenue-producing properties:

Revenue-producing properties are carried at cost less accumulated amortization. If events or circumstances indicate that the carrying value of the revenue-producing properties may be impaired, a recoverability analysis is performed based upon estimated undiscounted cash flows to be generated from the revenue-producing properties. If the analysis indicates that the carrying value is not recoverable from future cash flows, the revenue-producing properties are written down to estimated fair value and an impairment loss is recognized.

In accordance with Emerging Issues Committee ("EIC") Abstract No. 140, Accounting for Operating Leases Acquired in Either an Asset Acquisition or a Business Combination, upon the acquisition of a property, a portion of the purchase price is allocated to intangible amounts, including the fair value of in-place tenant leases, above- and below-market leases and tenant relationships.

(d) Amortization:

Amortization of buildings and improvements is provided on a straight-line basis between 25 and 50 years. Appliances and furnishings and paving and walkways are amortized on a straight-line basis over the estimated useful lives between 5 and 10 years.

Intangible assets are amortized using the straight-line method over the term of the underlying lease and non-cancellable renewal periods, where applicable.

(e) Revenue recognition:

Revenue includes rents earned from tenants under lease agreements and other incidental income. Revenue is recognized over the term of the leases on a straight-line basis or when services are provided.

1. Significant accounting policies (continued):

(f) Deferred financing costs:

Financing costs are deferred and amortized on a straight-line basis over the term of the related debt. The related amortization is included in interest expense for the year.

(g) Income taxes:

Provision has not been made for income taxes on consolidated partnerships as each partner is responsible for the income taxes on its share of the income or loss from the Partnership. However, the U.S. and Canadian corporations are taxable subsidiaries and the Partnership uses the asset and liability method to account for the income taxes of the corporations. Under this method, future income tax assets and liabilities are determined based on the temporary differences between the tax bases and carrying values of the assets and liabilities, and loss carryforwards, calculated using substantively enacted tax rates that are anticipated to apply at a future point in time as temporary differences reverse and loss carryforwards are utilized.

(h) Derivative financial instruments:

(a) Forward contracts:

The Partnership uses foreign currency forward contracts to limit the exposure of converting U.S. cash flows into Canadian dollars. These are not designated as hedges for accounting purposes; therefore, gains and losses arising from the change in their values are recognized into loss for the year. The Partnership does not enter into financial instruments for trading or speculative purposes.

(b) Participation rights:

Participation rights as described in note 7(c) are accounted for at fair value.

1. Significant accounting policies (continued):

(i) Foreign currency:

Monetary items denominated in foreign currency are translated to U.S. dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenue and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in loss for the year.

(j) Variable interest entities:

At December 31, 2010, the Partnership holds the majority of its assets through variable interest entities ("VIEs") created to acquire and manage multi-residential complexes in the United States. The Partnership is considered to be the primary beneficiary and, therefore, these VIEs are consolidated in these financial statements.

(k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

(l) Financial instruments:

The Canadian Institute of Chartered Accountants has issued Handbook sections on financial instruments that are optional for the Partnership. The Partnership has chosen not to adopt those standards.

(Expressed in U.S. dollars)

1. Significant accounting policies (continued):

(m) Future accounting changes:

The Canadian Accounting Standards Board has confirmed its plan to adopt all International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board, on or after January 1, 2011. The adoption of IFRS is at the discretion of the Partnership. Currently, the Partnership has yet to decide on the adoption or the cost thereof. Should the Partnership choose to adopt IFRS, it will be required to prepare IFRS financial statements for annual financial statements for fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2010 will require restatement for comparative purposes of amounts reported by the Partnership for the year ended December 31, 2010. The impact of the adoption of these standards is not known at this time.

