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

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF First Leaside Wealth Management Inc., First Leaside Finance Inc., First Leaside Securities Inc., FL Securities Inc., First Leaside Management Inc., First Leaside Accounting and Tax Services Inc., First Leaside Holdings Inc., 2086056 Ontario Inc., First Leaside Realty Inc., First Leaside Capital Inc., First Leaside Realty II Inc., First Leaside Investments Inc., 965010 Ontario Inc., 1045517 Ontario Inc., 1024919 Ontario Inc., 1031628 Ontario Inc., 1056971 Ontario Inc., 1376095 Ontario Inc., 1437290 Ontario Ltd., 1244428 Ontario Ltd., PrestonOne Development (Canada) Inc., PrestonTwo Development (Canada) Inc., PrestonThree Development (Canada) Inc., PrestonFour Development (Canada) Inc., 2088543 Ontario Inc., 2088544 Ontario Inc., 2088545 Ontario Inc., 1331607 Ontario Inc., Queenston Manor General Partner Inc., 1408927 Ontario Ltd., 2107738 Ontario Inc., 1418361 Ontario Ltd., 2128054 Ontario Inc., 2069212 Ontario Inc., 1132413 Ontario Inc., 2067171 Ontario Inc., 2085306 Ontario Inc., 2059035 Ontario Inc., 2086218 Ontario Inc., 2085438 Ontario Inc., First Leaside Visions Management Inc., 1049015 Ontario Inc., 1049016 Ontario Inc., 2007804 Ontario Inc., 2019418 Ontario Inc., FL Research Management Inc., 970877 Ontario Inc., 1031628 Ontario Inc., 1045516 Ontario Inc., 2004516 Ontario Inc., 2192341 Ontario Inc., and First Leaside Fund Management Inc. (collectively, the "Applicant" or "Applicants")

MOTION RECORD

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Lawyers for the Applicants

INDEX

INDEX

1.	Notice of Motion		
2.	Affidavit of Gregory MacLeod sworn April 23, 2012		
A.	Exhibit "A"	-	List of Entities and Limited Partnerships
B.	Exhibit "B"	-	Initial Order
C.	Exhibit "C"	-	Reasons of Brown, J. dated February 26, 2012
D.	Exhibit "D"	-	Beverages Income Statement
E.	Exhibit "E"	-	PPSA registry search results (Beverages)
F.	Exhibit "F"	-	Beverages Agreement
G.	Exhibit "G"	-	Mr. Betsalel's profile from Colliers International website
H.	Exhibit "H"	-	Confidential Investment Memorandum
I.	Exhibit "I"	-	Queenston Agreement
J.	Exhibit "J"	-	PPSA registry results of Queenston Manor and Land Registry Office PIN
K.	Exhibit "K"	-	Midland Mortgage Discharge Statement

TAB 1

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

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NOTICE OF MOTION (SALE APPROVAL)
(returnable April 30, 2012)

The Applicants will make a motion to a judge presiding over the Commercial Court on Monday, April 30, 2012 at 10:00 a.m., or as soon after that time as the motion can be heard, at the Court House, 330 University Avenue, 8th Floor, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR:

1. an order, if necessary, validating and abridging the time for service of this notice of motion and motion record and directing that any further service of the notice of motion and motion record be dispensed with such that this motion is properly returnable on April 30, 2012;

2. an order approving the conduct and activities of the CRO as disclosed in the CRO's affidavits dated March 21, 2012 and April 23, 2012 (together the "**CRO Affidavits**");

3. an order approving the activities of the Monitor as disclosed in the report of the Proposed Monitor, dated February 22, 2012 (the "**Proposed Monitor's Report**"), the Monitor's first report dated March 21, 2012 ("**First Report**") and the Monitor's second report dated April 23, 2012 (the "**Second Report**");

4. An order approving the Unit Purchase, Transfer of General Partner and Transfer of Property Agreement dated April 11, 2012 (the "**Beverages Agreement**"), and made between First Leaside Wealth Management Inc., First Leaside Progressive Limited Partnership, FLWM Holdings Limited Partnership, F.L. Beverages Group Limited Partnership (collectively, the "**CCAA Vendors**"), and 1045515 Ontario Inc. (together with the CCAA Vendors, the "**Vendor**"), as vendors, Provincial Beverages of Canada Inc. and Provincial Beverages Inc. (collectively, the "**Beverages Purchaser**"), as purchaser wherein the Beverages Purchaser is purchasing the

Vendor's interest in First Leaside Beverages Limited Partnership and King Brewery Limited Partnership (collectively, "**Beverages**");

5. an order vesting title to the interests of the CCAA Vendors in the Purchased Units 1 (as defined in the Beverages Agreement) in the Beverages Purchaser upon the closing of the Beverages Agreement;

6. an Order approving the agreement of purchase and sale dated March 16, 2012 ("**Queenston Agreement**"), and made between Queenston Manor General Partner Inc. ("**Queenston Manor**"), as vendor, and Starlight Investments Ltd., in trust, (the "**Queenston Purchaser**"), as purchaser, wherein the Queenston Purchaser is purchasing Queenston Manor's interest in the property municipally known as 382 Queenston Street, St. Catharines ("**Property**");

7. an order vesting title to the Property in the Queenston Purchaser upon the close of the transaction set out in the Queenston Agreement;

8. an order authorizing and directing Queenston Manor to pay the sum of $4,397,405.05 (subject to adjustments) to the sole secured creditor and first registered mortgagee of the Property, Midland Loan Services Inc. ("**Midland**") (though its nominee Computershare Trust Company of Canada on closing of the sale; and

9. such further and other relief as counsel may advise and this Honourable Court may permit.

THE GROUNDS FOR THE MOTION ARE:

1. The Applicants applied for and were granted, together with the Included LPs (as defined in the CRO Affidavits, together with the Applicants, "**First Leaside**") protection from creditors under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 ("**CCAA**") on February 23, 2012 pursuant to the Initial Order. The Initial Order appointed Grant Thornton Limited as monitor ("**Monitor**"), and appointed Fraser Milner Casgrain LLP as representative counsel ("**Representative Counsel**");

2. The Initial Order provides for a general stay of all proceedings against First Leaside ("**Stay Period**");

3. First Leaside entities have recently entered into sale agreements in respect of the divestiture of their interests in Beverages and Queenston Manor;

Beverages Transaction

4. First Leaside holds a controlling 50.45% position in Beverages. Beverages owns a majority interest in a brewery and cidery, and the land and building upon which the cidery is located;

5. Beverages requires substantial operational funding and substantial capital funding, or it will fail. First Leaside is no longer willing or able to provide Beverages with any continued financial support;

6. First Leaside has canvassed the market with respect to those companies that would be interested in purchasing a start-up brewery business. The Beverages Purchaser represents the only commercially reasonable method to obtain the maximum realizable value for the CCAA Vendors' interest in the circumstances;

7. There is no basis to expect that the CCAA Vendors would be able to obtain a better realization on their investment than what is offered in the Beverages Agreement;

8. The Beverages Agreement is supported by the Monitor;

Queenston Manor Transaction

9. Prior to these CCAA proceedings First Leaside engaged Colliers International ("**Colliers**") to act as advisor and broker/agent in connection with the sale of the Property. Colliers engaged in a thorough sales and marketing process that targeted dozens of prospective purchasers. The highest and best offer to emerge from the process is the Queenston Purchaser's offer;

10. The Queenston Purchaser's offer is supported by an opinion of value from Colliers;

11. There is no basis to expect that Queenston Manor would be able to obtain a better realization on a sale of the Property than what is offered in the Queenston Agreement;

12. The Queenston Agreement is supported by the Monitor;

Midland Payout

13. On May, 1, 2012, on the closing the Queenston Agreement, there will be $4,397,405.05 (subject to adjustments) due and owing to Midland;

14. The Monitor's counsel has independently reviewed Midland's security and concluded, subject to the usual assumptions and qualifications, that Midland's security is valid, enforceable and first registered;

Other Grounds

15. The grounds set out in the Proposed Monitor's Report, First Report and Second Report;

16. Sections 11 and 36 of the CCAA;

17. Rules 2.03, 3.02 and 37 of the *Rules of Civil Procedure*, R.R.O. 1990, reg. 194 as amended; and

18. Such further and other grounds as counsel may advise and this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

1. the CRO Affidavits;

2. the Proposed Monitor's Report;

3. the First Report;

4. the Second Report; and

5. such further and other material as counsel may submit and this Honourable Court deem just.

Date: April 23, 2012

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Lawyers for the Applicants

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceedings commenced at Toronto

NOTICE OF MOTION (STAY EXTENSION)
Returnable March 23, 2012

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TAB 2

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

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

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AFFIDAVIT OF GREGORY MACLEOD
(sworn April 23, 2012)

I, **GREGORY MACLEOD**, of the City of Burlington, in the Province of Ontario, **MAKE OATH AND SAY**:

1. I am the president of G.S. MacLeod & Associates Inc., the court-appointed chief restructuring officer ("**CRO**") of First Leaside Wealth Management Inc. ("**FLWM**"), and the other applicants (collectively, the "**Applicants**") as well as the limited partnerships affiliated with the Applicants which are listed in **Exhibit "A"** hereto (the

"**Included LPs**"). (Hereafter, the Applicants and the Included LPs shall be referred to collectively as "**First Leaside**" or the "**Company**"). As such, I have knowledge of the facts deposed to in this affidavit. To the extent that this affidavit describes events or facts of which I do not have personal knowledge, I have identified the source of the information and, in all cases, believe it to be true.

Background

2. By order of the Honourable Mr. Justice Brown made February 23, 2012 ("**Initial Order**"), the Applicants applied for and were granted protection from their creditors under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 ("**CCAA**"). The stay of proceedings and other relief in the Initial Order was extended to include the Included LPs. A copy of the Initial Order is attached as **Exhibit "B"**. A copy of Justice Brown's reasons for decision dated February 26, 2012 is attached as **Exhibit "C"**.

3. Pursuant to the Initial Order, Grant Thornton Limited was appointed as monitor ("**Monitor**") of First Leaside, and Fraser Milner Casgrain LLP was appointed as representative counsel ("**Representative Counsel**") to represent the interests of clients of First Leaside Securities Inc. in these proceedings.

4. The Initial Order provides, at paragraph 16, that First Leaside shall have the right to pursue all avenues for the potential sale of its Business or Property (as such terms are defined in the Initial Order), subject to further approval of the court.

5. In affidavits sworn February 21, 2012 and March 21, 2012, and filed in these proceedings, I indicated that it was First Leaside's intention to return to court to seek approval of sale transactions related to the sale of First Leaside's interest in First Leaside Beverages Limited Partnership ("**Beverages**"), and Queenston Manor, a retirement living apartment building in St. Catherines, Ontario.

6. First Leaside entities have recently entered into sale agreements in respect of the divestiture of their interests in Beverages and Queenston Manor. Accordingly, this affidavit is sworn in support of a motion for:

(a) an Order approving the Unit Purchase, Transfer of General Partner and Transfer of Property Agreement dated April 11, 2012 (the "**Beverages Agreement**"), and made between First Leaside Wealth Management Inc., First Leaside Progressive Limited Partnership, FLWM Holdings Limited Partnership, F.L. Beverages Group Limited Partnership (collectively, the "**CCAA Vendors**"), and 1045515 Ontario Inc. (together with the CCAA Vendors, the "**Vendor**"), as vendors, Provincial Beverages of Canada Inc. and Provincial Beverages Inc. (collectively, the "**Beverages Purchaser**"), as purchaser wherein the Beverages Purchaser is purchasing the Vendor's interest in Beverages;

(b) an order vesting title to the interests of the CCAA Vendors in the Purchased Units 1 (as defined in the Beverages Agreement) in the Beverages Purchaser upon the closing of the Beverages Agreement;

(c) an Order approving the agreement of purchase and sale dated March 16, 2012 ("**Queenston Agreement**"), and made between Queenston Manor General Partner Inc. ("**Queenston Manor**"), as vendor, and Starlight Investments Ltd., in trust, (the "**Queenston Purchaser**"), as purchaser, wherein the Queenston Purchaser is purchasing from Queenston Manor the property municipally known as 382 Queentson Street, St. Catherines ("**Property**") and

(d) an order vesting title to the Property in the Queenston Purchaser upon the close of the transaction set out in the Queenston Agreement; and

(e) an order authorizing and directing Queenston Manor to pay the sum of $4,397,405.05 to the sole secured creditor and first registered mortgagee of the Property, Midland Loan Services Inc. ("**Midland**") (though its nominee Computershare Trust Company of Canada), on closing of the sale.

Beverages – Ownership and Operations

7. Beverages owns a majority interest in a brewery and cidery, and the land and building upon which the cidery is located. The business has ten employees.

8. Beverages is not an applicant in these CCAA proceedings.

9. First Leaside holds a controlling 50.45% position in Beverages through the Applicant FLWM (26.59%), and Included LPs First Leaside Progressive LP (10.17%), FLWM Holdings LP (11.56%), and F.L. Beverages LP (2.13%). Nominal units are also

held in the general partner, 1045515 Ontario Inc. and King Brewery LP. Minority interests in Beverages are held by current employees, former employees of the cidery, and a FLWM director.

10. Beverages acquired the following properties between December 2010 and February 2011, and remains the sole owner or shareholder, as the case may be:

(a) *Beer Barons* – Based out of Nobleton, Ontario, Beer Barons is an importer and distributor of a German brand beer and also serves as the management arm of Beverages;

(b) *King Brewery* – Located in Nobleton, Ontario, the brewery has an authentic German decoction which allows it to brew premium craft beer under its own label;

(c) *Thornbury Cidery* – Thornbury Village Cidery produces "Thornbury Village Cider" as its flagship product; and

(d) Land and building located at 90 King Street East, Thornbury, Ontario, which houses the cidery operations.

11. Beverages is in the early stages of its business development. Although it has established its beer and cidery brands in the market on a limited basis, it continues to operate below break-even, and has required significant operating cash flow support on a monthly basis since acquisition.

12. Further, Beverages will require major capital investment over the next 36 months to build productive capacity and to support the necessary product marketing initiatives. First Leaside is unable to provide such financial support and, consequently, Beverages' ability to continue as a going concern is in jeopardy.

13. Attached to my affidavit as **Exhibit "D"** is a combined income statement (unaudited) for Beverages' operating subsidiaries, Beer Barons, King Brewery and Thornbury Cidery for the years ended December 31, 2011and 2010. As the combined income statement indicates, the Beverages operating subsidiaries reported a combined loss of $1,412,148 in fiscal 2011 and $1,140,798 in fiscal 2010. Management's projections for fiscal 2012 indicate that the operating loss will worsen.

Marketing and Sales Process

14. Prior to the CCAA proceedings, First Leaside initiated an effort to consult with potentially interested parties to gauge interest in purchasing Beverages.

15. I am advised by Leon Efraim, Corporate Counsel to First Leaside, that commencing in October of 2011, management of Beverages, led by Sean Fleming, the President of Beer Barons Inc., King Beer Inc. and Thornbury Village Cidery, undertook an ambitious marketing process designed to identify potential new investors in Beverages, or a potential acquirer of First Leaside's ownership interest in Beverages. The list of potential purchasers and investors contacted included a broad range of industry participants (including competitors) thought to have an interest in an acquisition opportunity similar to Beverages.

16. During the months of December 2011 and January 2012, non-disclosure agreements were signed by five potential acquirers. All five were permitted to review the corporate records, financial statements and projections, and the material contracts of Beverages. Of the five interested parties, four participated in tours of the facilities and had discussions and due diligence meetings with Beverages' management personnel.

17. I am further advised by Mr. Efraim that First Leaside's management undertook analysis and conducted numerous follow-up discussions with respect to the relative value proposed by potential acquirers, and their ability to complete a purchase. Consideration was also given to breaking up the various Beverages businesses and selling them individually.

18. Following completion of preliminary due diligence, as described above, four of the five initially interested parties gave notice that, for market or strategic reasons, they were not interested in acquiring the CCAA Vendors' interest in Beverages and would not be making an offer. These parties also advised that they had no interest in acquiring individual assets.

19. The only expression of interest received by First Leaside with respect to its interest in Beverages was a term sheet submitted by the Beverages Purchaser on January 20, 2012. The term sheet represented the only potentially viable fair market offer and I accordingly authorized First Leaside to execute the term sheet and proceed with negotiations with a view to finalizing a definitive sale agreement.

20. Due to inadequate cash reserves, and an inability to raise new funds, First Leaside is unable to provide ongoing financial support for Beverages after the date of

the Initial Order. At the same time, and consequently, Beverages was experiencing increasingly urgent cash requirements and was finding itself unable to sustain day to day operations. First Leaside and the Beverages Purchaser accordingly agreed, as a stop gap measure, that the Beverages Purchaser would fund Beverages operating cash requirements up to a maximum amount of $500,000 by way of a secured demand loan.

21. There are no registered security interests against the CCAA Vendors in respect of the Purchased Units 1 (as defined in the Beverages Agreement) being sold. Ontario PPSA registry search results against each CCAA Vendor are attached hereto as **Exhibit "E"**.

Beverages Agreement - Transaction Terms and Conditions

22. After further discussions and negotiations between First Leaside, the Beverages Purchaser and minority investors, the Vendor entered into the Beverages Agreement with the Beverages Purchaser on April 11, 2012. A copy of the Beverages Agreement is attached to this affidavit as **Exhibit "F"**.

23. The key transaction terms are as follows:

(a) the Beverages Purchaser will purchase the Vendor's collective ownership interest (the "**Beverages Purchased Assets**") in Beverages in consideration of the payment of $760,000 (the "**Purchase Price**");

(b) the Purchase Price is to be paid by certified cheque at closing;

(c) the Beverages Agreement is conditional upon the CCAA Vendors obtaining an order of the court approving the Beverages Agreement and vesting title in and to the Purchased Units 1 (as defined in the Beverages Agreement) in the Beverages Purchaser; and

(d) the closing date shall take place on or before May 31, 2012, failing which the Beverages Agreement shall terminate, without obligation.