2. Acquisitions:

During 2009 and effective December 31, 2009, the Partnership made offers to holders of units in First Leaside Properties Limited Partnership ("FLP"), First Leaside Opportunities Limited Partnership ("FLO"), First Leaside Advantage Limited Partnership ("FLA") and First Leaside Enterprises Limited Partnership ("FLEN"), to acquire their units in exchange for 26,692,104 Partnership units. The Partnership acquired all outstanding limited partnerships units as follows:

	FLP	FLO	FLA	FLEN	Total
Outstanding units	2,340,253	5,087,665	7,556,507	3,700,049	18,684,474
Net partnership equity (deficiency)	$ (5,272,911)	$ (2,932,479)	$ 572,259	$ (1,000,659)	$ (8,633,790)
Number of Partnership units issued in exchange	3,343,218	7,268,092	10,795,009	5,285,785	26,692,104
Net partnership equity (deficiency) of Partnership units issued in exchange	$ (5,272,911)	$ (2,932,479)	$ 572,259	$ (1,000,659)	$ (8,633,790)

2. Acquisitions (continued):

FLP, FLO, FLA and FLEN and the Partnership were related parties under the common control of the management of the First Leaside Group and the transactions were recorded at the carrying value.

The transactions were recorded at carrying value in accordance with EIC Abstract No. 89, Exchanges of Ownership Interest between Enterprises under Common Control. GAAP requires that the Partnership incorporates the financial position and results of operations and cash flows of FLP, FLA, FLEN and FLO as if the Partnership had always owned the various entities acquired.

The impact of the restatement is as follows:

Income statement:

Impact of adjustment for the year ended December 31, 2009:

Revenue	$ 5,547,460
Expenses	(3,235,051)
Net operating income	2,312,409
Loss before controlling interest	(3,194,969)

(Expressed in U.S. dollars)

2. Acquisitions (continued):

The following summarizes the net assets acquired:

	FLP	FLO	FLA	FLEN	Total
Assets					
Revenue-producing properties	$ 17,046,304	$ 3,360,658	$ –	$ –	$ 20,406,962
Deposits in escrows	568,791	91,794	–	–	660,585
Accounts receivable and prepaid expenses	59,984	34,260	–	–	94,244
Due from related parties	8,549,508	1,043,535	1,440,376	–	11,033,419
Cash and cash equivalents	326,328	113,510	44,648	20,663	505,149
	26,550,915	4,643,757	1,485,024	20,663	32,700,359
Liabilities					
Mortgages payable	13,265,877	3,059,777	–	–	16,325,654
Accounts payable and accrued liabilities	546,356	179,151	24,804	3,806	754,117
Promissory notes payable	13,230,531	–	–	–	13,230,531
Due to related parties	4,168,123	4,337,308	887,961	1,017,516	10,410,908
Tenants' security deposits	112,939	–	–	–	112,939
Long-term debt	500,000	–	–	–	500,000
	31,823,826	7,576,236	912,765	1,021,322	41,334,149
Net assets acquired	$ (5,272,911)	$ (2,932,479)	$ 572,259	$ (1,000,659)	$ (8,633,790)

3. Revenue-producing properties:

2010	Cost	Accumulated amortization	Net book value
Land	$ 9,680,008	$ –	$ 9,680,008
Buildings and improvements	52,019,265	14,228,130	37,791,135
Appliances and furnishings	985,556	501,655	483,901
Paving and walkways	156,702	54,138	102,564
	$ 62,841,531	$ 14,783,923	$ 48,057,608

(Expressed in U.S. dollars)

3. Revenue-producing properties (continued):

2009	Cost	Accumulated amortization	Net book value
Land	$ 9,520,007	$ –	$ 9,520,007
Buildings	51,788,519	12,634,212	39,154,307
Appliances and furnishings	810,085	351,554	458,531
Paving and walkways	156,702	44,096	112,606
	$ 62,275,313	$ 13,029,862	$ 49,245,451

4. Mortgages payable:

The mortgages payable bear interest at rates ranging from 5.625% to 6.510% and are secured by first charges on the revenue-producing properties.

At December 31, 2010, the mortgages are repayable as to principal as follows:

2011	$ 850,245
2012	893,384
2013	955,547
2014	25,570,519
2015	5,713,300
Thereafter	20,621,174
	$ 54,604,169

(Expressed in U.S. dollars)

4. Mortgages payable (continued):

At December 31, 2009, the mortgages are repayable as to principal as follows:

2010	$ 801,752
2011	850,168
2012	893,312
2013	955,474
2014	25,570,519
Thereafter	21,006,074
	$ 50,077,299

The lenders also require $2,993,475 (2009 - $2,583,351) to be held in escrow for estimated annual property taxes, insurance and various maintenance costs.

During the year, the Partnership incurred $3,166,139 (2009 - $3,136,916) of interest in respect of the mortgages payable.

(Expressed in U.S. dollars)

5. Promissory notes payable:

The promissory notes payable at December 31, 2010 are as follows:

		Source currency						Functional currency			
	Interest rate		Class A		Class B		Class C	Class A	Class B	Class C	Total
First Leaside Fund	9%	U.S.	$ 2,953,815	Cdn.	$ 27,138,548	Cdn.	$ 12,615,294	$ 2,953,815	$ 27,285,096	$ 12,683,416	$ 42,922,327
Wimberly Fund	7%	U.S.	27,767	U.S.	277,223	U.S.	118,801	27,767	278,720	119,442	425,929
Wimberly Fund	8%	U.S.	1,404,832	U.S.	6,732,661	U.S.	1,137,073	1,404,832	6,769,017	1,143,237	9,317,086
First Leaside Properties Fund	9%	U.S.	50,736	Cdn.	10,418,002	Cdn.	3,672,451	50,736	10,474,259	3,775,983	14,300,978
			$ 4,437,150		$ 44,566,434		$ 17,543,619	$ 4,437,150	$ 44,807,092	$ 17,722,078	$ 66,966,320

The funds and the Partnership are related parties under common control of the management group of First Leaside Group.

(Expressed in U.S. dollars)

5. Promissory notes payable (continued):

The promissory notes payable at December 31, 2009 are as follows:

		Source currency			Functional currency			
	Interest rate	Class A	Class B	Class C	Class A	Class B	Class C	Total
First Leaside Fund	9%	U.S. $ 3,021,250	Cdn. $ 21,720,764	Cdn. $ 9,993,628	$ 3,021,250	$ 20,666,759	$ 9,508,685	$ 33,196,694
First Leaside Properties Fund	9%	U.S. 50,736	Cdn. 10,418,002	Cdn. 3,433,607	50,736	9,912,718	3,267,078	13,230,532
		$ 3,071,986	$ 32,138,766	$ 13,427,235	$ 3,071,986	$ 30,579,477	$ 12,775,763	$ 46,427,226

The funds and the Partnership are related parties under common control of the management group of First Leaside Group.

5. Promissory notes payable (continued):

The promissory notes payable are as follows:

(a) First Leaside Fund:

The promissory notes payable to the Fund ("Notes") are unsecured, non-recourse, bear interest at 9% per annum and are due 10 years from date of issuance (between August 2016 and February 2020). The Notes are extendable for an additional 10-year term at the option of the Partnership for similar terms.

In the event that units of the Fund are redeemed and the Fund elects to pay the amount payable in cash, the Partnership is required to redeem the equivalent amount of Notes.

The Notes, issued in series, are segregated into the following classes:

(i) Class A are denominated in and pay interest in U.S. dollars.

(ii) Class B are denominated in Canadian dollars but pay interest in U.S. dollars based on the foreign exchange rate in effect on the date of issuance.

(iii) Class C are denominated in and accrue interest in Canadian dollars. The Class C notes do not pay interest; rather, the interest is added to the principal amount of the Notes.

The Notes are redeemable in whole or in part, at the Partnership's option, at any time prior to the tenth anniversary of the original issuance of the promissory notes payable, subject to the payment of a prepayment call premium.