Beverages Agreement - Conclusion

24. I believe that the Beverages Agreement is in the best interest of First Leaside for the following reasons:

(a) Beverages requires substantial operational funding and substantial capital funding, or it will fail. First Leaside is no longer willing or able to provide Beverages with any continued financial support;

(b) First Leaside has canvassed the market with respect to those companies that would be interested in purchasing a start-up brewery business, and it is my belief that the Beverages Agreement represents the only commercially reasonable method to obtain the maximum realizable value for the CCAA Vendors' interests in the circumstances;

(c) Beverages has extremely limited liquidity and the Beverages Purchaser has already injected significant cash into Beverages' business. Should the Beverages Agreement not close, the Beverages Purchaser would is in a position to enforce its secured loan;

(d) There is no basis to expect that the CCAA Vendors would be able to obtain a better realization on their investment than what is offered in the Beverages Agreement;

(e) I have had discussions with the Monitor with respect to the Beverages Agreement and understand that they support the transaction; and

(f) The minority unitholders of Beverages similarly support the transaction and have agreed to execute the necessary consents authorizing the Vendor to complete the sale of the Vendor's interests in Beverages.

Queenston Manor – Background and Marketing Process

25. Queenston Manor owns and operates a 77-unit, retirement living apartment building located at 382 Queenston Street, St. Catherines Ontario (defined above as the Property). The Property is approximately 97% occupied.

26. Prior to these CCAA proceedings, in November 2011, First Leaside engaged Colliers International ("**Colliers**") to act as advisor and broker/agent in connection with the marketing and sale of Queenston. The Colliers' advisory team was headed up by Michael Betsalel, Associate Vice President, and founder and head (since 1995) of the Colliers' Apartment Team. A summary of Mr. Betsalel's professional qualifications and experience, as presented on the Colliers International website is attached to this affidavit as **Exhibit "G"**

27. Colliers prepared an "Opinion of Value & Marketability Report" ("**Value Opinion**") in respect of the Property. The Value Opinion, dated December 6, 2011, is a

comprehensive 33 page report that arrived at a highest and best use valuation of the Property based on Colliers' assessment of direct comparison, and income and cost approaches to valuation.

28. In furtherance of a sale, Colliers was also retained, in December **of 2011, to** undertake additional due diligence with respect to the Property and to prepare a "Confidential Investment Memorandum (the "**CIM**") for marketing purposes. The CIM described the Property in considerable detail. It provided an overview of the property, investment highlights, rent roll information and included a *pro forma* income statement. Attached to my affidavit as **Exhibit "H"** is a copy of the CIM.

29. I am advised by Mr. Betsalel that Colliers engaged in a focussed and thorough sales process, speaking directly with and presenting the CIM to approximately 40 to 50 potential acquirers over a period of six weeks between the beginning of December 2011 and mid-January, 2012. The list of potential acquirers included private equity investors, developers, multifamily real estate investment trusts, and first time investors and property owners across the Niagara region that had expressed an interest in assets similar to the Property. The contact list included Colliers' Apartment Team's network of local, national and international investors.

30. Of the persons contacted by Colliers, eight requested a tour of the Property and an opportunity to further review the books and records and undertake additional Property related due diligence.

31. During January 2012 First Leaside received three offers to purchase the Property. The offer submitted by the Queenston Purchaser was clearly the superior bid

in the circumstances, and First Leaside authorized Colliers to negotiate final business terms for the sale of the Property.

32. First Leaside filed for CCAA protection during the period in which negotiations between Colliers and the Queenston Purchaser were ongoing. At my direction, negotiations continued in February 2012, and a final form of agreement (subject to Court approval) was entered into on March 16, 2012. Attached to my affidavit as **Exhibit "I"** is a copy of the Queenston Agreement.

Queenston Agreement - Transaction Terms and Conditions

33. Pursuant to the Queenston Agreement:

(a) the Queenston Purchaser has agreed to purchase the Property for $7,100,000;

(b) the Queenston Purchaser provided a $100,000 deposit to Queenston Manor upon execution of the Queenston Agreement and a further $100,000 deposit on April 17, 2012. The balance of the purchase price, subject to normal closing adjustments, will be paid by bank draft or certified cheque on closing;

(c) there are two relevant conditions precedent to closing:

(i) Queenston Manor must obtain Court approval of the Queenston Agreement; and,

(ii) Queenston Manor must deliver title free of all charges, liens and encumbrances;

(d) Subject to Court approval, the sale is scheduled to close on May 1, 2012.

Midland Mortgage

34. Midland, through its nominee Computershare Trust Company of Canada, is the only secured creditor registered against the Property. Copies of the Ontario PPSA registry search results against Queenston Manor and a copy of the Land Registry Office PIN for the Property are attached hereto as **Exhibit "J"**.

35. At the hearing of First Leaside's initial application for relief under the CCAA, Midland opposed the inclusion of Queenston Manor in the proceedings, and has sought leave to appeal to the Court of Appeal from the Initial Order.

36. In connection with the sale of the Property, Queenston Manor and Midland have resolved their outstanding dispute and settled upon terms pursuant to which Midland has agreed to (a) accept prepayment of its mortgage loan (the "**Midland Loan**"), (b) withdraw its opposition to (and appeal of) the within CCAA proceedings, and (c) discharge its security against the Property, all provided that it receives payment in full (including a prepayment charge) of the outstanding amount owing by Queenston Manor under the Midland Loan on closing ("**Midland Settlement**").

37. It is a term of the Midland Settlement that Queenston Manor will obtain court approval of the repayment of Midland Loan to Midland on closing, which is anticipated to be on May, 1, 2012. There will be $4,397,405.05 due and owing (subject

to any minor adjustments that may be agreed between the parties) to Midland on the Midland Loan as of May 1, 2012. A breakdown of the $4,397,405.05 figure is set out in the Mortgage Discharge Statement attached as **Exhibit "K"**.

Queenston Manor - Conclusion

38. Over the last five months Colliers has engaged in a thorough sales and marketing process that targeted dozens of prospective purchasers. The highest and best offer to emerge from this process is the Queenston Purchaser's offer. The Queenston Purchaser's offer is supported by the Value Opinion. [The Value Opinion is not included in these motion materials, but can be made available upon request to the Court or to parties with a legitimate interest.]

39. First Leaside has provided information to the Monitor related to the sales process and marketing of the Property, all of which the Monitor has reviewed. The Monitor's counsel has independently reviewed Midland's security and concluded, subject to the usual assumptions and qualifications, that Midland's security is valid, enforceable and first registered. Accordingly, the Monitor is supportive of the sale of the Property pursuant to the Queenston Purchase Agreement.

SWORN before me at the City of Toronto In the Province of Ontario, this 23rd day of April, 2012	))))))	
A Commissioner, etc. Leon Efraim LSUC #51809W		Gregory MacLeod

TAB A

This is Exhibit "A" referred to in the affidavit of **Gregory MacLeod** sworn before me at Toronto, Ontario this 23rd day of April 2012

....

A Commissioner For Taking Affidavits

Leon Efraim, LSUC #51891W

SCHEDULE A: Entities Filing Under CCAA Which Are Applicants in this Proceeding	SCHEDULE B: Limited Partnerships Associated with the Entities Listed in Schedule "A" (if any)
First Leaside Wealth Management Inc.	
First Leaside Finance Inc.	
First Leaside Securities Inc.	
FL Securities Inc.	Mill Street Limited Partnership
First Leaside Management Inc.	Development Notes Limited Partnerships Special Notes LP
First Leaside Accounting and Tax Services Inc.	
First Leaside Holdings Inc.	
2086056 Ontario Inc.	First Leaside Properties LP
First Leaside Realty Inc.	First Leaside Realty LP First Leaside Real Estate LP
First Leaside Capital Inc.	
First Leaside Realty II Inc.	First Leaside Global LP First Leaside Income LP First Leaside Investors LP First Leaside Optimal LP First Leaside Preferred LP First Leaside Premier LP First Leaside Progressive LP First Leaside Quality LP First Leaside Real Estate LP First Leaside Realty II LP First Leaside Retirement Residences LP First Leaside Superior LP First Leaside Ultimate LP

	First Leaside Universal LP Uxbridge Development LP First Leaside Retirement Residences Limited Partnership First Leaside Venture Limited Partnership
First Leaside Investments Inc.	
965010 Ontario Inc.	Wimberly Apartments LP
1045517 Ontario Inc.	The Shores LP
1024919 Ontario Inc.	Old Mill Pond LP
1031628 Ontario Inc.	
1056971 Ontario Inc.	The Bluffs of Lakewood LP
1376095 Ontario Inc.	First Leaside Spring Valley LP
1437290 Ontario Ltd.	First Leaside Partners LP First Leaside Opportunities LP
1244428 Ontario Ltd.	Preston Racquet Club Real Estate Limited Partnership Series 910 PA Preston Racquet Club Real Estate Limited Partnership Series 910 PB Preston Racquet Club Real Estate Limited Partnership Series 910 PC Preston Racquet Club Real Estate Limited Partnership Series 910 PD
PrestonOne Development (Canada) Inc.	
PrestonTwo Development (Canada) Inc.	
PrestonThree Development (Canada) Inc.	
PrestonFour Development (Canada) Inc.	
2088543 Ontario Inc.	FL Master Texas Ltd.
2088544 Ontario Inc.	FLW Pond Master Ltd.

2088545 Ontario Inc.	FLW Shores Master Ltd.
1331607 Ontario Inc.	First Leaside Acquisitions LP
Queenston Manor General Partner Inc.	Queenston Manor LP
1408927 Ontario Ltd.	First Leaside Acquisitions 2000 LP
2107738 Ontario Inc.	First Leaside Advantage LP
1418361 Ontario Ltd.	First Leaside Developments LP
2128054 Ontario Inc.	First Leaside Elite LP First Leaside Select LP
2069212 Ontario Inc.	First Leaside Enterprises LP
1132413 Ontario Inc.	B&W LP First Leaside Entities LP
2067171 Ontario Inc.	First Leaside Expansion LP
2085306 Ontario Inc.	First Leaside Growth LP
2059035 Ontario Inc.	First Leaside Operations LP
2086218 Ontario Inc.	First Leaside Unity LP
2085438 Ontario Inc.	First Leaside Visions I LP First Leaside Visions II LP First Leaside Visions III LP First Leaside Visions IV LP Metabacus LP Greencore LP Marksman Celliect LP OMISA LP Dossierview LP eSight LP Tyromer LP
First Leaside Visions Management Inc.	
1049015 Ontario Inc.	Place Concorde East LP

1049016 Ontario Inc.	Place Concorde West LP
2007804 Ontario Inc.	First Leaside Wealth Management LP
2019418 Ontario Inc.	First Leaside Technologies LP
FL Research Management Inc.	
970877 Ontario Inc.	
1031628 Ontario Inc.	
1045516 Ontario Inc.	
2004516 Ontario Inc.	
2192341 Ontario Inc.	
First Leaside Fund Management Inc.	F.L. Beverages Group Limited Partnership F.L. Retirement Residences Limited Partnership First Leaside Global Limited Partnership First Leaside Ventures Limited Partnership Special U.S. Notes Limited Partnership FLWM Holdings Limited Partnership

TAB B

This is Exhibit "B" referred to in the affidavit of **Gregory MacLeod** sworn before me at Toronto, Ontario this 23rd day of April 2012

....
A Commissioner For Taking Affidavits
Leon Efraim, LSUC #51899W

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.	)	THURSDAY, THE 23RD
	)	
JUSTICE DAVID M. BROWN	)	DAY OF FEBRUARY, 2012

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF First Leaside Wealth Management Inc., First Leaside Finance Inc., First Leaside Securities Inc., FL Securities Inc., First Leaside Management Inc., First Leaside Accounting and Tax Services Inc., First Leaside Holdings Inc., 2086056 Ontario Inc., First Leaside Realty Inc., First Leaside Capital Inc., First Leaside Realty II Inc., First Leaside Investments Inc., 965010 Ontario Inc., 1045517 Ontario Inc., 1024919 Ontario Inc., 1031628 Ontario Inc., 1056971 Ontario Inc., 1376095 Ontario Inc., 1437290 Ontario Ltd., 1244428 Ontario Ltd., PrestonOne Development (Canada) Inc., PrestonTwo Development (Canada) Inc., PrestonThree Development (Canada) Inc., PrestonFour Development (Canada) Inc., 2088543 Ontario Inc., 2088544 Ontario Inc., 2088545 Ontario Inc., 1331607 Ontario Inc., Queenston Manor General Partner Inc., 1408927 Ontario Ltd., 2107738 Ontario Inc., 1418361 Ontario Ltd., 2128054 Ontario Inc., 2069212 Ontario Inc., 1132413 Ontario Inc., 2067171 Ontario Inc., 2085306 Ontario Inc., 2059035 Ontario Inc., 2086218 Ontario Inc., 2085438 Ontario Inc., First Leaside Visions Management Inc., 1049015 Ontario Inc., 1049016 Ontario Inc., 2007804 Ontario Inc., 2019418 Ontario Inc., FL Research Management Inc., 970877 Ontario Inc., 1031628 Ontario Inc., 1045516 Ontario Inc., 2004516 Ontario Inc., 2192341 Ontario Inc., and First Leaside Fund Management Inc. (each, an "Applicant" and collectively, the "Applicant")

INITIAL ORDER

THIS APPLICATION, made by the Applicant, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Gregory MacLeod sworn February 22, 2012 (the "MacLeod Affidavit") and the Exhibits thereto, and the Pre-filing Report of Grant Thornton Limited as the Proposed Monitor, and on hearing the submissions of counsel for the Applicant, the proposed Monitor, the proposed Representative Counsel, the Ontario Securities Commission, the Investment Industry Regulatory Organization of Canada, the Toronto-Dominion Bank, the Canadian Imperial Bank of Commerce, and KingSett Capital, no one appearing for the other parties on the service list although duly served as appears from the affidavit of service of Patricia Hoogenband sworn February 22, 2012 and on reading the consent of Grant Thornton Limited to act as the Monitor,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. THIS COURT ORDERS AND DECLARES that the Applicant is a company to which the CCAA applies. Although not an Applicant, the limited partnerships listed in Schedule "A" to this Order (the "LPs") shall enjoy the benefits of and the protections provided to the Applicant by this Order. (The Applicant and the LPs are hereinafter referred to collectively as "First Leaside".)

3. THIS COURT ORDERS that, for greater certainty, the terms of this order shall not apply to the following limited partnerships (collectively, the "Excluded LPs"):

(a) First Leaside Retirement Residences (Ottawa) Limited Partnership

(b) First Leaside Retirement Residences (Okanagan) Limited Partnership

(c) Cherry Park Retirement Residences Limited Partnership

(d) Orchard Valley Retirement Residences Limited Partnership

(e) The Shores Retirement Residences Limited Partnership

(f) Redwood Retirement Residences (Ottawa) Limited Partnership

(g) 100 Isabella Street (Ottawa) Limited Partnership and

(h) 480 Metcalfe Street (Ottawa) Limited Partnership

(hereafter, the Excluded LPs identified in (a), (f), (g), and (h) above shall be referred to as the "Ottawa Excluded LPs" and the Excluded LPs identified in (b), (c), (d), and (e) above shall be referred to as the "Okanagan Excluded LPs").

4. THIS COURT ORDERS that the provisions of this order shall not extend to any general partner of the Excluded LPs to the extent that such general partner exercises powers for or on behalf of the Excluded LPs, holds property on behalf of the Excluded LPs, or owes liabilities in respect of the Excluded LPs

5. THIS COURT ORDERS that, for greater certainty, Canadian Imperial Bank of Commerce ("CIBC"), KingSett Mortgage Corporation ("KingSett") and Toronto-Dominion Bank ("TD") shall be unaffected creditors and not stayed by or otherwise subject to the terms of this Order in respect of the Excluded LPs.

6. THIS COURT ORDERS that that no payments, funds or other transfers of value shall be accepted or received by First Leaside from the Excluded LPs, save and except to the extent approved by agreement in writing by CIBC and KingSett with respect to the Ottawa Excluded LPs and by TD with respect to the Okanagan Excluded LPs.

7. THIS COURT ORDERS that the Applicant is at liberty, at any time, on seven days' notice to CIBC, KingSett, and TD, to seek an order extending the scope of these proceedings and the provisions of this order to include the Excluded LPs.

PLAN OF ARRANGEMENT

8. THIS COURT ORDERS that the Applicant shall have the authority to file and may, subject to further order of this Court, file with this Court a plan or plans of compromise or arrangement (hereinafter referred to as the "Plan").

POSSESSION OF PROPERTY AND OPERATIONS

9. THIS COURT ORDERS that First Leaside shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "Property"). Subject to further Order of this Court, First Leaside shall continue to carry on its business in a manner consistent with the preservation of its business (the "Business") and Property. First Leaside shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "Assistants") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

10. THIS COURT ORDERS that First Leaside shall be entitled to implement a central cash management system as described in the MacLeod Affidavit or replace it with another substantially similar central cash management system (the "Cash Management System") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by First Leaside of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than First Leaside, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System. The bank accounts of First Leaside Securities Inc. ("FLSI") shall not form part of the Cash Management System.

11. THIS COURT ORDERS that First Leaside shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

(a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and

(b) the fees and disbursements of any Assistants retained or employed by First Leaside in respect of these proceedings, at their standard rates and charges.

12. THIS COURT ORDERS that, except as otherwise provided to the contrary herein, First Leaside shall be entitled but not required to pay all reasonable expenses incurred by First Leaside in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

(a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services;

(b) payment for goods or services actually supplied to First Leaside following the date of this Order; and

(c) payments of principal and interest in respect of real property mortgages.

13. THIS COURT ORDERS that First Leaside shall remit, in accordance with legal requirements, or pay:

(a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;

(b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by First Leaside in connection with the sale of goods and services by First Leaside, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and

(c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by First Leaside.

14. THIS COURT ORDERS that until a real property lease is disclaimed in accordance with the CCAA, First Leaside shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between First Leaside and the landlord from time to time ("Rent"), for the period commencing from and including the date of this Order, in equal monthly payments on the first day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

15. THIS COURT ORDERS that, except as specifically permitted herein, First Leaside is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by First Leaside to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

16. THIS COURT ORDERS that First Leaside shall, subject to such requirements as are imposed by the CCAA, have the right to:

(a) permanently or temporarily cease, downsize or shut down any of its business or operations, and to dispose of redundant or non-material assets not exceeding $50,000 in any one transaction or $250,000 in the aggregate;

(b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate;

(c) pursue all avenues of refinancing of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing; and

(d) pursue all avenues for the potential sale of the Business or Property, in whole or part, subject to further approval of such sale by this Court,

all of the foregoing to permit First Leaside to proceed with an orderly restructuring of the Business (the "Restructuring").

17. THIS COURT ORDERS that First Leaside shall provide each of the relevant landlords with notice of First Leaside's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes First Leaside's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and First Leaside, or by further Order of this Court upon application by First Leaside on at least two (2) days notice to such landlord and any such secured creditors. If First Leaside disclaims the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to First Leaside's claim to the fixtures in dispute.

18. THIS COURT ORDERS that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective

tenants during normal business hours, on giving First Leaside and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against First Leaside in respect of such lease or leased premises and such landlord shall be entitled to notify First Leaside of the basis on which it is taking possession and to gain possession of and re-lease such leased premises to any third party or parties on such terms as such landlord considers advisable, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST FIRST LEASIDE OR THE PROPERTY

19. THIS COURT ORDERS that until and including March 23, 2012, or such later date as this Court may order (the "Stay Period"), no proceeding or enforcement process in any court or tribunal (each, a "Proceeding") shall be commenced or continued against or in respect of First Leaside or the Monitor, or affecting the Business or the Property, except with the written consent of First Leaside and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of First Leaside or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

20. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of First Leaside or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of First Leaside and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower First Leaside to carry on any business which First Leaside is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

21. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by First Leaside, except with the written consent of First Leaside and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

22. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with First Leaside or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or First Leaside, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by First Leaside, and that First Leaside shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by First Leaside in accordance with normal payment practices of First Leaside or such other practices as may be agreed upon by the supplier or service provider and each of First Leaside and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

23. THIS COURT ORDERS that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to First Leaside. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

24. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of First Leaside with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicant whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicant, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicant or this Court.

CHIEF RESTRUCTURING OFFICER

25. THIS COURT ORDERS that the appointment of G.S. MacLeod & Associates Inc. as chief restructuring officer of First Leaside (the "CRO") is hereby confirmed and approved and the CRO is hereby authorized and empowered to operate and manage the affairs of First Leaside during the pendency of these CCAA proceedings.

26. THIS COURT ORDERS that the CRO shall be paid its fees and disbursements (the "CRO Fees") in accordance with the CRO's engagement letter with First Leaside dated December 21, 2011.

27. THIS COURT ORDERS that the CRO and its officers, directors, employees, and servants shall incur no liability or obligation as a result of the appointment of the CRO or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on their part.

TRANSFER OF CLIENT ACCOUNTS

28. THIS COURT ORDERS that, to the extent that any client of FLSI ("FLSI Client") holds a "security" as defined in section 253 of the *Bankruptcy and Insolvency Act* and/or cash in an account or accounts with Penson Financial Services Canada Inc. (each, a "Client Account"), such FLSI Client shall immediately have the right to transfer any such

security or cash or the entire Client Account with Penson Financial Services Canada Inc. to another licensed securities dealer (an "FLSI Client Account Transfer").

29. THIS COURT ORDERS that FLSI and Penson Financial Services Canada Inc. shall take all reasonable steps to facilitate an FLSI Client Account Transfer.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

30. THIS COURT ORDERS that the Applicant shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicant after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

31. THIS COURT ORDERS that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge") on the Property, which charge shall not exceed an aggregate amount of $250,000, as security for the indemnity provided in paragraph 30 of this Order as well as the fees and disbursements of counsel to the Independent Committee of the Board of Directors ("Independent Committee Counsel") to the extent that such fees and disbursements relate to services provided in respect of First Leaside. The Directors' Charge shall have the priority set out in paragraphs 50 and 52 herein. The Applicant is hereby authorized and directed to pay a $50,000 retainer to Independent Committee Counsel.

32. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicant's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 30 of this Order.

APPOINTMENT OF MONITOR

33. THIS COURT ORDERS that Grant Thornton Limited is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of First Leaside with the powers and obligations set out in the CCAA or set forth herein and that First Leaside and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by First Leaside pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

34. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

(a) monitor First Leaside's receipts and disbursements;

(b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;

(c) advise First Leaside in its preparation of First Leaside's cash flow statements;

(d) advise and assist First Leaside concerning the potential sale of the Property and an orderly wind-down of the Business;

(e) advise First Leaside in its development of the Plan and any amendments to the Plan;

(f) assist First Leaside, to the extent required by First Leaside, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;

(g) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of First Leaside, to the extent that is necessary to adequately assess First

Leaside's business and financial affairs or to perform its duties arising under this Order;

(h) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;

(i) perform such other duties as are required by this Order or by this Court from time to time; and

(j) consult with and assist First Leaside in its negotiations and discussions with investors, creditors, and other stakeholders.

35. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

36. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to

be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

37. THIS COURT ORDERS that the Monitor shall provide any creditor of First Leaside with information provided by First Leaside in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by First Leaside is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and First Leaside may agree.

38. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

39. THIS COURT ORDERS that the Monitor, counsel to the Monitor, and counsel to First Leaside shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by First Leaside as part of the costs of these proceedings. First Leaside is hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for First Leaside on a bi-weekly basis and, in addition, First Leaside is hereby authorized to pay retainers of $150,000 to the Monitor, $100,000 to counsel to the Monitor, and $150,000 to counsel to First Leaside, to be held by each of them as security for payment of their respective fees and disbursements outstanding from time to time.

40. THIS COURT ORDERS that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

41. THIS COURT ORDERS that the Monitor, counsel to the Monitor, First Leaside's counsel, and Representative Counsel (defined below) shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property, which charge shall not exceed an aggregate amount of $1,000,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 50 and 52 hereof.

APPOINTMENT OF REPRESENTATIVE COUNSEL

42. THIS COURT ORDERS that Fraser Milner Casgrain LLP ("Representative Counsel") is appointed as representative counsel in these proceedings to represent the interests of clients of FLSI (the "Clients"), unless and until written notice is provided by a particular Client to Representative Counsel that such Client does not wish to be represented by Representative Counsel.

43. THIS COURT ORDERS that First Leaside shall provide to Representative Counsel the last known e-mail addresses (to the extent available) or other available contact information for each Client and, within ten days of the date of this Order, Representative Counsel shall provide the Clients with a copy of this Order, which shall constitute sufficient notice to Clients of this Order and the appointment of Representative Counsel and such step shall relieve the Monitor of its duty to provide notice to such Clients under section 23 of the CCAA.

44. THIS COURT ORDERS that Representative Counsel shall be paid its reasonable fees and disbursements by First Leaside, up to an initial maximum amount of $150,000 (the "Representative Counsel Allowance") with any subsequent increases to the Representative Counsel Allowance being determined by further Order of this Court. Representative Counsel shall be paid by First Leaside in a timely manner for fulfilling its mandate in accordance with this Order, upon the provision of invoices to First Leaside, subject to such redactions to the invoices as are necessary to maintain solicitor-client privilege between Representative Counsel and the Clients.

45. THIS COURT ORDERS that First Leaside shall pay to Representative Counsel a retainer of $25,000 to be held by it as security for payment of its fees and disbursements outstanding from time to time.

46. THIS COURT ORDERS that Representative Counsel is hereby authorized to take all steps and do all acts necessary or desirable to carry out the terms of this Order.

47. THIS COURT ORDERS that Representative Counsel shall be at liberty, and is hereby authorized, at any time, to apply to this Court for advice and directions in respect of its appointment or the fulfillment of its duties in carrying out the provisions of this Order or any variation of the powers and duties of Representative Counsel, which shall be brought on notice to First Leaside, the Monitor, and other interested parties, unless the Court orders otherwise.

48. THIS COURT ORDERS that Representative Counsel shall have no personal liability or obligations as a result of the performance of its duties in carrying out the provisions of this Order, save and except for liability arising out of gross negligence or wilful misconduct.

49. THIS COURT ORDERS that no action or other proceeding may be commenced against Representative Counsel in respect of the performance of its duties under this Order without leave of the Court on seven days' notice to Representative Counsel.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

50. THIS COURT ORDERS that the priorities of the Directors' Charge and the Administration Charge, as between them, shall be as follows:

First – Administration Charge (to the maximum amount of $1,000,000);

Second – Directors' Charge (to the maximum amount of $250,000).

51. THIS COURT ORDERS that the filing, registration or perfection of the Directors' Charge or the Administration Charge (collectively, the "Charges") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to

the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

52. THIS COURT ORDERS that each of the Directors' Charge and the Administration Charge (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "Encumbrances") in favour of any Person, provided, however, that

(a) the Directors' Charge shall not attach to any monies or other Property of FLSI ("FLSI Property") including, without limitation, property which constitutes "risk adjusted capital" plus the $250,000 "minimum capital requirement" in accordance with applicable securities laws and regulations; and

(b) the Administration Charge shall not attach to the FLSI Property in an amount exceeding the lesser of (A) $1 million and (B) the portion of costs secured by the Administration Charge which are attributable to, or for the benefit of, FLSI.

53. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, First Leaside shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Directors' Charge, or the Administration Charge, unless First Leaside also obtains the prior written consent of the Monitor and the beneficiaries of the Directors' Charge and the Administration Charge and further Order of this Court.

54. THIS COURT ORDERS that the Directors' Charge and the Administration Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "Chargees") shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e)

any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds First Leaside, and notwithstanding any provision to the contrary in any Agreement:

(a) the creation of the Charges shall not create or be deemed to constitute a breach by First Leaside of any Agreement to which it is a party;

(b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by the creation of the Charges; and

(c) the payments made by First Leaside pursuant to this Order, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

55. THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in First Leaside's interest in such real property leases.

56. THIS COURT ORDERS that the CRO Fees and the professional fees and expenses of the Monitor, counsel to the Monitor, First Leaside's counsel and Representative Counsel paid or incurred in accordance with the provisions of this Order shall be allocated by First Leaside with the assistance of the Monitor to the various business units pursuant to a protocol to be proposed by First Leaside with the assistance of the Monitor, which protocol shall be approved upon motion to this Court. First Leaside and the Monitor shall endeavour to make recommendations in respect of a protocol on or before March 30, 2012.

SERVICE AND NOTICE

57. THIS COURT ORDERS that the Monitor shall (i) without delay, publish in the national edition of the *Globe and Mail* a notice containing the information prescribed

under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against First Leaside of more than $1000, and (C) prepare a list showing the aggregate amounts owed to equity investors, debt investors, and employees, but not names and addresses of those creditors, and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

58. THIS COURT ORDERS that First Leaside, Representative Counsel, and the Monitor be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to First Leaside's creditors or other interested parties at their respective addresses as last shown on the records of First Leaside and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

59. THIS COURT ORDERS that First Leaside, Representative Counsel, and the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Monitor may post a copy of any or all such materials on its website at www.grantthornton.ca/firstleaside.

GENERAL

60. THIS COURT ORDERS that First Leaside or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

61. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of First Leaside, the Business or the Property.

62. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist First Leaside, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to First Leaside and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist First Leaside and the Monitor and their respective agents in carrying out the terms of this Order.

63. THIS COURT ORDERS that each of First Leaside and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

64. THIS COURT ORDERS that any interested party (including First Leaside and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

65. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard Time on the date of this Order.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

FEB 24 2012

NB

NBrown

Natasha Brown
Registrar

SCHEDULE "A"—PARTNERSHIPS ENTITLED TO THE BENEFIT OF THIS ORDER

Mill Street Limited Partnership
Development Notes Limited Partnerships Special Notes LP
First Leaside Properties LP
First Leaside Realty LP First Leaside Real Estate LP
First Leaside Global LP First Leaside Income LP First Leaside Investors LP First Leaside Optimal LP First Leaside Preferred LP First Leaside Premier LP First Leaside Progressive LP First Leaside Quality LP First Leaside Real Estate LP First Leaside Realty II LP First Leaside Retirement Residences LP First Leaside Superior LP First Leaside Ultimate LP First Leaside Universal LP Uxbridge Development LP First Leaside Retirement Residences Limited Partnership First Leaside Venture Limited Partnership
Wimberly Apartments LP
The Shores LP
Old Mill Pond LP

The Bluffs of Lakewood LP
First Leaside Spring Valley LP
First Leaside Partners LP First Leaside Opportunities LP
Preston Racquet Club Real Estate Limited Partnership Series 910 PA Preston Racquet Club Real Estate Limited Partnership Series 910 PB Preston Racquet Club Real Estate Limited Partnership Series 910 PC Preston Racquet Club Real Estate Limited Partnership Series 910 PD
FL Master Texas Ltd.
FLW Pond Master Ltd.
FLW Shores Master Ltd.
First Leaside Acquisitions LP
Queenston Manor LP
First Leaside Acquisitions 2000 LP
First Leaside Advantage LP
First Leaside Developments LP
First Leaside Elite LP First Leaside Select LP
First Leaside Enterprises LP
B&W LP First Leaside Entities LP
First Leaside Expansion LP
First Leaside Growth LP
First Leaside Operations LP
First Leaside Unity LP

First Leaside Visions I LP First Leaside Visions II LP First Leaside Visions III LP First Leaside Visions IV LP Metabacus LP Greencore LP Marksman Celljecl LP OMISA LP Dossierview LP eSight LP Tyromer LP
Place Concorde East LP
Place Concorde West LP
First Leaside Wealth Management LP
First Leaside Technologies LP
F.L. Beverages Group Limited

Partnership F.L. Retirement Residences Limited Partnership First Leaside Global Limited Partnership First Leaside Ventures Limited Partnership Special U.S. Notes Limited Partnership FLWM Holdings Limited Partnership

TAB C

This is Exhibit "C" referred to in the affidavit of **Gregory MacLeod** sworn before me at Toronto, Ontario this 23rd day of April 2012

....
A Commissioner For Taking Affidavits
Leon Efraim, LSUC #51809W

Admin*1473413.1

CITATION: First Leaside Wealth Management Inc. (Re), 2012 ONSC 1299
COURT FILE NO.: CV-12-9617-00CL
DATE: 20120226

SUPERIOR COURT OF JUSTICE – ONTARIO

COMMERCIAL LIST

RE: IN THE MATTER OF a Plan of Compromise or Arrangement of First Leaside Wealth Management Inc., First Leaside Finance Inc., First Leaside Securities Inc., FL Securities Inc., First Leaside Management Inc., First Leaside Accounting and Tax Services Inc., First Leaside Holdings Inc., 2086056 Ontario Inc., First Leaside Realty Inc., First Leaside Capital Inc., First Leaside Realty II Inc., First Leaside Investments Inc., 965010 Ontario Inc., 1045517 Ontario Inc., 1024919 Ontario Inc., 1031628 Ontario Inc., 1056971 Ontario Inc., 1376095 Ontario Inc., 1437290 Ontario Ltd., 1244428 Ontario Ltd., PrestonOne Development (Canada) Inc., PrestonTwo Development (Canada) Inc., PrestonThree Development (Canada) Inc., PrestonFour Development (Canada) Inc., 2088543 Ontario Inc., 2088544 Ontario Inc., 2088545 Ontario Inc., 1331607 Ontario Inc., Queenston Manor General Partner Inc., 1408927 Ontario Ltd., 2107738 Ontario Inc., 1418361 Ontario Ltd., 2128054 Ontario Inc., 2069212 Ontario Inc., 1132413 Ontario Inc., 2067171 Ontario Inc., 2085306 Ontario Inc., 2059035 Ontario Inc., 2086218 Ontario Inc., 2085438 Ontario Inc., First Leaside Visions Management Inc., 1049015 Ontario Inc., 1049016 Ontario Inc., 2007804 Ontario Inc., 2019418 Ontario Inc., FL Research Management Inc., 970877 Ontario Inc., 1031628 Ontario Inc., 1045516 Ontario Inc., 2004516 Ontario Inc., 2192341 Ontario Inc., and First Leaside Fund Management Inc., Applicants

BEFORE: D. M. Brown J.

COUNSEL: J. Birch and D. Ward, for the Applicants

P. Huff and C. Burr, for the proposed Monitor, Grant Thornton Limited

D. Bish, for the Independent Directors

B. Empey, for Investment Industry Regulatory Organization of Canada

J. Grout, for the Ontario Securities Commission

R. Oliver, for Kenaidan Contracting Limited

J. Dietrich, the proposed Representative Counsel for the investors

E. Garbe, for Structform International Limited

N. Richter, for Gilbert Steel Limited

M. Sanford, for Janick Electrick Limited

M. Konyukhova, for Midland Loan Services Inc.

C. Prophet, for the Canadian Imperial Bank of Commerce

HEARD: February 23, 2012

REASONS FOR DECISION

I. Overview: *CCAA* Initial Order

[1] On Thursday, February 23, 2012, I granted an Initial Order under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, in respect of the Applicants. These are my Reasons for that decision.

II. The applicant corporations

[2] The Applicants are members of the First Leaside group of companies. They are described in detail in the affidavit of Gregory MacLeod, the Chief Restructuring Officer of First Leaside Wealth Management ("FLWM"), so I intend only refer in these Reasons to the key entities in the group. The parent corporation, FLWM, owns several subsidiaries, including the applicant, First Leaside Securities Inc. ("FLSI"). According to Mr. MacLeod, the Group's operations centre on FLWM and FLSI.

[3] FLSI is an Ontario investment dealer that manages clients' investment portfolios which, broadly speaking, consist of non-proprietary Marketable Securities as well as proprietary equity and debt securities issued by First Leaside (the so-called "FL Products"). All segregated Marketable Securities are held in segregated client accounts with Penson Financial Services Canada Inc.