5. Promissory notes payable (continued):

(b) First Leaside Properties Fund ("Properties Fund"):

The promissory notes payable to the Properties Fund are unsecured and non-recourse, bear interest at 9% per annum and are due in 10 years from issuance (between August 1, 2017 and June 2, 2019).

In the event that units of the Properties Fund are redeemed and the Properties Fund elects to pay the amount payable in cash, the Partnership is required to redeem the equivalent amount of Notes.

The Notes, issued in series, are segregated into the following classes:

(i) Class A is denominated in and pays interest in U.S. dollars.

(ii) Class B is denominated in and pays interest in Canadian dollars.

(iii) Class C is denominated in and accrues interest in Canadian dollars. The Class C notes do not pay interest; rather, the interest is added to the principal amount of the notes.

(c) Wimberly Fund:

The promissory notes payable to the Wimberly Fund are unsecured and non-recourse, bear interest at 7% to 8% per annum and are due in 10 years from issuance (between March 2, 2020 and December 31, 2020).

In the event that units of the Wimberly Fund are redeemed and the Wimberly Fund elects to pay the amount payable in cash, the Partnership is required to redeem the equivalent amount of Notes.

The promissory notes payable are redeemable in whole or in part, at the Partnership's option, at any time prior to the tenth anniversary of the original issuance of the promissory notes payable, subject to a certain prepayment call premium. FL Master Sherman, Ltd. is also able to extend the term for a further 10 years.

5. Promissory notes payable (continued):

(d) Interest expense:

During the year, the Partnership incurred interest expense on the Notes of $4,955,479 (2009 - $3,295,238).

6. Long-term debt:

Under the terms of the acquisitions of revenue-producing properties by FL Master Sherman Ltd. ("Master Sherman"), a total of 500,000 Class A limited partnership units were issued by FL Creekview, Ltd. and F.L. Country Village, Ltd. to the vendor in connection with the acquisition of the Creekview Apartments and Country Village Apartments. The Class A limited partnership units are characterized as long-term debt for the purpose of these consolidated financial statements and bear interest at 8% per annum and are due December 2011. During the six-month period before the maturity date of the loans, the vendor has the option to convert the loans into securities issued by FLP, the limited partner of Master Sherman. Subsequent to year end, the maturity of the long-term debt was extended (note 18).

7. Partners' deficiency:

(a) The Limited Partnership Agreement was amended effective June 29, 2001 to provide that the authorized equity of the Partnership consists of an unlimited number of limited partnership units. At December 31, 2010, the general partner holds 733,768 (2009 - 743,290) units. Until such units are funded, they are not recognized for accounting purposes. The general partner's units receive distributions which are applied to reduced amounts outstanding.

(b) During 2010, the Partnership issued a total of 1,447,322 limited partnership units (2009 - 2,540,969) for total consideration of $967,504 (2009 - $1,835,061). During 2010, the Partnership redeemed a total of 2,261,563 limited partnership units (2009 - 1,814,980) for total consideration of $1,496,125 (2009 - $1,270,486). The respective unit price for redemption and issuance was determined by the general partner.

7. Partners' deficiency (continued):

(c) On June 16, 2006, the unitholders of the Partnership and the Fund approved a plan which provided the Partnership unitholders with an option to exchange their interests in the Partnership for units in the Fund. In connection with this plan, unitholders who exercised this option were authorized to receive warrants to purchase units at a price of $0.84 per unit for each unit exchanged.

Effective September 16, 2009, the issuance of warrants were exchanged for participation rights. The Partnership agreed to issue participation rights to the Fund in relation to the promissory notes issued by F.L. Master Texas, Ltd. to the Fund. The participation rights have been issued in satisfaction of the Partnership's obligations to issue warrants to the Fund.