[4] First Leaside designed its FL Products to provide investors with consistent monthly distributions. First Leaside acts as a real estate syndicate, purchasing real estate through limited partnerships with a view to rehabilitating the properties for lease at higher rates or eventual resale. First Leaside incorporated special-purpose corporations to act as general partners in the various LPs it set up. The general partners of First Leaside's Canadian LPs – i.e. those which own property in Canada – are applicants in this proceeding. First Leaside also seeks to extend the benefits of the Initial Order to the corresponding LPs.

[5] First Leaside has two types of LPs: individual LPs that acquire and operate a single property or development, and aggregator LPs that hold units of multiple LPs. Investors have invested in both kinds of LPs. In paragraph 49 of his affidavit Mr. MacLeod detailed the LPs within First Leaside. While most First Leaside LPs hold interests in identifiable properties, for a few, called "Blind Pool LPs", clients invest funds without knowing where the funds likely were to be invested. Those LPs are described in paragraph 51 of Mr. MacLeod's affidavit.

[6] The applicant, First Leaside Finance Inc. ("FL Finance"), acted as a "central bank" for the First Leaside group of entities.

III. The material events leading to this application

[7] In the fall of 2009 the Ontario Securities Commission began investigating First Leaside. In March, 2011, First Leaside retained the proposed Monitor, Grant Thornton Limited, to review and make recommendations about First Leaside's businesses. Around the same time First Leaside arranged for appraisals to be performed of various properties.

[8] Grant Thornton released its report on August 19, 2011. For purposes of this application Grant Thornton made several material findings:

(i) There exist significant interrelationships between the entities in the FL Group which result in a complex corporate structure;

(ii) Certain LPs have been a drain on the resources of the Group as a result of recurring operating losses and property rehabilitation costs; and,

(iii) The future viability of the FL Group was contingent on its ability to raise new capital:

> "If the FL Group was restricted from raising new capital, it would likely be unable to continue its operations in the ordinary course, as it would have insufficient revenue to support its infrastructure, staffing costs, distributions, and to meet their funding requirements for existing projects."

[9] As a result of the report First Leaside hired additional staff to improve accounting resources and financial planning. Last November the Board appointed an Independent Committee to assume all decision-making authority in respect of First Leaside; the Group's founder, David Phillips, was no longer in charge of its management.

[10] FLSI is regulated by both the OSC and the Investment Industry Regulatory Organization of Canada ("IIROC"). In October, 2011, IIROC issued FLSI a discretionary early warning level 2 letter prohibiting the company from reducing capital and placing other restrictions on its activities. At the same time the OSC told First Leaside that unless satisfactory arrangements were made to deal with its situation, the OSC almost certainly would take regulatory action, including seeking a cease trade order.

[11] First Leaside agreed to a voluntary cease trade, retained Grant Thornton to act as an independent monitor, informed investors about those developments, and made available the August Grant Thornton report.

[12] Because the cease trade restricted First Leaside's ability to raise capital, the Independent Committee decided in late November to cease distributions to clients, including distributions to LP unit holders, interest payments on client notes/debts, and dividends on common or preferred shares.

[13] In December the Independent Committee decided to retain Mr. MacLeod as CRO for First Leaside and asked him to develop a workout plan, which he finalized in late January, 2012. Mr. MacLeod deposed that the downturn in the economy has resulted in First Leaside realizing lower operating income while incurring higher operational costs. In his affidavit Mr. MacLeod set out his conclusion about a workout plan:

> After carefully analyzing the situation, my ultimate conclusion was that it was too risky and uncertain for First Leaside to pursue a resumption of previous operations, including the raising of capital. My recommendation to the Independent Committee was that First Leaside instead undertake an orderly wind-down of operations, involving:
>
> (a) Completing any ongoing property development activity which would create value for investors;
>
> (b) Realizing upon assets when it is feasible to do so (even where optimal realization might occur over the next 12 to 36 months);
>
> (c) Dealing with the significant inter-company debts; and,
>
> (d) Distributing proceeds to investors.

Mr. MacLeod further deposed:

> [T]he best way to promote this wind-down is through a filing under the *CCAA* so that all issues – especially the numerous investor and creditor claims and inter-company claims – can be dealt with in one forum under the supervision of the court.

The Independent Committee approved Mr. MacLeod's recommendations. This application resulted.

IV. Availability of *CCAA*

A. The financial condition of the applicants

[14] According to Mr. MacLeod, First Leaside has over $370 million in assets under management. Some of those, however, are Marketable Securities. First Leaside is proposing that clients holding Marketable Securities (which are held in segregated accounts) be free to transfer them to another investment dealer during the *CCAA* process. As to the value of FL Products, Mr. MacLeod deposed that "it remains to be determined specifically how much value will be realized for investors on the LP units, debt instruments, and shares issued by the various First Leaside entities."

[15] First Leaside's debt totals approximately $308 million: $176 million to secured creditors (mostly mortgagees) and $132 million to unsecured creditors, including investors holding notes or other debt instruments.

[16] Mr. MacLeod summarized his assessment of the financial status of the First Leaside Group as follows:

> [S]ince GTL reported that the aggregate value of properties in the First Leaside exceeded the value of the properties, there will be net proceeds remaining to provide at least some return to subordinate creditors or equity holders (i.e., LP unit holders and corporation shareholders) in many of the First Leaside entities. The recovery will, of course, vary depending on the entity. At this stage, however, it is fair to conclude that there is a material equity deficit both in individual First Leaside entities and in the overall First Leaside group.

[17] In his affidavit Mr. MacLeod also deposed, with respect to the financial situation of First Leaside, that:

(i) The cease trade placed severe financial constraints on First Leaside as almost every business unit depended on the ability of FLWM and its subsidiaries to raise capital from investors;

(ii) There are immediate cash flow crises at FLWM and most LPs;

(iii) FLWM's cash reserves had fallen from $2.8 million in November, 2011 to $1.6 million at the end of this January;

(iv) Absent new cash from asset disposals, current cash reserves would be exhausted in April;

(v) At the end of December, 2011 Ventures defaulted by failing to make a principal mortgage payment of $4.25 million owing to KingSett;

(vi) Absent cash flow from FLWM a default is imminent for Investor's Harmony property;

(vii) First Leaside lacks the liquidity or refinancing options to rehabilitate a number of the properties and execute on its business plan; and,

(viii) First Leaside generally has been able to make mortgage payments to its creditors, but in the future it will be difficult to do so given the need to expend monies on property development and upgrading activities

[18] In his description of the status of the employees of the Applicants, Mr. MacLeod did not identify any issue concerning a pension funding deficiency.[1] The internally-prepared 2010 FLWM financial statements did not record any such liability. Grant Thornton did not identify any such issue in its Pre-filing Report.

[19] First Leaside is not proposing to place all of its operations under court-supervised insolvency proceedings. It does not plan to seek Chapter 11 protection for its Texas properties

[1] MacLeod Affidavit, paras. 104 to 106.

since it believes they may be able to continue operations over the anticipated wind-up period using cash flows they generate and pay their liabilities as they become due. Nor does First Leaside seek to include in this *CCAA* proceeding the First Leaside Venture LP ("Ventures") which owns and operates several properties in Ontario and British Columbia. On February 15, 2012 Ventures and Bridge Gap Konsult Inc. signed a non-binding term sheet to provide some bridge financing for Ventures. First Leaside decided not to include certain Ventures-related limited partnerships in the *CCAA* application at this stage,[2] while reserving the right to later bring a motion to extend the Initial Order and stay to these Excluded LPs. The Initial Order which I signed reflected that reservation.

[20] As noted above, over the better part of the past year the proposed Monitor, Grant Thornton, has become familiar with the affairs of the First Leaside Group as a result of the review it conducted for its August, 2011 report. Last November First Leaside retained Grant Thornton as an independent monitor of its business.

[21] In its Pre-filing Report Grant Thornton noted that the last available financial statements for FLWM were internally prepared ones for the year ended December 31, 2010. They showed a net loss of about \$2.863 million. The Pre-filing Report contained a 10-week cash flow projection (ending April 27, 2012) prepared by the First Leaside Group. The Cash Flow Projection does not contemplate servicing interest and principal payments during the projection period. On that basis the Cash Flow Projection showed the Group's combined closing bank balance declining from \$6.97 million to \$4.144 million by the end of the projection period. Grant Thornton reviewed the Cash Flow Projection and stated that it reflected the probable and hypothetical assumptions on which it was prepared and that the assumptions were suitably supported and consistent with the plans of the First Leaside Group and provided a reasonable basis for the Cash Flow Projection.

[22] Grant Thornton reported that certain creditors, specifically construction lien claimants, had commenced enforcement proceedings and it concluded:

> Given creditors' actions to date and due to the complicated nature of the FL Group's business, the complex corporate structure and the number of competing stakeholders, it is unlikely that the FL Group will be able to conduct an orderly wind-up or continue to rehabilitate properties without the stability provided by a formal Court supervised restructuring process.
>
> ...
>
> As the various stakeholder interests are in many cases intertwined, including intercompany claims, the granting of the relief requested would provide a single forum for the numerous stakeholders of the FL Group to be heard and to deal with such parties' claims in an orderly manner, under the supervision of the Court, a CRO and a Court-appointed Monitor. In particular, a simple or forced divestiture of the properties of the

[2] The Excluded LPs were identified in paragraph 134 of Mr. MacLeod's affidavit.

FL Group would not only erode potential investor value, but would not provide the structure necessary to reconcile investor interests on an equitable and ratable basis.

A stay of proceedings for both the Applicants and the LPs is necessary if it is deemed appropriate by this Honourable Court to allow the FL Group to maintain its business and to allow the FL Group the opportunity to develop, refine and implement their restructuring/wind-up plan(s) in a stabilized environment.

B. Findings

[23] I am satisfied that the Applicants are "companies" within the meaning of the *CCAA* and that the total claims against the Applicants, as an affiliated group of companies, is greater than $5 million.

[24] Are the Applicant companies "debtor companies" in the sense that they are insolvent? For the purposes of the *CCAA* a company may be insolvent if it falls within the definition of an insolvent person in section 2 of the *Bankruptcy and Insolvency Act* or if its financial circumstances fall within the meaning of insolvent as described in *Re Stelco Inc.* which include a financially troubled corporation that is "reasonably expected to run out of liquidity within reasonable proximity of time as compared with the time reasonably required to implement a restructuring".[3]

[25] When looked at as a group the Applicants fall within the extended meaning of "insolvent": as a result of the cease trade their ability to raise capital has been severely restricted; cash reserves fell significantly from November until the time of filing, and the Cash Flow Projection indicates that cash reserves will continue to decline even with the cessation of payments on mortgages and other debt; Mr. MacLeod estimated that cash reserves would run out in April; distributions to unit holders were suspended last November; and, some formal mortgage defaults have occurred.

[26] However, a secured creditor mortgagee, Midland Loan Services Inc., submitted that to qualify for *CCAA* protection each individual applicant must be a "debtor company" and that in the case of one applicant, Queenston Manor General Partner Inc., that company was not insolvent. In his affidavit Mr. MacLeod deposed that the Queenston Manor LP is owned by the First Leaside Expansion Limited Partnership ("FLEX"). Queenston owns and operates a 77-unit retirement complex in St. Catherines, has been profitable since 2008 and is expected to remain profitable through 2013. Queenston has been listed for sale, and management currently is considering an offer to purchase the property. Midland Loan submitted that in light of that financial situation, no finding could be made that the applicant, Queenston Manor General Partner Inc., was a "debtor company".

[27] Following that submission I asked Applicants' counsel where in the record one could find evidence about the insolvency of each individual Applicant. That prompted a break in the

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[3] (2004), 48 C.B.R. (4th) 299 (Ont. S.C.J.).

hearing, at the end of which the Applicants filed a supplementary affidavit from Mr. MacLeod. Indicating that one of the biggest problems facing the Applicants was the lack of complete and up-to-date records, in consultation with the Applicants' CFO Mr. MacLeod submitted a chart providing, to the extent possible, further information about the financial status of each Applicant. That chart broke down the financial status of each of the 52 Applicants as follows:

Insolvent	28
Dormant	15
Little or no realizable assets	5
More information to be made available to the court	3
Other: management revenue stopped in 2010; $70,000 cash; $270,000 in related-company receivables	1

Queenston Manor General Partner Inc. was one of the applicants for which "more information would be made available to the court".

[28] As I have found, when looked at as a group, the Applicants fall within the extended meaning of "insolvent". When one descends a few levels and looks at the financial situation of some of the aggregator LPs, such as FLEX, Mr. MacLeod deposed that FLEX is one of the largest net debtors – i.e. it is unable to repay inter-company balances from operating cash flows and lacks sufficient net asset value to settle the intercompany balances through the immediate liquidation of assets. The evidence therefore supports a finding that the corporate general partner of FLEX is insolvent. Queenston Manor is one of several assets owned by FLEX, albeit an asset which uses the form of a limited partnership.

[29] If an insolvent company owns a healthy asset in the form of a limited partnership does the health of that asset preclude it from being joined as an applicant in a *CCAA* proceeding? In the circumstances of this case it does not. The jurisprudence under the *CCAA* provides that the protection of the Act may be extended not only to a "debtor company", but also to entities who, in a very practical sense, are "necessary parties" to ensure that that stay order works. Morawetz J. put the matter the following way in *Priszm Income Fund (Re)*:

> The *CCAA* definition of an eligible company does not expressly include partnerships. However, *CCAA* courts have exercised jurisdiction to stay proceedings with respect to partnerships and limited partnerships where it is just and convenient to do so. See *Lehndorff, supra*, and *Re Canwest Global Communications Corp.*, 2009 CarswellOnt 6184 (S.C.J.).

> The courts have held that this relief is appropriate where the operations of the debtor companies are so intertwined with those of the partnerships or limited partnerships in question, that not extending the stay would significantly impair the effectiveness of a stay in respect of the debtor companies.[4]

[30] Although section 3(1) of the *CCAA* requires a court on an initial application to inquire into the solvency of any applicant, the jurisprudence also requires a court to take into account the relationship between any particular company and the larger group of which it is a member, as well as the need to place that company within the protection of the Initial Order so that the order will work effectively. On the evidence filed I had no hesitation in concluding that given the insolvency of the overall First Leaside Group and the high degree of inter-connectedness amongst the members of that group, the protection of the *CCAA* needed to extend both to the Applicants and the limited partnerships listed in Schedule "A" to the Initial Order. The presence of all those entities within the ambit of the Initial Order is necessary to effect an orderly winding-up of the insolvent group as a whole. Consequently, whether Queenston Manor General Partner Inc. falls under the Initial Order by virtue of being a "debtor company", or by virtue of being a necessary party as part of an intertwined whole, is, in the circumstances of this case, a distinction without a practical difference.

[31] In sum, I am satisfied that those Applicants identified as "insolvent" on the chart attached to Mr. MacLeod's supplementary affidavit are "debtor companies" within the meaning of the *CCAA* and that the other Applicants, as well as the limited partnerships listed on Schedule "A" of the Initial Order, are entities to which it is necessary and appropriate to extend *CCAA* protection.

C. "Liquidation" *CCAA*

[32] While in most circumstances resort is made to the *CCAA* to "permit the debtor to continue to carry on business and, where possible, avoid the social and economic costs of liquidating its assets" and to create "conditions for preserving the *status quo* while attempts are made to find common ground amongst stakeholders for a reorganization that is fair to all", the reality is that "reorganizations of differing complexity require different legal mechanisms." [5] That reality has led courts to recognize that the *CCAA* may be used to sell substantially all of the assets of a debtor company to preserve it as a going concern under new ownership,[6] or to wind-up or liquidate it. In *Lehndorff General Partner Ltd. (Re)*[7] Farley J. observed:

> It appears to me that the purpose of the *CCAA* is also to protect the interests of creditors and to enable an orderly distribution of the debtor company's affairs. This may involve a winding-up or liquidation of a company or simply a substantial downsizing of its

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[4] 2011 ONSC 2061, paras. 26-27.

[5] *Century Services Inc. v. Canada (Attorney General)*, 2010 SCC 60, paras. 15, 77 and 78.

[6] *Nortel Networks Corp. (Re)*, 2009 ONCA 833, para. 46; see Kevin P. McElcheran, *Commercial Insolvency in Canada, Second Edition* (Toronto: LexisNexis, 2011), pp. 284 et seq.

[7] [1993] O.J. No. 14 (Gen. Div.). In *Brake Pro, Ltd. (Re)*, [2008] O.J. No. 2180 (S.C.J.), Wilton-Siegel J. stated, at paragraph 10: "While reservations are expressed from time to time regarding the appropriateness of a "liquidating" *CCAA* proceeding, such proceedings are permissible under the *CCAA*."

business operations, provided the same is proposed in the best interests of the creditors generally. See *Assoc. Investors, supra*, at p. 318; *Re Amirault Co.* (1951), 32 C.B.R. 1986, (1951) 5 D.L.R. 203 (N.S.S.C.) at pp. 187-8 (C.B.R.).

[33] In the decision of *Associated Investors of Canada Ltd. (Re)* referred to by Farley J., the Alberta Court of Queen's Bench stated:

> The realities of the modern marketplace dictate that courts of law respond to commercial problems in innovative ways without sacrificing legal principle. In my opinion, the Companies' Creditors Arrangement Act is not restricted in its application to companies which are to be kept in business. Moreover, the Court is not without the ability to address within its jurisdiction the concerns expressed in the Ontario cases. The Act may be invoked as a means of liquidating a company and winding-up its affairs but only if certain conditions precedent are met:
>
> 1. It must be demonstrated that benefits would likely flow to Creditors that would not otherwise be available if liquidation were effected pursuant to the Bankruptcy Act or the Winding-Up Act.
>
> 2. The Court must concurrently provide directions pursuant to compatible legislation that ensures judicial control over the liquidation process and an effective means whereby the affairs of the company may be investigated and the results of that investigation made available to the Court.
>
> 3. A Plan of Arrangement should not receive judicial sanction until the Court has in its possession, all of the evidence necessary to allow the Court to properly exercise its discretion according to standards of fairness and reasonableness, absent any findings of illegality.[8]

The editors of *The 2012 Annotated Bankruptcy and Insolvency Act* take some issue with the extent of those conditions:

> With respect, these conditions may be too rigorous. If the court finds that the plan is fair and reasonable and in the best interests of creditors, and there are cogent reasons for using the statute rather than the *BIA* or *WURA*, there seems no reason why an orderly liquidation could not be carried out under the *CCAA*.[9]

[34] Mr. MacLeod, the CRO, deposed that no viable plan exists to continue First Leaside as a going concern and that the most appropriate course of action is to effect an orderly wind-down of First Leaside's operations over a period of time and in a manner which will create the opportunity to realize improved net asset value. In his professional judgment the *CCAA* offered the most appropriate mechanism by which to conduct such an orderly liquidation:

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[8] *First Investors Corp. (Re)* (1987), 46 D.L.R. (4th) 669 (Alta Q.B.), para. 36.

[9] Houlden, Morawetz & Sarra, *The 2012 Annotated Bankruptcy and Insolvency Act*, N§1, p. 1099.

> [T]he best way to promote this wind-down is through a filing under the *CCAA* so that all issues – especially the numerous investor and creditor claims and the inter-company claims – can be dealt with in one forum under the supervision of the court.

In its Pre-filing Report the Monitor also supported using the *CCAA* to implement the "restructuring/wind-up plan(s) in a stabilized environment".

[35] Both the CRO and the proposed Monitor possess extensive knowledge about the workings of the Applicants. Both support a process conducted under the *CCAA* as the most practical and effective way in which to deal with the affairs of this insolvent group of companies. No party contested the availability of the *CCAA* to conduct an orderly winding-up of the affairs of the Applicants (although, as noted, some parties questioned whether certain entities should be included within the scope of the Initial Order). Given that state of affairs, I saw no reason not to accept the professional judgment of the CRO and the proposed Monitor that a liquidation under the *CCAA* was the most appropriate route to take.

[36] Moreover, I saw no prejudice to claimant creditors by permitting the winding-up of the First Leaside Group to proceed under the *CCAA* instead of under the *BIA* in view of the convergence which exists between the *CCAA* and *BIA* on the issue of priorities. As the Supreme Court of Canada pointed out in *Century Services*:

> Because the *CCAA* is silent about what happens if reorganization fails, the *BIA* scheme of liquidation and distribution necessarily supplies the backdrop for what will happen if a *CCAA* reorganization is ultimately unsuccessful.[10]

As the British Columbia Court of Appeal observed in *Caterpillar Financial Services Ltd. v. 360networks corp.* interested parties also use that priorities backdrop to negotiate successful *CCAA* reorganizations:

> While it might be suggested that *CCAA* proceedings may require those with a financial stake in the company, including shareholders and creditors, to compromise some of their rights in order to sustain the business, it cannot be said that the priorities between those with a financial stake are meaningless. The right of creditors to realize on any security may be suspended pending the final approval of the court, but this does not render their potential priority nugatory. Priorities are always in the background and influence the decisions of those who vote on the plan.[11]

[37] I therefore concluded that the *CCAA* was available to the Applicants in the circumstances, and I so ordered.

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[10] *Century Services, supra.*, para. 23.
[11] (2007), 279 D.L.R. (4^{th}) 701 (B.C.C.A.), para. 42.

V. Representative Counsel, CRO and Monitor

[38] The Applicants sought the appointment of Fraser Milner Casgrain ("FMC") as Representative Counsel to represent the interests of the some 1,200 clients of FLSI in this proceeding, subject to the right of any client to opt-out of such representation. The proposed Monitor expressed the view that it would be in the best interests of the FL Group and its investors to appoint Representative Counsel. No party objected to such an appointment. I reviewed the qualifications and experience of proposed Representative Counsel and its proposed fees, and I was satisfied that it would be appropriate to appoint FMC as Representative Counsel on the terms set out in the Initial Order.

[39] The Applicants sought the appointment of G.S. MacLeod & Associates Inc. as CRO of First Leaside. No party objected to that appointment. The Applicants included a copy of the CRO's December 21, 2011 Retention Agreement in their materials. The proposed Monitor stated that the appointment of a CRO was important to ensure an adequate level of senior corporate governance leadership. I agree, especially in light of the withdrawal of Mr. Phillips last November from the management of the Group. The proposed Monitor reported that the terms and conditions of the Retention Agreement were consistent with similar arrangements approved by other courts in *CCAA* proceedings and the remuneration payable was reasonable in the circumstances. As a result, I confirmed the appointment of G.S. MacLeod & Associates Inc. as CRO of First Leaside.

[40] Finally, I appointed Grant Thornton as Monitor. No party objected, and Grant Thornton has extensive knowledge of the affairs of the First Leaside Group.

VI. Administration and D&O Charges and their priorities

A. Charges sought

[41] The Applicants sought approval, pursuant to section 11.52 of the *CCAA*, of an Administration Charge in the amount of $1 million to secure amounts owed to the Estate Professionals – First Leaside's legal advisors, the CRO, the Monitor, and the Monitor's counsel.

[42] They also sought an order indemnifying the Applicants' directors and officers against any post-filing liabilities, together with approval, pursuant to section 11.51 of the *CCAA*, of a Director and Officer's Charge in the amount of $250,000 as security for such an indemnity. Historically the First Leaside Group did not maintain D&O insurance, and the Independent Committee was not able to secure such insurance at reasonable rates and terms when it tried to do so in 2011.

[43] The Monitor stated that the amount of the Administration Charge was established based on the Estate Professionals' previous history and experience with restructurings of similar magnitude and complexity. The Monitor regarded the amount of the D&O Charge as reasonable under the circumstances. The Monitor commented that the combined amount of both charges ($1.25 million) was reasonable in comparison with the amount owing to mortgagees ($176 million).

[44] In its Pre-filing Report the Monitor did note that shortly before commencing this application the Applicants paid $250,000 to counsel for the Independent Committee of the Board. The Monitor stated that the payment might "be subject to review by the Monitor, if/when it is appointed, in accordance with s. 36.1(1) of the *CCAA*". No party requested an adjudication of this issue, so I refer to the matter simply to record the Monitor's expression of concern.

[45] Based on the evidence filed, I concluded that it was necessary to grant the charges sought in order to secure the services of the Estate Professionals and to ensure the continuation of the directors in their offices and that the amounts of the charges were reasonable in the circumstances.

B. Priority of charges

[46] The Applicants sought super-priority for the Administration and D&O Charges, with the Administration Charge enjoying first priority and the D&O Charge second, with some modification with respect to the property of FLSI which the Applicants had negotiated with IIROC.

[47] In its Pre-filing Report the proposed Monitor stated that the mortgages appeared to be well collateralized, and the mortgagees would not be materially prejudiced by the granting of the proposed priority charges. The proposed Monitor reported that it planned to work with the Applicants to develop a methodology which would allocate the priority charges fairly amongst the Applicants and the included LPs, and the allocation methodology developed would be submitted to the Court for review and approval.

[48] In *Indalex Limited (Re)*[12] the Court of Appeal reversed the super-priority initially given to a DIP Charge by the motions judge in an initial order and, instead, following the sale of the debtor company's assets, granted priority to deemed trusts for pension deficiencies. In reaching that decision Court of Appeal observed that affected persons – the pensioners – had not been provided at the beginning of the *CCAA* proceeding with an appropriate opportunity to participate in the issue of the priority of the DIP Charge.[13] Specifically, the Court of Appeal held:

> In this case, there is nothing in the record to suggest that the issue of paramountcy was invoked on April 8, 2009, when Morawetz J. amended the Initial Order to include the super-priority charge. The documents before the court at that time did not alert the court to the issue or suggest that the *PBA* deemed trust would have to be overridden in order for Indalex to proceed with its DIP financing efforts while under *CCAA* protection. To the contrary, the affidavit of Timothy Stubbs, the then CEO of Indalex, sworn April 3, 2009, was the primary source of information before the court. In para. 74 of his affidavit, Mr. Stubbs deposes that Indalex intended to comply with all applicable laws including "regulatory deemed trust requirements".

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[12] 2011 ONCA 265.
[13] *Ibid.*, para. 155.

> While the super-priority charge provides that it ranks in priority over trusts, "statutory or otherwise", I do not read it as taking priority over the deemed trust in this case because the deemed trust was not identified by the court at the time the charge was granted and the affidavit evidence suggested such a priority was unnecessary. As no finding of paramountcy was made, valid provincial laws continue to operate: the super-priority charge does not override the *PBA* deemed trust. The two operate sequentially, with the deemed trust being satisfied first from the Reserve Fund.[14]

[49] In his recent decision in *Timminco Limited (Re)*[15] ("Timminco I") Morawetz J. described the commercial reality underpinning requests for Administration and D&O Charges in *CCAA* proceedings:

> In my view, in the absence of the court granting the requested super priority and protection, the objectives of the CCAA would be frustrated. It is not reasonable to expect that professionals will take the risk of not being paid for their services, and that directors and officers will remain if placed in a compromised position should the Timminco Entities continue *CCAA* proceedings without the requested protection. The outcome of the failure to provide these respective groups with the requested protection would, in my view, result in the overwhelming likelihood that the *CCAA* proceedings would come to an abrupt halt, followed, in all likelihood, by bankruptcy proceedings.[16]

[50] In its Pre-filing Report the proposed Monitor expressed the view that if the priority charges were not granted, the First Leaside Group likely would not be able to proceed under the *CCAA*.

[51] In my view, absent an express order to the contrary by the initial order applications judge, the issue of the priorities enjoyed by administration, D&O and DIP lending charges should be finalized at the commencement of a *CCAA* proceeding. Professional services are provided, and DIP funding is advanced, in reliance on super-priorities contained in initial orders. To ensure the integrity, predictability and fairness of the *CCAA* process, certainty must accompany the granting of such super-priority charges. When those important objectives of the *CCAA* process are coupled with the Court of Appeal's holding that parties affected by such priority orders be given an opportunity to raise any paramountcy issue, it strikes me that a judge hearing an initial order application should directly raise with the parties the issue of the priority of the charges sought, including any possible issue of paramountcy in respect of competing claims on the debtor's property based on provincial legislation.

[52] Accordingly I raised that issue at the commencement of the hearing last Thursday and requested submissions on the issues of priority and paramountcy from any interested party. Several parties made submissions on those points: (i) the Applicants, proposed Monitor and proposed Representative Counsel submitted that the Court should address any priority or

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[14] *Ibid.*, paras. 178 and 179.
[15] 2012 ONSC 506.
[16] *Ibid.*, para. 66.

paramountcy issues raised; (ii) IIROC advised that it did not see any paramountcy issue in respect of its interests; (iii) counsel for Midland Loan submitted that a paramountcy issue existed with respect to its client, a secured mortgagee, because it enjoyed certain property rights under provincial mortgage law; she also argued that the less than full day's notice of the hearing given by the Applicants was inadequate to permit the mortgagee to consider its position, and her client should be given seven days to do so; and, (iv) counsel for a construction lien claimant, Structform International, who spoke on behalf of a number of such lien claimants, made a similar submission, contending that the construction lien claimants required 10 days to determine whether they should make submissions on the relationship between their lien claims and any super-priority charge granted under the *CCAA*.

[53] I did not grant the adjournment requested by the mortgagee and construction lien claimants for the following reasons. First, the facts in *Indalex* were quite different from those in the present case, involving as they did considerations of what fiduciary duty a debtor company owed to pensioners in respect of underfunded pension liabilities. I think caution must be exercised before extending the holding of *Indalex* concerning *CCAA*-authorized priority charges to other situations, such as the one before me, which do not involve claims involving pension deficiencies, but claims by more "ordinary" secured creditors, such as mortgagees and construction lien claimants.

[54] Second, I have some difficulty seeing how constitutional issues of paramountcy arise in in a *CCAA* proceeding as between claims to the debtor's property by secured creditors, such as mortgagees and construction lien claimants, and persons granted a super-priority charge by court order under sections 11.51 and 11.52 of the *CCAA*. At the risk of gross over-simplification, Canadian constitutional law places the issue of priorities of secured creditors in different legislative balliwicks depending on the health of the debtor company. When a company is healthy, secured creditor priorities usually are determined under provincial laws, such as personal property security legislation and related statutes, which result from provincial legislatures exercising their powers with respect to "property and civil rights in the province".[17] However, when a company gets sick - becomes insolvent - our *Constitution* vests in Parliament the power to craft the legislative regimes which will govern in those circumstances. Exercising its power in respect of "bankruptcy and insolvency",[18] Parliament has established legal frameworks under the *BIA* and *CCAA* to administer sick companies. Priority determinations under the *CCAA* draw on those set out in the *BIA*, as well as the provisions of the *CCAA* dealing with specific claims such as Crown trusts and other claims.

[55] As it has evolved over the years the constitutional doctrine of paramountcy polices the overlapping effects of valid federal and provincial legislation: "The doctrine applies not only to cases in which the provincial legislature has legislated pursuant to its ancillary power to trench on an area of federal jurisdiction, but also to situations in which the provincial legislature acts within its primary powers, and Parliament pursuant to its ancillary powers."[19] Since 1960 the

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[17] *Constitution Act, 1867*, s. 92 ¶13.
[18] *Ibid.*, s. 91 ¶21.
[19] *Canadian Western Bank v. Alberta*, [2007] 2 S.C.R. 3, para. 69.

Supreme Court of Canada has travelled a "path of judicial restraint in questions of paramountcy".[20] That Court has not been prepared to presume that, by legislating in respect of a matter, Parliament intended to rule out any possible provincial action in respect of that subject,[21] unless (and it is a big "unless"), Parliament used very clear statutory language to that effect.[22]

[56] I have found that the Applicants have entered the world of the sick, or the insolvent, and are eligible for the protection of the federal *CCAA*. The federal legislation *expressly* brings mortgagees and construction lien claimants within its regime – the definition of "secured creditor" contained in section 2 of the *CCAA* specifically includes "a holder of a mortgage" and "a holder of a ...lien...on or against...all or any of the property of a debtor company as security for indebtedness of the debtor company". The federal legislation also *expressly* authorizes a court to grant priority to administration and D&O charges over the claims of such secured creditors of the debtor.[23] In light of those express provisions in sections 2, 11.51 and 11.52 of the *CCAA*, and my finding that the Applicants are eligible for the protection offered by the *CCAA*, I had great difficulty understanding what argument could be advanced by the mortgagees and construction lien claimants about the concurrent operation of provincial and federal law which would relieve them from the priority charge provisions of the *CCAA*. I therefore did not see any practical need for an adjournment.

[57] Finally, sections 11.51(1) and 11.52(1) of the *CCAA* both require that notice be given to secured creditors who are likely to be affected by an administration or D&O charge before a court grants such charges. In the present case I was satisfied that such notice had been given. Was the notice adequate in the circumstances? I concluded that it was. To repeat, making due allowance for the unlimited creativity of lawyers, I have difficulty seeing what concurrent operation argument could be advanced by mortgagee and construction lien claims against court-ordered super-priority charges under sections 11.51 and 11.52 of the *CCAA*. Second, as reported by the proposed Monitor, the quantum of the priority charges ($1.25 million) is reasonable in comparison with the amount owing to mortgagees ($176 million) and the mortgages appeared to be well collateralized based on available information. Third, the Applicant and Monitor will develop an allocation methodology for the priority charges for later consideration by this Court. The proposed Monitor reported:

> It is the Proposed Monitor's view that the allocation of the proposed Priority Charges should be carried out on an equitable and proportionate basis which recognizes the separate interests of the stakeholders of each of the entities.

The secured creditors will be able to make submissions on any proposed allocation of the priority charges. Finally, while I understand why the secured creditors are focusing on their specific interests, it must be recalled that the work secured by the priority charges will be performed for

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[20] *Rothmans, Benson & Hedges Inc. v. Saskatchewan*, [2005] 1 S.C.R. 188, para. 21
[21] *Canadian Western Bank, supra.*, para. 74.
[22] *Rothmans, supra.*, para. 21.
[23] *CCAA* ss. 11.51(2) and 11.52(2).

the benefit of all creditors of the Applicants, including the mortgagees and construction lien claimants. All creditors will benefit from an orderly winding-up of the affairs of the Applicants.

[58] In the event that I am incorrect that no paramountcy issue arises in this case in respect of the priority charges, I echo the statements made by Morawetz J. in *Timminco I* which I reproduced in paragraph 49 above. In *Indalex* the Court of Appeal accepted that "the CCAA judge can make an order granting a super-priority charge that has the effect of overriding provincial legislation".[24] I find that it is both necessary and appropriate to grant super priority to both the Administration and D&O Charges in order to ensure that the objectives of the *CCAA* are not frustrated.

[59] For those reasons I did not grant the adjournment requested by Midland Loan and the construction lien claimants, concluding that they had been given adequate notice in the circumstances, and I granted the requested Administration and D&O Charges.

VII. Other matters

[60] At the hearing counsel for one of the construction lien claimants sought confirmation that by granting the Initial Order a construction lien claimant who had issued, but not served, a statement of claim prior to the granting of the order would not be prevented from serving the statement of claim on the Applicants. Counsel for the Applicants confirmed that such statements of claim could be served on it.

[61] At the hearing the Applicants submitted a modified form of the model Initial Order. Certain amendments were proposed during the hearing; the parties had an opportunity to make submissions on the proposed amendments.

VIII. Summary

[62] For the foregoing reasons I was satisfied that it was appropriate to grant the *CCAA* Initial Order in the form requested. I signed the Initial Order at 4:08 p.m. EST on Thursday, February 23, 2012.

D. M. Brown J.

Date: February 26, 2012

[24] *Indalex, supra.*, para. 176.

TAB D

This is Exhibit "D" referred to in the affidavit of **Gregory MacLeod** sworn before me at Toronto, Ontario this 23rd day of April 2012

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A Commissioner For Taking Affidavits

Leon Efraim, LSUC # 51809W

Beer Barons Inc.