Each participation right entitles the Fund, upon exercise, to a cash payment equal to the fair market value of one Partnership unit as determined by the Partnership or the closing price of the Partnership unit if the Partnership is a reporting issuer and Partnership units are traded on an exchange, as at the time that the participation right in question is exercised less the base Partnership unit cost equal to 120% of the fair market value of one Partnership unit at the time that the participation right in question is granted. Each series of participation rights shall expire 30 days after the vesting date. If the term of the promissory notes that corresponds to a series of participations rights is extended for a further 10 years, then the vesting dates of the corresponding participation rights is extended for a further 10 years. The participation rights are retractable, subject to a call premium if any, by the Partnership at any time prior to the vesting dates.

If the Fund's unitholders redeem some or all of the Fund's units, the participation rights that correspond to the promissory notes attached to the Fund's units will expire and terminate.

(d) On June 16, 2006, the Partnership cancelled the June 29, 2001 New Carried Interest Agreement between the Partnership and First Leaside Realty II Inc. ("FLR II") in favour of the issuance of 10,000,000 options to purchase units of the Partnership at an exercise price of $0.70 per unit. The transaction was recorded at the estimated fair values of the options of $1,450,000. The options have no expiry date.

(Expressed in U.S. dollars)

8. Contributed surplus:

During 2010 and 2009, certain direct and indirect unitholders waived repayments of obligations owing to them in the amount of $4,000,000 and $4,757,462, respectively. These amounts have been recorded as contributed surplus.

9. Related party balances and transactions:

Except as disclosed elsewhere in these consolidated financial statements, transactions and amounts due from and to related parties at December 31 are as follows:

	2010	2009
Due from:		
F.L. Securities Inc. ("FL")	$ 1,457,540	$ 3,292,905
Old Mill Pond Limited Partnership	335,171	65,740
The Shores Limited Partnership	61,585	16,288
F.L. Spring Valley Limited Partnership	35,950	–
1437290 Ontario Inc.	25,507	25,507
Other	167	413
Wimberly GP Inc.	48	–
First Leaside Securities Inc. ("FLS")	9	–
	$ 1,915,977	$ 3,400,853

(Expressed in U.S. dollars)

9. Related party balances and transactions (continued):

	2010	2009
Due to:		
First Leaside Wealth Management Inc. ("FLWM")	$ 4,340,157	$ 5,415,144
First Leaside Mortgage Fund	3,581,585	–
First Leaside Realty II Limited Partnership	1,240,251	1,163,579
First Leaside Finance Inc.	1,140,094	10,214,399
First Leaside Capital Inc.	367,535	344,815
First Leaside Technologies Limited Partnership	166,114	161,912
First Leaside Operations Limited Partnership	142,515	1,085,836
First Leaside Developments Limited Partnership	108,976	113,373
FLR II	105,904	91,135
First Leaside Realty Limited Partnership	62,871	58,984
1244428 Ontario Inc.	31,554	31,554
Other	15,648	–
First Leaside Fund	9,122	89,488
Wimberly Fund	5,181	–
First Leaside Realty Inc.	3,955	3,710
First Leaside Investments Inc.	963	729
Development Notes LP	365	–
FLS	–	12,837
Queenston Manor Limited Partnership	–	4,121
	$ 11,322,790	$ 18,791,616

Amounts due from and to these entities earn interest at 7% per annum and are repayable on demand.

The above-noted entities are related to the Partnership by virtue of common management provided by the indirect owner of FL and have certain shareholders in common. At December 31, 2010, these entities owned a total of 25,309,254 units (2009 - 25,781,911) of the Partnership and certain directors owned 9,476,377 units (2009 - 9,273,044) of the Partnership.

(Expressed in U.S. dollars)

9. Related party balances and transactions (continued):

Except as disclosed elsewhere in these consolidated financial statements, during the year, the following related party transactions, charged under the general authority of the general partner, were undertaken:

	2010	2009
FLS commissions on issuance of equity - Fund	$ 844,950	$ 904,510
Interest on promissory notes payable	4,962,365	3,297,677
Interest on intercompany balances payable	1,657,019	1,938,161
Distributions to related parties	737,440	378,301
FLWM general and accounting expenses	542,400	1,065,750
FL asset management fees	207,507	211,761
FLS commissions on issuance of equity	42,670	80,299
FLWM advisory fees	–	1,500,000
	$ 8,994,351	$ 9,376,459

The Partnership also earned interest and other income of $275,989 (2009 - $497,100) from related parties.