Consolidated Income Statement Detail

As of December 31, 2011

(in Canadian Dollars)

	Actual 2011	Actual 2010
	Jan - Dec	Jan - Dec
Revenue:		
King	657,397	361,347
Thornbury	357,812	302,481
Beer Barons - Weihenstephan	569,460	366,366
Total Revenue	**1,584,669**	**1,030,194**
Cost of Goods Sold		
King	309,679	104,487
Thornbury	211,703	257,865
Weihenstephan	349,388	219,820
Total Gross of Goods Sold	**870,770**	**582,172**
Gross Margin %	45.1%	43.5%
Total Gross Margin	**713,899**	**448,022**
OPERATING EXPENSES		
Advertising, Sales, Promotion Expense	364,601	206,552
General & Admin Expenses	585,472	378,331
Employee Expenses	1,048,926	791,655
Total S,G &A	**1,998,999**	**1,376,538**
EBITDA	**(1,285,100)**	**(928,516)**
Interest/FX Expense	2,861	110,191
Depreciation	124,187	102,091
Net Income	**(1,412,148)**	**(1,140,798)**

TAB E

This is Exhibit "E" referred to in the affidavit of **Gregory MacLeod** sworn before me at Toronto, Ontario this 23rd day of April 2012

Leon

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A Commissioner For Taking Affidavits

Leon Efraim

LSUC# 58809W

Ontario

Business Debtor Enquiry

File Currency: **22APR 2012** System Date: **23APR2012**

Search Criteria: FLWM HOLDINGS LIMITED PARTNERSHIP

No Match.
No registered financing statement or registered claim for lien was found for this enquiry.

Ontario

Business Debtor Enquiry

File Currency: **22APR 2012** System Date: **23APR2012**

Search Criteria: FIRST LEASIDE PROGRESSIVE LIMITED PARTNERSHIP

No Match.
No registered financing statement or registered claim for lien was found for this enquiry.

Ontario

Business Debtor Enquiry

File Currency: **22APR 2012** System Date: **23APR2012**

Search Criteria: F.L. BEVERAGES GROUP LIMITED PARTNERSHIP

No Match.
No registered financing statement or registered claim for lien was found for this enquiry.

Ontario

Business Debtor Enquiry

File Currency: **22APR 2012** System Date: **23APR2012**

Search Criteria: FIRST LEASIDE HOLDINGS LIMITED PARTNERSHIP

No Match.
No registered financing statement or registered claim for lien was found for this enquiry.

Ontario

File Currency: **22APR 2012** System Date: **23APR2012**

Type of Search	Business Debtor								
Search Conducted On	FIRST LEASIDE WEALTH MANAGEMENT INC.								
File Currency	22APR 2012								
	File Number	**Family**	**of Families**	**Page**	**of Pages**	**Expiry Date**		**Status**	
	672443172	1	1	1	2	25AUG 2017			

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

File Number	**Caution Filing**	**Page of**	**Total Pages**	**Motor Vehicle Schedule**	**Registration Number**	**Registered Under**	**Registration Period**
672443172		001	002		20110825 1035 1862 6992	P PPSA	6

Individual Debtor	**Date of Birth**	**First Given Name**	**Initial**	**Surname**	
Business Debtor	**Business Debtor Name**			**Ontario Corporation No.**	
	FIRST LEASIDE WEALTH MANAGEMENT INC.				
	Address		**City**	**Province**	**Postal Code**
	430 REGIONAL ROAD # 8, R R 1		UXBRIDGE	ON	L9P 1R1

Individual Debtor	**Date of Birth**	**First Given Name**	**Initial**	**Surname**	
Business Debtor	**Business Debtor Name**			**Ontario Corporation No.**	
	Address		**City**	**Province**	**Postal Code**

Secured Party	**Secured Party / Lien Claimant**			
	THE TORONTO-DOMINION BANK			
	Address	**City**	**Province**	**Postal Code**
	55 KING STREET WEST	TORONTO	ON	M5K 1A2

Collateral Classification	**Consumer Goods**	**Inventory**	**Equipment**	**Accounts**	**Other**	**Motor Vehicle Included**	**Amount**	**Date of Maturity or**	**No Fixed Maturity Date**
				X	X				

Motor Vehicle Description	**Year**	**Make**	**Model**	**V.I.N.**

General Collateral Description	**General Collateral Description**
	ALL OF THE DEBTOR'S PRESENT AND AFTER ACQUIRED PERSONAL PROPERTY
	WHICH IS RELATED TO, LOCATED ON OR USED IN CONJUNCTION WITH, OR
	ARISES FROM, THE PROPERTIES MUNICIPALITY KNOWN AS (A) 317 WINNIPEG

Registering Agent	**Registering Agent**			
	BLANEY MCMURTRY LLP (SJEFFERY)			
	Address	**City**	**Province**	**Postal Code**
	2 QUEEN STREET EAST, SUITE 1500	TORONTO	ON	M5C 3G5

CONTINUED

Type of Search	Business Debtor							
Search Conducted On	FIRST LEASIDE WEALTH MANAGEMENT INC.							
File Currency	22APR 2012							
	File Number	**Family**	**of Families**	**Page**	**of Pages**	**Expiry Date**	**Status**	
	672443172	1	1	2	2	25AUG 2017		

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

File Number	**Caution Filing**	**Page of**	**Total Pages**	**Motor Vehicle Schedule**	**Registration Number**	**Registered Under**	**Registration Period**
672443172		002	002		20110825 1035 1862 6992		

Individual Debtor	**Date of Birth**	**First Given Name**	**Initial**	**Surname**

Business Debtor	Business Debtor Name			Ontario Corporation No.
	Address	City	Province	Postal Code

Individual Debtor	Date of Birth	First Given Name	Initial	Surname

Business Debtor	Business Debtor Name			Ontario Corporation No.
	Address	City	Province	Postal Code

Secured Party	Secured Party / Lien Claimant			
	Address	City	Province	Postal Code

Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date

Motor Vehicle Description	Year	Make	Model	V.I.N.

General Collateral Description	General Collateral Description
	STREET, PENTICTON, BRITISH COLUMBIA, (B) 2829- 34TH STREET, VERNON,
	BRITISH COLUMBIA AND (C) 870 WESTMINSTER AVENUE, KAMLOOPS, BRITISH
	COLUMBIA.

Registering Agent	Registering Agent			
	Address	City	Province	Postal Code

Ontario

Business Debtor Enquiry

File Currency: **22APR 2012** System Date: **23APR2012**

Search Criteria: FLWM HOLDINGS LIMITED PARTNERSHIP

No Match.
No registered financing statement or registered claim for lien was found for this enquiry.

TAB F

This is Exhibit "F" referred to in the affidavit of **Gregory MacLeod** sworn before me at Toronto, Ontario this 23rd day of April 2012

Leon Efraim

A Commissioner For Taking Affidavits

Leon Efraim, LSUC #58809W

UNIT PURCHASE, TRANSFER OF GENERAL PARTNER AND TRANSFER OF PROPERTY AGREEMENT

THIS AGREEMENT is made as of this 13th day of April, 2012,

AMONG:

First Leaside Beverages Limited Partnership a limited partnership duly constituted pursuant to the laws of Ontario

(**"Partnership 1"**)

and

King Brewery Limited Partnership a limited partnership duly constituted pursuant to the laws of Ontario

(**"Partnership 2"**)

and

First Leaside Wealth Management Inc. a corporation duly constituted pursuant to the laws of Ontario

(**"Vendor 1"**)

and

First Leaside Progressive Limited Partnership a limited partnership duly constituted pursuant to the laws of Ontario

(**"Vendor 2"**)

and

FLWM Holdings Limited Partnership a limited partnership duly constituted pursuant to the laws of Ontario

(**"Vendor 3"**)

and

F.L. Beverages Group Limited Partnership a limited partnership duly constituted pursuant to the laws of Ontario

(**"Vendor 4"**)

and

1045515 Ontario Inc. a corporation duly constituted pursuant to the laws of Ontario

(**"Vendor 5"**)

and

Provincial Beverages of Canada Inc. a corporation duly constituted pursuant to the laws of Ontario

(**"Purchaser 1"**)

and

Provincial Beverages Inc. a corporation duly constituted pursuant to the laws of Ontario

(**"Purchaser 2"**)

RECITALS:

A. Vendor 1, Vendor 2, Vendor 3 and Vendor 4 collectively own 2,802,236 of the issued and outstanding Class "A" units of Partnership 1, as set out more particularly in Schedule C1 (collectively, the "**Purchased Units 1**");

B. Vendor 1, Vendor 2, Vendor 3 and Vendor 4 wish to sell, and Purchaser 1 wishes to purchase, the Purchased Units 1 subject to the terms and conditions of this Agreement;

C. Vendor 5 owns 576 of the issued and outstanding Class "A" units of Partnership 1 and 135 of the issued and outstanding units of Partnership 2, as set out more particularly in Schedule C2 (collectively, the "**Purchased Units 2**");

D. Vendor 5 wishes to sell, and Purchaser 2 wishes to purchase the Purchased Units 2 subject to the terms and conditions of this Agreement;

E. Vendor 5 wishes to transfer its general partnership interests in Partnership 1 and Partnership 2 to Purchaser 2;

F. Vendor 5 wishes to transfer its Nominee Interest in the Property to Purchaser 2 or as Purchaser 2 may direct.

NOW THEREFORE in consideration of the mutual covenants and agreements contained in this Agreement and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties hereto agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement,

1.1.1 "**Affiliate**" has the meaning attributed to such term in the *Business Corporations Act* (Ontario) as the same may be amended from time to time and any successor legislation thereto;

1.1.2 "**Agreement**" means this agreement and all schedules attached to this agreement, in each case as they may be amended or supplemented from time to time, and the expressions "hereof", "herein", "hereto", "hereunder", "hereby" and similar expressions refer to this agreement; and unless otherwise indicated, references to Articles and Sections are to Articles and Sections in this agreement;

1.1.3 "**Associate**" has the meaning attributed to such term in the *Business Corporations Act* (Ontario) as the same may be amended from time to time and any successor legislation thereto;

1.1.4 "**Business**" means the production, importation and sale of alcoholic beverages;

1.1.5 "**Business Day**" means any day, other than Saturday, Sunday or any statutory holiday in the Province of Ontario;

1.1.6 "**CCAA Proceedings**" has the meaning given thereto in Section 7.2 hereof;

1.1.7 "**Claim**" has the meaning given thereto in Section 6.3 hereof;

1.1.8 "**Closing**" means the completion of the sale and purchase of the Purchased Units pursuant to this Agreement at the Time of Closing;

1.1.9 "**Closing Date**" shall have the meaning given thereto in Article 3 hereof;

1.1.10 "**Court**" means the Ontario Superior Court of Justice;

1.1.11 **"Court Order"** shall mean an order of the Ontario Superior Court of Justice authorizing the transactions contemplated in this Agreement pursuant to the *Companies Creditors Arrangement Act* (Canada) substantially in the form of Schedule D;

1.1.12 "**Indemnified Party**" has the meaning given thereto in Section 6.3 hereof;

1.1.13 "**Indemnifying Party**" has the meaning given thereto in Section 6.3 hereof;

1.1.14 "**Material Adverse Change**" means any change, (without giving effect to this Agreement and the transactions provided for in this Agreement) that is, or could reasonably be expected to be, material and adverse to the results of operations, condition (financial or otherwise), properties, assets, Business, liabilities (contingent or otherwise), or cash flow of the Partnership and its Subsidiaries taken as a whole.

1.1.15 "**Nominee Interest**" means Vendor 5's legal interest in the Property which is limited to its interest as bare trustee and nominee titleholder only;

1.1.16 "**Partnerships**" means, collectively, Partnership 1 and Partnership 2, and "**Partnership**" means any one of them;

1.1.17 "**Party**" means a party to this Agreement, and "**Parties**" means all of them;

1.1.18 "**Person**" means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted;

1.1.19 "**Property**" means the land and building municipally known as 90 King St. E., Thornbury, Ontario;

1.1.20 "**Purchase Price 1** " has the meaning given thereto in Section 2.1 hereof;

1.1.21 "**Purchase Price 2**" the meaning given thereto in Section 2.2 hereof;

1.1.22 "**Purchasers**" means, collectively, Purchaser 1 and Purchaser 2, and "**Purchaser**" means any one of them.

1.1.23 "**Purchased Units**" means the Purchased Units 1 and Purchased Units 2 collectively;

1.1.24 "**Purchased Units 1**" has the meaning given thereto in Recital A hereof;

1.1.25 "**Purchased Units 2**" has the meaning given thereto in Recital C hereof;

1.1.26 "**Subsidiaries**" has the meaning attributed to such term in the *Business Corporations Act* (Ontario) as the same may be amended from time to time and any successor legislation thereto;

1.1.27 "**Time of Closing**" means 10:00 a.m., Toronto time, on the Closing Date or such other time on the Closing Date as may be agreed upon in writing by the Parties;

1.1.28 "**Vendors**" means, collectively, Vendor 1, Vendor 2, Vendor 3, Vendor 4 and Vendor 5 and "**Vendor**" means any one of them;

1.1.29 "**Vendors' Representative**" means Greg MacLeod;

1.2 Schedules and Exhibits

The following are the schedules and exhibits attached to this Agreement:

Schedule A	-	Closing Documents
Schedule B	-	List of Vendors 1, 2, 3, 4 and 5 and their Pro Rata Interests in the Purchase Price 1 and Purchase Price 2
Schedule C1	-	Capital of Partnership 1 and Unitholder Register
Schedule C2	-	Capital of Partnership 2 and Unitholder Register
Schedule D	-	Form of Court Order
Schedule E	-	Form of Non-Competition Agreement
Schedule F	-	Required Consents
Schedule G	-	Indebtedness
Schedule H	-	Litigation

1.3 Headings and Table of Contents

The inclusion of headings and a table of contents in this Agreement is for convenience of reference only and shall not affect the construction or interpretation hereof.

1.4 Gender and Number

In this Agreement, unless the context otherwise requires, words importing the singular include the plural and vice versa, words importing gender include all genders or the neuter, and words importing the neuter include all genders.

1.5 Currency

Except where otherwise expressly provided, all amounts in this Agreement are stated and shall be paid in Canadian currency.

1.6 Generally Accepted Accounting Principles

In this Agreement, except to the extent otherwise expressly provided, references to "generally accepted accounting principles" mean, for all principles stated in the Handbook of the Canadian Institute of Chartered Accountants, such principles so stated.

1.7 Invalidity of Provisions

Each of the provisions contained in this Agreement is distinct and severable and a declaration of invalidity or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof. To the extent permitted by applicable law, the Parties waive any provision of law which renders any provision of this Agreement invalid or unenforceable in any respect.

1.8 Entire Agreement

This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter of this Agreement. There are no warranties, conditions, or representations (including any that may be implied by statute) and there are no agreements in connection with such subject matter except as specifically set forth or referred to in this Agreement. No reliance is placed on any warranty, representation, opinion, advice or assertion of fact made either prior to, contemporaneous with, or after entering into this Agreement, or any amendment or supplement thereto, by any Party or its directors, officers, employees or agents, to any other Party or its directors, officers, employees or agents, except to the extent that the same has been reduced to writing and included as a term of this Agreement, and none of the Parties has been induced to enter into this Agreement or any amendment or supplement by reason of any such warranty, representation, opinion, advice or assertion of fact. Accordingly, there shall be no liability, either in tort or in contract, assessed in relation to any such warranty, representation, opinion, advice or assertion of fact, except to the extent contemplated above.

1.9 Waiver, Amendment

Except as expressly provided in this Agreement, no amendment or waiver of this Agreement shall be binding unless executed in writing by the Party to be bound thereby. No waiver of any provision of this Agreement shall constitute a waiver of any other provision nor shall any waiver of any provision of this Agreement constitute a continuing waiver unless otherwise expressly provided.

1.10 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

1.11 Strict Construction

The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.

1.12 Knowledge

Any reference to the knowledge of any Party means to the best of the knowledge, information and belief of such Party after reviewing all relevant records which they can reasonably access and making due inquiries regarding the relevant matter of all relevant directors, officers and employees of the Party, if applicable.

ARTICLE 2
PURCHASE AND SALE

2.1. Agreement to Purchase and Sell and Purchase Price 1

Subject to the terms of this Agreement, at Closing, Vendor 1, Vendor 2, Vendor 3 and Vendor 4 shall each sell, convey, transfer and assign the Purchased Units 1 to Purchaser 1 and Purchaser 1 shall purchase and accept from the Vendors, the Purchased Units 1 for the sum of seven hundred and fifty-nine thousand five hundred dollars ($759,500.00) (the "**Purchase Price 1**"). The Purchase Price 1 shall be allocated among Vendor 1, Vendor 2, Vendor 3 and Vendor 4 in accordance with their pro rata interest in Partnership 1 as set out in Schedule B.

2.2 Agreement to Purchase and Sell and Purchase Price 2

Subject to the terms of this Agreement, at Closing, Vendor 5 shall sell, convey, transfer and assign the Purchased Units 2 to Purchaser 2 and Purchaser 2 shall purchase and accept from Vendor 5, the Purchased Units 2 for the sum of five hundred dollars ($500.00) (the "**Purchase Price 2**").

2.3 Transfer of General Partner Authority and all Other interests

Simultaneously with the purchase of the Purchased Units, Vendor 5, in its capacity as general partner of the Partnerships, shall transfer its interest as general partner of Partnership 1 and Partnership 2 to Purchaser 2 and the purchase price for such interest shall be included in Purchase Price 2.

2.4 Payment of Purchase Price

Purchase Price 1 and Purchase Price 2 shall be paid by certified cheque or bank draft delivered to the Vendors, or as they may direct, at the Time of Closing.