These related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10. Property and asset management:

The revenue-producing properties are presently being managed by Leaders Property Management Services, Inc. for a fee of 4% of rental revenue. The Partnership also pays asset management fees to FL (note 9).

11. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities at December 31, 2010 include $860,869 (2009 - $1,018,400) in property taxes payable. This balance, as well as the related property tax escrow balance, will be reduced when the lender submits payment for property taxes on behalf of the revenue-producing properties.

(Expressed in U.S. dollars)

12. Income taxes:

As at December 31, 2010, US taxable subsidiaries had net operating losses of $3,982,888 (2009 - $3,621,120) available to reduce future taxable income, the benefit of which has not been recorded in these consolidated financial statements.

The operating losses expire as follows:

	2010	2009
2025	$ 2,824,945	$ 2,824,945
2026	510,658	510,658
2028	234,304	234,304
2029	51,213	51,213
2030	361,768	–
	$ 3,982,888	$ 3,621,120

13. Interest and other financing costs:

	2010	2009
Mortgages payable	$ 3,166,139	$ 3,136,916
Promissory notes payable	4,955,479	3,295,238
Other:		
Related party interest	1,657,019	1,938,161
Other	(94)	25,052
	$ 9,778,543	$ 8,395,367

14. Commitments:

(a) On January 1, 2006, the Partnership signed an Asset Management Agreement (the "Agreement") with FL expiring December 31, 2016 to replace the individual agreements between FL and the Partnership's subsidiaries. The Partnership can terminate the Agreement at any time upon 30 days' notice. In the event of early termination, the Partnership shall pay a termination fee equal to the fees payable to FL over the remainder of the term, as specified in the Agreement. The Agreement will automatically renew for an additional 10-year term.

14. Commitments (continued):

(b) The Partnership is obligated to issue promissory notes payable to the Fund, subject to acceptance by the Fund, equal to the gross proceeds received by the Fund for any offering completed by the Fund.

(c) The Partnership has entered into an agreement with the Fund effective October 5, 2006, whereby the Partnership will reimburse the Fund for all of the costs and expense arising from the offering of Fund units and any other costs incurred in accordance with the Fund's Declaration of Trust. This agreement terminates on October 15, 2025. During the year, the Partnership has reimbursed the Fund for professional fees of $997,272 (2009 - $572,164).

(d) In accordance with the note purchase agreement, Master Sherman is obligated to issue promissory notes payable to the Fund subject to acceptance by the Fund, equal to the gross proceeds received by the Fund in its public offerings. As a result, Master Sherman entered into an agreement with the Fund effective September 30, 2008, whereby Master Sherman will reimburse the Fund for all of the costs and expenses arising from offerings of Fund units and any other costs incurred in accordance with the Fund's Declaration of Trust. This agreement terminates on July 3, 2037. Master Sherman has reimbursed the Fund for professional fees of $58,401 for the year ended December 31, 2010 (2009 - $880,028).

15. Derivative financial instruments:

On August 15, 2007, the Partnership entered into a foreign currency forward contract in order to reduce foreign exchange exposure on its obligations with the Fund. Under the terms of this contract, the Partnership will pay U.S. $9,760,859 on August 17, 2017 and receive proceeds of Cdn. $10,000,000.

On June 17, 2010, the Partnership entered into a foreign currency forward contract in order to reduce foreign exchange exposure on its obligations with the Fund. Under terms of this contract, the Partnership will pay U.S. $7,540,057 on August 17, 2017 and receive proceeds of Cdn. $8,000,000.

The Partnership may be required to settle these contracts prior to their maturity to extent the Partnership is in default under any of its borrowings.

(Expressed in U.S. dollars)

15. Derivative financial instruments (continued):

In the event that exchange rates fluctuate throughout the terms of the contracts, the Partnership may be required to deposit amounts with the Bank to cover the exposure.