2.5 Transfer of the Nominee Interest

On a day prior to the Closing Date, Vendor 5 shall transfer its Nominee Interest in the Property to Purchaser 2 and Purchaser 2 shall purchase and accept the Nominee Interest in the Property. The purchase price for the Nominee Interest shall be included in Purchase Price 2. In the event the Closing is not completed for any reason on the Closing Date, Purchaser 2 shall transfer the Nominee Interest in the Property back to Vendor 5 on the Business Day following Vendor 5's request for same. The Purchasers shall be responsible for the payment of any land transfer tax associated with the transfer of the Nominee Interest and the Property.

ARTICLE 3
CLOSING, TERMINATION AND CONDITIONS OF CLOSING

3.1 Closing

Unless otherwise agreed to by the Parties, the Closing will occur on the seventh Business Day following the granting of the Court Order (the "**Closing Date**"). The Closing shall take place at the Time of Closing on the Closing Date at the offices of the Purchasers' Counsel. If the Closing Date has not occurred by May 31, 2012, this agreement shall terminate and the Purchasers and Vendors shall be under no obligations to each other.

3.2 Termination

This Agreement may be terminated at any time prior to the Closing:

(a) by mutual written consent of the Parties;

(b) by the Purchasers if any of the conditions in Section 3.4 have not been satisfied by Closing and the Purchasers have not waived all or any part of such condition at or prior to Closing; or

(c) by the Vendors if any of the conditions in Section 3.4 have not been satisfied by Closing and the Vendors have not waived such condition at or prior to Closing.

3.3 Effects of Termination

If this Agreement is terminated pursuant to Section 3.2, all further obligations of the Parties under or pursuant to this Agreement shall terminate without further liability of any Party, provided, that neither the termination of this Agreement nor anything in this Section 3.3 shall relieve any Party from liability for any breach of this Agreement occurring before the termination hereof.

3.4 Conditions to Closing

The Closing will be subject to the following conditions:

3.4.1 Conditions for the Benefit of the Purchasers

3.4.1.1 the Vendors shall obtain written consent of the first mortgage holder on the Property, agreeing to the replacement of Vendor 5 as general partner with Purchaser 2 and the change of control of the Partnership;

3.4.1.2 as promptly as practicable, but in any event no later than twenty-one (21) days from the execution of this Agreement, Vendor 1, Vendor 2, Vendor 3 and Vendor 4 shall file with the Court a motion seeking the Court Order and the Court shall have entered the Court Order substantially in the form of Schedule D;

3.4.1.3 the Purchased Units shall be free and clear of all encumbrances;

3.4.1.4 the Vendors each shall execute a non-competition, non-disclosure and non-solicitation agreement in the form attached hereto as Schedule E;

3.4.1.5 the representations and warranties of the Vendors set forth in Article 4 shall be true and correct as of the Closing Date with the same effect as though such representations and warranties had been made at and as of the Closing;

3.4.1.6 the Vendors shall have performed and complied in all material respects with all covenants and agreements set forth in this Agreement required to be performed or complied with by the Vendors prior to or concurrently with the Closing;

3.4.1.7 no injunction or other order shall have been issued to enjoin, restrict or prohibit the transactions proposed herein; and

3.4.1.8 the Vendors shall have executed and delivered, to the reasonable satisfaction of the Purchasers, the closing documents set out in Schedule A including but not limited to the delivery of unit certificates representing the Purchased Units duly endorsed in blank for transfer or accompanied by duly signed powers of attorney for transfer in blank.

The foregoing conditions are for the exclusive benefit of the Purchasers. Any condition may be waived by the Purchasers in whole or in part. Any such waiver shall be binding on the Purchasers only if made in writing.

3.4.2 Conditions for the Benefit of the Vendors

3.4.2.1 payment of the Purchase Price as set forth in Section 2.4;

3.4.2.2 the representations and warranties of the Purchasers set forth in Article 4 shall be true and correct as of the Closing Date with the same effect as though such representations and warranties had been made at and as of the Closing;

3.4.2.3 the Purchasers shall have performed and complied in all material respects with all covenants and agreements set forth in this Agreement required to be performed or complied with by the Purchasers prior to or concurrently with the Closing;

3.4.2.4 the Court shall have entered the Court Order; and

3.4.2.5 no injunction or other order shall have been issued to enjoin, restrict or prohibit the transactions proposed herein.

The foregoing conditions are for the exclusive benefit of the Vendors. Any condition may be waived by the Vendors in whole or in part. Any such waiver shall be binding on the Vendors only if made in writing.

3.5 Closing Deliveries

Each of the Vendors agrees to deliver prior to or at the Closing those deliverables set out in Schedule A designated as the responsibility of the Vendors. Each of the Purchasers agrees to deliver prior to or at the Closing those deliverables set out in Schedule A designated as the responsibility of the Purchasers.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES

4.1 By the Vendors

The Vendors represent and warrant to the Purchasers as follows and acknowledge that the Purchasers are relying upon the following representations and warranties in connection with their purchase of the Purchased Units and the Nominee Interest:

4.1.1 **Corporate Power of Corporate Vendors.** The general partner of each Vendor which is a limited partnership has the corporate power and capacity to enter into, and to perform its obligations under, this Agreement and has the capacity to own or lease its assets and to carry on its business as the same is presently conducted.

4.1.2 **Due Authorization and Execution and Delivery.**

4.1.2.1 Each of this Agreement and the agreements, contracts and instruments required by this Agreement to be delivered by each Vendor at the Time of Closing has been duly authorized by the applicable Vendor, as the case may be.

4.1.2.2 This Agreement has been duly executed and delivered by each Vendor.

4.1.3 **Enforceability.**

4.1.3.1 This Agreement is a valid and binding obligation of each Vendor, enforceable in accordance with its terms, subject to bankruptcy, insolvency, moratorium and other similar laws relating to or affecting creditors' rights generally, and the fact that equitable remedies, including the remedies of specific performance and injunction, may only be granted in the discretion of a court.

4.1.3.2 At the Time of Closing all of the agreements, contracts and instruments required by this Agreement will be duly executed and delivered by each Vendor (to the extent such Vendor is a party thereto) and will be valid and binding obligations of each such Vendor (to the extent such Vendor is a party thereto), enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, moratorium and other similar laws relating to or affecting creditors' rights generally, and the fact that equitable remedies, including the remedies of specific performance and injunction, may only be granted in the discretion of a court.

4.1.4 **Formation and Status of the Partnership and its Subsidiaries**. Each Partnership and its Subsidiaries are duly formed and organized, and are validly existing and up to date in the filing of all corporate and similar returns under the laws of their jurisdiction of registration. The Vendors have provided to the Purchasers a correct and complete copy of the articles, by-laws, constating documents and other organizational documents of each Partnership and its Subsidiaries, in each case as amended to the date hereof.

4.1.5 **Capital of the Partnerships 1 and 2:** Schedules C1 and C2 set out particulars of the authorized and issued units of the Partnerships, the names of the Persons who are the beneficial owners of such units of the Partnerships and, if such beneficial owners are not the registered owners of such units of the Partnerships, the names of the Persons shown on the securities register of the Partnerships as the holder of any such units of limited partnership interest, and the number and class of units of limited partnership interest held by such Persons. All the units of the Partnerships indicated on such Schedules as being issued and outstanding have been validly issued and are outstanding as fully paid and non-assessable units of limited partnership interest.

4.1.6 **No Contravention**. Except for the items disclosed in Schedule F, the sale of the Purchased Units and the Nominee Interest and the performance by the Vendors of any of their other obligations under this Agreement will not contravene, breach or result in any default under the constating documents or other organizational documents of the Vendors or the Partnerships or under any mortgage, lease, agreement, other legally binding instrument, licence, permit, statute, regulation, order, judgment, decree or law to which any of them is a party or by which any of them may be bound.

4.1.7 **Vendors Resident of Canada**. The Vendors are not non-residents of Canada under the *Income Tax Act* (Canada).

4.1.8 **Regulatory Approvals.** Other than receipt of the Court Order, no approval, order, consent of or filing with any governmental authority is required on the part of the Vendors in connection with the execution, delivery and performance of this Agreement or any other documents and agreements to be delivered pursuant to this Agreement or the performance of their obligations under this Agreement or any other documents and agreements to be delivered pursuant to this Agreement.

4.1.9 **Indebtedness**. Except as disclosed in Schedule G, to the best of the Vendors' Representative's knowledge, none of the Partnerships or their Subsidiaries have outstanding any indebtedness for borrowed money outside of the ordinary course of business, and will not between now and the Closing Date incur any indebtedness for borrowed money outside of the ordinary course of business. Except as disclosed in Schedule G, there are no amounts owing to the Vendors or their Subsidiaries or Affiliates by Partnership 1 or Partnership 2 or their Subsidiaries.

4.1.10 **Litigation and Other Proceedings**. Except for those matters listed in Schedule H, there are no court, administrative, regulatory or similar proceedings (whether civil, quasi-criminal or criminal), arbitration or other dispute settlement proceedings (collectively, the "**Proceedings**") against or involving the Partnerships or their Subsidiaries.

4.1.11 **Corporate Records**. The corporate records or partnership records, as applicable, and minute books of the Partnerships and their Subsidiaries contain complete and accurate minutes of all meetings of directors or partners, as applicable, and committees thereof and shareholders and limited partners held since its date of inception, and all such meetings were duly called and held. The unit certificate books, register of unitholders, register of transfers and register of directors of Vendor 5, in its capacity as general partner of the Partnerships, and the Subsidiaries are complete and accurate.

4.2 By the Purchasers

Each of the Purchasers, on a joint and several basis, represent and warrant to the Vendors as follows and acknowledge that the Vendors are relying upon the following representations and warranties in connection with their sale of the Purchased Units and the Nominee Interest:

4.2.1 **Formation of the Purchasers**. The Purchasers are Corporations duly incorporated and organized and are validly subsisting corporations under the laws of Ontario.

4.2.2 **Power and Capacity of the Purchasers:** The Purchasers have the power, capacity and authority to execute and deliver this Agreement and all other instruments, documents and agreements contemplated herein and to perform their obligations thereunder.

4.2.3 **Due Authorization and Execution and Delivery:** All necessary corporate acts and proceedings of the Purchasers have been duly taken to authorize the valid execution, delivery and performance of the obligations of the Purchasers under this Agreement and all other instruments, documents and agreements contemplated herein.

4.2.4 **Enforceability**: This Agreement has been duly executed and delivered by the Purchasers, and constitutes a legal, valid and binding obligation of the Purchasers and is enforceable against the Purchasers, in accordance with its terms, subject to bankruptcy, insolvency, moratorium and other similar laws relating to or affecting creditors' rights generally, and the fact that equitable remedies, including the remedies of specific performance and injunction, may only be granted in the discretion of a court. At the Time of Closing all agreements to be delivered by the Purchasers in connection with the completion of the transactions of purchase and sale contemplated herein will be duly executed and delivered by the Purchasers, and will constitute legal, valid and binding obligations of the Purchasers and is enforceable against the Purchasers in accordance with their respective terms, subject to bankruptcy, insolvency, moratorium and other similar laws relating to or affecting creditors' rights generally, and the fact that equitable remedies, including the remedies of specific performance and injunction, may only be granted in the discretion of a court.

4.2.5 **Foreign Investment Review.** Neither Purchaser is a non-Canadian for the purposes of the *Investment Canada Act* (Canada).

4.2.6 **Principal.** The Purchasers are acquiring the Purchased Units as principals.

4.2.7 **No Contravention.** The sale of the Purchased Units and the Nominee Interest and the performance by the Purchasers of any of their other obligations under this Agreement will not contravene, breach or result in any default under the constating documents or other organizational documents of the Purchasers or under any mortgage, lease, agreement, other legally binding instrument, licence, permit, statute, regulation, order, judgment, decree or law to which any of them is a party or by which any of them may be bound.

4.2.8 **Regulatory Approvals.** No approval, order, consent of or filing with any governmental authority is required on the part of the Purchasers in connection with the execution, delivery and performance of this Agreement or any other documents and agreements to be delivered pursuant to this Agreement or the performance of their obligations under this Agreement or any other documents and agreements to be delivered pursuant to this Agreement.

4.3 No Finder's Fees

Each of the Parties represents and warrants to the other that such Party has not taken, and agrees that it will not take, any action that would cause the other Party to become liable to any claim or demand for a brokerage commission, finder's fee or other similar payment.

4.4 No Merger

Except as otherwise expressly provided in this Agreement, the covenants, representations and warranties of the Parties contained in this Agreement and any documents relating to the transactions contemplated herein (the "**Ancillary Documents**") shall not merge on and shall survive the Closing and, notwithstanding such Closing, or any investigation made by or on behalf of any Party, shall continue in full force and effect until the 180th day following the date of this Agreement, at which point such representations, warranties and covenants shall terminate and be of no further force or effect.

ARTICLE 5
ADDITIONAL AGREEMENTS OF THE PARTIES

5.1 Cooperation

The Parties shall cooperate fully in good faith with each other and their respective legal advisers, accountants and other representatives in connection with any steps required to be taken as part of their respective obligations under this Agreement.

5.2 Operation of the Business

There will have been no Material Adverse Change to the Business since December 31, 2011, the date of the last financial statements, and the Business will have been carried on in the ordinary course of business since that date through to the Closing Date.

ARTICLE 6
INDEMNIFICATION

6.1 Indemnification by the Vendors

The Vendors shall, jointly and severally, indemnify and save the Purchasers harmless for and from any loss, damages or deficiencies suffered by the Purchasers as a result of any breach of representation, warranty or covenant on the part of the Vendors contained in this Agreement or in any certificate or document delivered pursuant to or contemplated by this Agreement.

6.2 Indemnification by the Purchasers

The Purchasers shall, jointly and severally, indemnify and save the Vendors harmless for and any loss, damages or deficiencies suffered by the Vendors as a result of any breach of representation, warranty or covenant on the part of the Purchasers contained in this Agreement or in any certificate or document delivered pursuant to or contemplated by this Agreement.

6.3 Notice of Claim

A Party entitled to and seeking indemnification pursuant to the terms of this Agreement (the "**Indemnified Party**") shall promptly give written notice to the Party or Parties, as applicable, responsible for indemnifying the Indemnified Party (the "**Indemnifying Party**") of any claim for indemnification pursuant to Sections 6.1 or 6.2 (a "**Claim**", which term shall include more than one Claim). Such notice shall specify whether the Claim arises as a result of a claim by a person (other than a Party) against the Indemnified Party (a "**Third Party Claim**") or whether the Claim does not so arise (a "**Direct Claim**"), and shall also specify with reasonable particularity (to the extent that the information is available): (a) the factual basis for the Claim; and (b) the amount of the Claim, or, if any amount is not then determinable, an approximate and reasonable estimate of the likely amount of the Claim.

6.4 Procedure for Indemnification

6.4.1 **Direct Claims.** With respect to Direct Claims, following receipt of notice from the Indemnified Party of a Claim, the Indemnifying Party shall have 30 days to make such investigation of the Claim as the Indemnifying Party considers necessary or desirable. For the purpose of such investigation, the Indemnified Party shall make available to the Indemnifying Party the information relied upon by the Indemnified Party to substantiate the Claim. If the Indemnified Party and the Indemnifying Party agree at or prior to the expiration of such 30 day period (or any mutually agreed upon extension thereof) to the validity and amount of such Claim, the Indemnifying Party shall immediately pay to the Indemnified Party the full agreed upon amount of the Claim. If the Indemnified Party and the Indemnifying Party do not agree within such period (or any mutually agreed upon extension), the Indemnified Party may take such action as permitted by law.

6.4.2 **Third Party Claims.** With respect to any Third Party Claim, the Indemnifying Party shall have the right, at its own expense, to participate in or assume control of the negotiation, settlement or defence of such Third Party Claim and, in such event, the Indemnifying Party shall reimburse the Indemnified Party for all the Indemnified Party's out-of-pocket expenses incurred as a result of such participation or assumption. If the Indemnifying Party elects to assume such control, the Indemnified Party shall cooperate with the Indemnifying Party, shall have the right to participate in the negotiation, settlement or defence of such Third Party Claim at its own expense and shall have the right to disagree on reasonable grounds with the selection and retention of counsel, in which case counsel satisfactory to the Indemnifying Party and the Indemnified Party shall be retained by the Indemnifying Party. If the Indemnifying Party, having elected to assume such control, thereafter fails to defend any such Third Party Claim within a reasonable time, the Indemnified Party shall be entitled to assume such control and the Indemnifying Party shall be bound by the results obtained by the Indemnified Party with respect to such Third Party Claim.

6.5 General Indemnification Rules

The obligations of the Indemnifying Party to indemnify the Indemnified Party in respect of Claims shall also be subject to the following:

6.5.1 Notwithstanding any other provision herein, any Claim must be made not later than the 180th day following the date of this Agreement;

6.5.2 Notwithstanding any other provision herein, the obligation of the Vendors, or any one or more of them, to indemnify one or both of the Purchasers shall only apply to the extent that the aggregate of all Claims (including claims for costs, fees and expenses, whether pursuant to s. 6.4.2 or otherwise) in respect of which the Vendors, or any one or more of them, has given an indemnity are less than $10,000 in the aggregate, and the Vendors' collectively liability to indemnify the Purchasers, or any one of them, under this Agreement or any other document delivered in connection herewith, including obligations for costs, fees and expenses, whether pursuant to s. 6.4.2 or otherwise, shall be limited to $10,000 in the aggregate;

6.5.3 Notwithstanding any other provision herein, the aggregate obligation of the Purchasers to indemnify the Vendors shall only apply to the extent that the aggregate of all Claims (including Claims for costs and expenses) in respect of which the Purchasers, or any one or more of them, has given an indemnity are less than $10,000 in the aggregate, and the Purchasers' obligations under this Agreement or under any other document delivered in connection herewith, including obligations for costs and expenses, shall be limited to $10,000 in the aggregate;

6.5.4 If any Third Party Claim is of a nature such that the Indemnified Party is required by applicable law to make a payment to any person (a "Third Party") with respect to such

Third Party Claim before the completion of settlement negotiations or related legal proceedings, the Indemnified Party may make such payment and the Indemnifying Party shall, forthwith after demand by the Indemnified Party, reimburse the Indemnified Party for any such payment. If the amount of any liability of the Indemnified Party under the Third Party Claim in respect of which such a payment was made, as finally determined, is less than the amount which was paid by the Indemnifying Party to the Indemnified Party, the Indemnified Party shall, forthwith after receipt of the difference from the Third Party, pay the amount of such difference to the Indemnifying Party;

6.5.5 Except in the circumstance contemplated by Section 6.5.3, and whether or not the Indemnifying Party assumes control of the negotiation, settlement or defence of any Third Party Claim, the Indemnified Party shall not negotiate, settle, compromise or pay any Third Party Claim except with the prior written consent of the Indemnifying Party (which consent shall not be unreasonably withheld);

6.5.6 The Indemnified Party shall not permit any right of appeal in respect of any Third Party Claim to terminate without giving the Indemnifying Party notice and an opportunity to contest such Third Party Claim;

6.5.7 The Indemnified Party and the Indemnifying Party shall cooperate fully with each other with respect to Third Party Claims and shall keep each other fully advised with respect thereto (including supplying copies of all relevant documentation promptly as it becomes available); and

6.5.8 Notwithstanding Section 6.4.2, the Indemnifying Party shall not settle any Third Party Claim or conduct any related legal or administrative proceeding in a manner which would, in the opinion of the Indemnified Party, acting reasonably, have a material adverse impact on the Indemnified Party.