At December 31, 2010, the fair value of all contracts was a receivable of $798,519 (2009 - payable of $161,538, included in accounts payable and accrued liabilities).

16. Risk management and financial instruments:

(a) Interest rate risk:

The Partnership is exposed to interest rate risk from fluctuations in interest rates. This risk is managed by having fixed rates on mortgages and promissory notes payable.

(b) Credit and collection risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the Partnership by failing to discharge its obligation. The nature and maximum exposure to credit risk are as follows:

2010	Carrying amount
Cash and cash equivalents and restricted cash	$ 5,687,371
Amounts receivable	154,106
Deposits in escrow	2,993,475
Due from related parties	1,915,977
Financial derivatives	798,519
	$ 11,549,448

2009	Carrying amount
Cash and cash equivalents and restricted cash	$ 2,819,606
Amounts receivable	97,491
Deposits in escrow	2,583,351
Due from related parties	3,400,853
Financial derivatives	(161,538)
	$ 8,739,763

16. Risk management and financial instruments (continued):

The majority of cash and cash equivalents and escrow balances are held with highly rated financial institutions in the United States and Canada.

Credit risk arises from the possibility that tenants may experience financial difficulty and not be able to fulfil their lease commitments. The risk of credit loss is limited to the recorded amount of rent receivable. Anticipated bad debt loss has been provided for in the allowance for doubtful accounts. The risk of credit loss is minimized by performing a credit assessment of prospective tenants prior to entering into a rental agreement.

The Partnership regularly monitors the credit risk exposure from related parties by monitoring their financial condition in order to mitigate the likelihood that these exposures will result in actual losses.

(c) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Partnership's exposure to foreign currency risk is primarily related to promissory notes payable and certain of the related party balances which are denominated in Canadian dollars. In order to reduce its currency risk, the Partnership entered into foreign currency forward contracts on August 15, 2007 and June 17, 2010 (note 15).

(d) Liquidity risk:

Liquidity risk is the risk that the Partnership will encounter difficulty in meeting its contractual obligations associated with financial liabilities.

The Partnership manages its liquidity risk through the use of budgets and forecasts. Cash requirements are monitored regularly based on actual financial results and actual cash flows to ensure that there are sufficient resources to meet operational requirements.

16. Risk management and financial instruments (continued):

(e) Fair values of financial instruments:

The carrying values of cash and cash equivalents, restricted cash, amounts receivable, deposits in escrow, accounts payable and accrued liabilities and tenants' security deposits approximate fair values due to the immediate or short-term maturities of these financial instruments.

As at December 31, 2010, the fair value of the mortgages payable is $51,600,000 based on current market rates for mortgages with similar terms and conditions.

It is not practical to determine the fair value of the due to/from related parties and the promissory notes payable due to the related party nature of the transactions.

17. Capital management:

The Partnership's capital management objective is to maximize unitholder returns while ensuring that the Partnership is capitalized in a manner which appropriately supports working capital needs. The Partnership's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet.

The Partnership's capital is primarily utilized in its ongoing business operations to support working capital requirements, long-term investments made by the Partnership and other strategic objectives.

(Expressed in U.S. dollars)

17. Capital management (continued):

Capital structure:

The Partnership defines its capital structure to include long-term debt, net of cash and cash equivalents, restricted cash and partners' deficiency.

	2010	2009
Mortgages payable	$ 54,604,169	$ 50,077,299
Promissory notes payable	66,966,320	46,427,226
Cash and cash equivalents and restricted cash	(5,687,371)	(2,819,606)
Net debt	115,883,118	93,684,919
Partners' deficiency	(77,784,031)	(61,599,339)
	$ 38,099,087	$ 32,085,580

18. Subsequent events:

Subsequent to year end, Master Sherman renegotiated the term of the 500,000 Class A limited partnership units. The maturity of the units has been extended to January 2013 at the existing financial terms.