6.5.9 Notwithstanding any other provision herein, the provisions of this Article 6 shall constitute the sole remedy available to a Party against another Party with respect to any and all breaches of any agreement, covenant, representation or warranty made by such other Party in this Agreement or any agreement or document delivered in connection herewith.

6.5.10 The amount of any Claim due under this Agreement shall be reduced by:

6.5.10.1 the amount of any insurance or other reimbursement received by the Indemnified Party in relation to the breach or other event giving rise to the Claim; and

6.5.10.2 the amount expected to be recovered under any counterclaims against third parties in relation to the breach or other event giving rise to the Claim.

ARTICLE 7
GENERAL MATTERS

7.1 Confidentiality

If the transaction contemplated by this Agreement is not completed, the Purchasers shall not, except as contemplated below, directly or indirectly use for their own purposes or communicate to any other Person any confidential information or data relating to the Vendors, the Partnerships, their Subsidiaries or to the Business which become known to the Purchasers, its accountants, legal advisers or representatives as a result of the Vendors making the same available in connection with the transaction contemplated hereby. The foregoing shall not prevent the Purchasers from disclosing or making available to their accountants, professional advisers and bankers and other lenders, whether current or prospective, any such information or data.

7.2 Non-Disclosure

Except (i) as and to the extent required by law or by the proceedings commenced in the Ontario Superior Court of Justice under the *Companies Creditors Arrangement Act* in respect of certain of the Vendors and others (the "**CCAA Proceedings**"), (ii) to its representatives, or (iii) to the monitor appointed pursuant to the CCAA Proceedings and its representatives, neither the Purchasers nor the Vendors shall, and each shall direct its respective representatives not to, without the prior written consent of the other Party, directly or indirectly, make any public comment, statement or communication with respect to, or otherwise disclose or permit the disclosure of the existence of discussions regarding, a possible transaction between the Parties or any of the terms, conditions or other aspects of the transactions or the contents of this Agreement.

7.3 Public Notices

No press release or other announcement concerning the transaction contemplated by this Agreement shall be made by the Vendors or by the Purchasers without the prior written consent of the others (such consent not to be unreasonably withheld) provided, however, that any Party may, without such consent, make such disclosure if the same is required by any stock exchange on which any of the securities of such Party or any of its Affiliates or Associates are listed or by any securities commission or other similar regulatory authority having jurisdiction over such Party or any of its Affiliates or Associates, and if such disclosure is required, the Party making the disclosure shall use reasonable efforts to give prior oral or written notice to the other, and if such prior notice is not possible, to give such notice immediately following the making of such disclosure.

7.4 Expenses

Each Party shall be responsible for its own costs, including, but not limited to, legal, accounting and other professional fees and disbursements incurred in connection with the negotiation, preparation, authorization, execution and delivery of this Agreement and the Court Order. The Subsidiaries of the Partnerships shall not incur transaction expenses relating to the negotiation and settlement of the Agreement, the documents related to this Agreement and the transactions contemplated hereby.

7.5 Notices

Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be given by prepaid mail, by facsimile or by hand-delivery as hereinafter provided. Any such notice or other communication, if mailed by prepaid mail at any time other than during a general discontinuance of postal service due to strike, lockout or otherwise, shall be deemed to have been received on the fourth Business Day after the post marked date thereof, or if sent by facsimile, shall be deemed to have been received on the Business Day following the sending, or if delivered by hand shall be deemed to have been received at the time it is delivered to the applicable address noted below either to the individual designated below or to an individual at such address having apparent authority to accept deliveries on behalf of the addressee. Notice of change of address shall also be governed by this Section. In the event of a general discontinuance of postal service due to strike, lock-out or otherwise, notices or other communications shall be delivered by hand or sent by facsimile and shall be deemed to have been received in accordance with this Section. Notices and other communications shall be addressed as follows:

7.5.1 if to the Vendors:

33 Toronto St.
Uxbridge, Ontario

Attention: Greg MacLeod
Fax number: (905) 852-0273

7.5.2 if to the Purchasers or Partnerships

750 Brookdale Rd.
Uxbridge ON L9P 1R4

Attention: Robert Lee
Fax number: 905 852 1411

with a copy to the Purchaser's Counsel at:

63 Albert St.

Attention: Douglas Turner
Fax number: 905 852 6197

The failure to send or deliver a copy of a notice to the Purchaser's Counsel, Partnership's Counsel or the Vendors' Counsel, as the case may be, shall not invalidate any notice given under this Section.

7.6 Time of Essence

Time is of the essence of this Agreement.

7.7 Further Assurances

Each of the Parties shall promptly do, make, execute, deliver, or cause to be done, made, executed or delivered, all such further acts, documents and things as the other Party hereto may reasonably require from time to time for the purpose of giving effect to this Agreement and shall use reasonable efforts and take all such steps as may be reasonably within its power to implement to their full extent the provisions of this Agreement.

7.8 Counterparts

This Agreement may be signed in counterparts and by facsimile transmission with the same effect as if all Parties had signed the same document, and all such counterparts and facsimiles, taken together, shall constitute an original document and shall be construed together and will constitute one and the same agreement.

IN WITNESS WHEREOF the Parties hereto have executed this Agreement.

FIRST LEASIDE BEVERAGES LIMITED PARTNERSHIP by its general partner **1045515 ONTARIO INC.**

by: Joanna L Hampton
Name: Joanna L. Hampton
Title: Authorized Signing Authority

1045515 ONTARIO INC.

by: Joanna L Hampton
Name: Joanna L. Hampton
Title: Authorized Signing Authority

KING BREWERY LIMITED PARTNERSHIP by its general partner **1045515 ONTARIO INC.**

by: Joanna L Hampton
Name: Joanna l. Hampton
Title: Authorized Signing Authority

FIRST LEASIDE WEALTH MANAGEMENT INC.

by: ______________________
Name: Greg MacLeod
Title: Chief Restructuring Officer

FIRST LEASIDE PROGRESSIVE LIMITED PARTNERSHIP by its general partner **FIRST LEASIDE REALTY II INC.**

by: ______________________
Name: Greg MacLeod
Title: Chief Restructuring Officer

FLWM HOLDINGS LIMITED PARTNERSHIP by its general partner **FIRST LEASIDE FUND MANAGEMENT INC.**

by: ______________________
Name: Greg MacLeod
Title: Chief Restructuring Officer

F.L. BEVERAGES GROUP LIMITED PARTNERSHIP by its general partner **FIRST LEASIDE FUND MANAGEMENT INC.**

by: ______________________
Name: Greg MacLeod
Title: Chief Restructuring Officer

PROVINCIAL BEVERAGES INC.

by: ______________________
Name:
Title:

PROVINCIAL BEVERAGES OF CANADA INC.

by: ______________________
Name:
Title:

by: ______________________________
Name: Greg MacLeod
Title: Chief Restructuring Officer

FIRST LEASIDE PROGRESSIVE LIMITED PARTNERSHIP by its general partner **FIRST LEASIDE REALTY II INC.**

by: ______________________________
Name: Greg MacLeod
Title: Chief Restructuring Officer

FLWM HOLDINGS LIMITED PARTNERSHIP by its general partner **FIRST LEASIDE FUND MANAGEMENT INC.**

by: ______________________________
Name: Greg MacLeod
Title: Chief Restructuring Officer

F. L. BEVERAGES LIMITED PARTNERSHIP by its general partner

•

by: ______________________________
Name: Greg MacLeod
Title: Chief Restructuring Officer

PROVINCIAL BEVERAGES INC.

by: ______________________________
Name: ROBERT G LEE
Title: PRESIDENT

PROVINCIAL BEVERAGES OF CANADA INC.

by: ______________________________
Name: ROBERT E. LEE
Title: PRESIDENT

SCHEDULE A

CLOSING DOCUMENTS

1. Resolutions and Transfers:

1. Corporate resolutions of GP (directors and shareholders) to transfer
   1. GP interest, and
   2. 576 units

   in Bev. LP and
   3. GP interest, and
   4 135 units

   in KBLP
   to PB, and
   (a) authorise Bev LP and KBLP to make changes re PB to be new GP for
   (b) Bev LP, and
   (c) KBLP

2. Partnership Special Resolution of Bev. LP to transfer general partnership of Bev LP from GP to PB :
   (a) preamble of resolution: refer to sections Bev.L.P. agreement: 5.04; 9.15; 13.15(c); 19.04 def. *Special resolution*);
   (b) transfer 576 units Bev. LP to PB
   (c) transfer general partnership rights and obligations in Bev LP to PB.
   (d) amendment to existing Bev. LP re new GP and name change to PBLP
   (e) authorization of transfer of real estate to PB

3. Transfer by Bev GP of real estate PB

4. Partnership Special Resolution of KB LP to transfer general partnership of KBLP from GP to PB :
   (a) preamble of resolution: refer to sections KBLP agreement: 5.04; 9.15; 13.15(c); 19.04 def. *Special resolution*);
   (b) transfer 135 units KBLP to PB
   (c) transfer general partnership rights and obligations KBLP to PB.
   (d) amendment to existing Bev. LP re new GP

5. Transfer 576 units Bev. LP to PB

6. transfer 135 units KBLP to PB

7. Transfer of 2,802,236 CCAA units in Bev LP to PBC

8. Consents of DH to transfers in 2 - 7 to PB (represents 440,000 and 560,000 units)

9. Consent of SF to transfers in 2 - 7 to PB (represents 750,000 units)

10. Motion Record for Court Order

11. **Court Order** substantially in form of Schedule to Share Purchase Agreement to transfer 2,802,236 units to PB and share transfers in 2 – 9

12. Closing undertakings of Vendor re Representations and Warranties
13. GP: Unit holders register and copies of certificates issued to unitholders
14. KB: Unit holders register and copies of certificates issued to unitholders

2. **Corporate**

1. 1045515 Ontario Inc.:
   - 1.1 cert cc (a) Director, and
     (b) Shareholder resolutions authorizing transfers or officer's cert.
   - 1.2 PPSA search
   - 1.3 BIA search
   - 1.4 cert of status
   - 1.5 cert re shareholders
   - 1.6 cert of incumbency

2. King Brewery Inc.
   - 2.1 cert of incumbency
   - 2.2 PPSA search
   - 2.3 BIA search
   - 2.4 cert of status
   - 2.5 cert re shareholders

3. Beer Barons Inc.
   - 3.1 cert of incumbency
   - 3.2 PPSA search
   - 3.3 BIA search
   - 3.4 cert of status
   - 3.5 cert re shareholders

4. Thornbury Village Cidery Inc.
   - 4.1 cert of incumbency
   - 4.2 PPSA search
   - 4.3 BIA search
   - 4.4 cert of status
   - 4.5 cert re shareholders

3. **Real Estate transfer and consents**

1. PIN search
2. Resolution of Bev LP partnership for sale
3. Resolution of GP for sale
4. Acknowledgment and Direction
5. Mortgage statement from first mortgagee

6. Consent to transfer from first mortgagee
7. copy of environmental report
8. copy of building permits
9. copies of insurance policies
10. Land transfer statement: purchaser
11. Current appraisal
12. Title insurance
13. Acknowledgement and Direction
14. Directors' resolution of PB

4. Security Discharges:

1. First Leaside Nominee Services Inc. re GP GSA

SCHEDULE B

List of Vendors 1, 2, 3, 4 and 5 and Pro Rata Interests in the Purchase Price 1 and Purchase Price 2

Partnership 1

Vendor 1, Vendor 2, Vendor 3 and Vendor 4 collectively own 2,802,236 of the issued and outstanding Class "A" units, Vendor 5 owns 576 of the issued and outstanding Class "A" units, and the purchase price shall be allocated pro rata as follows:

Units owned:		Share of $759,500 purchase price:
Vendor 1:	1,452,569	51.8%
Vendor 2:	575,000	20.5%
Vendor 3:	654,000	23.3%
Vendor 4:	120,667	4.3%
Vendor 5:	576	.1%

Partnership 2

Units owned:		Share of $500 purchase price:
Vendor 5:	135 units	$500

SCHEDULE C1

Capital of Partnership 1 and Unitholder Register

See attached

SCHEDULE C2

Capital of Partnership 2 and Unitholder Register

See attached

SCHEDULE D

Form of Court Order

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

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

THE HONOURABLE	)	WEEKDAY, THE #
	)	
JUSTICE	)	DAY OF MONTH, 20YR

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF First Leaside Wealth Management Inc., First Leaside Finance Inc., First Leaside Securities Inc., FL Securities Inc., First Leaside Management Inc., First Leaside Accounting and Tax Services Inc., First Leaside Holdings Inc., 2086056 Ontario Inc., First Leaside Realty Inc., First Leaside Capital Inc., First Leaside Realty II Inc., First Leaside Investments Inc., 965010 Ontario Inc., 1045517 Ontario Inc., 1024919 Ontario Inc., 1031628 Ontario Inc., 1056971 Ontario Inc., 1376095 Ontario Inc., 1437290 Ontario Ltd., 1244428 Ontario Ltd., PrestonOne Development (Canada) Inc., PrestonTwo Development (Canada) Inc., PrestonThree Development (Canada) Inc., PrestonFour Development (Canada) Inc., 2088543 Ontario Inc., 2088544 Ontario Inc., 2088545 Ontario Inc., 1331607 Ontario Inc., Queenston Manor General Partner Inc., 1408927 Ontario Ltd., 2107738 Ontario Inc., 1418361 Ontario Ltd., 2128054 Ontario Inc., 2069212 Ontario Inc., 1132413 Ontario Inc., 2067171 Ontario Inc., 2085306 Ontario Inc., 2059035 Ontario Inc., 2086218 Ontario Inc., 2085438 Ontario Inc., First Leaside Visions Management Inc., 1049015 Ontario Inc., 1049016 Ontario Inc., 2007804 Ontario Inc., 2019418 Ontario Inc., FL Research Management Inc., 970877 Ontario Inc., 1031628 Ontario Inc., 1045516 Ontario Inc., 2004516 Ontario Inc., 2192341 Ontario Inc., and First Leaside Fund Management Inc. (the "Applicants")

SALE APPROVAL AND VESTING ORDER

THIS MOTION, made by the Applicants for an order approving the sale transaction (the "Transaction") contemplated by a Unit Purchase, Transfer of General Partner and Transfer of Property Agreement (the "Sale Agreement") among

Legal*7374146.3

(a) First Leaside Beverages Limited Partnership ("Partnership 1");

(b) King Brewery Limited Partnership ("Partnership 2");

(c) First Leaside Wealth Management Inc. ("Vendor 1");

(d) First Leaside Progressive Limited Partnership ("Vendor 2");

(e) FLWM Holdings Limited Partnership ("Vendor 3");

(f) F.L. Beverages Group Limited Partnership ("Vendor 4");

(g) 1045515 Ontario Inc. ("Vendor 5");

(h) Provincial Beverages of Canada Inc. (the "Purchaser"); and

(i) Provincial Beverages Inc. ("Purchaser 2")

dated [DATE] and appended to the Affidavit of Greg MacLeod, sworn April [DATE], 2012 (the "MacLeod Affidavit"), and vesting in the Purchaser the right, title and interest of Vendor 1, Vendor 2, Vendor 3, and Vendor 4 (collectively, the "Vendor") in and to the assets, other than assets of Vendor 5, defined in the Sale Agreement as Purchased Units 1 as provided for in Article 2.1 of the Sale Agreement (collectively, the "Purchased Assets"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the MacLeod Affidavit, the Report of the Monitor dated [DATE] (the "Report") and on hearing the submissions of counsel for the Applicants, the Monitor, [NAMES OF OTHER PARTIES APPEARING], no one appearing for any other person on the service list, although properly served as appears from the affidavit of [NAME] sworn [DATE] filed:

1. THIS COURT ORDERS AND DECLARES that the Transaction is hereby approved, and the execution of the Sale Agreement by Gregory MacLeod on behalf of the Vendor is hereby authorized and approved, with such minor amendments as the Monitor may consent to and the parties may deem necessary. The Vendor is hereby authorized and directed to take such additional steps and execute such additional documents as the Monitor may consent to and as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser.

2. THIS COURT ORDERS AND DECLARES that upon the delivery of a Monitor's certificate to the Purchaser substantially in the form attached as Schedule A hereto (the "Monitor's Certificate"), all of the Vendor's right, title and interest in and to the Purchased Assets shall vest absolutely in the Purchaser, free and clear of and from any

and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "Claims") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of the Honourable Mr. Justice David M. Brown dated February 23, 2012; and (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system (all of which are collectively referred to as the "Encumbrances") and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

3. THIS COURT ORDERS that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Monitor's Certificate all Claims and Encumbrances shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

4. THIS COURT ORDERS AND DIRECTS the Vendor to file with the Court a copy of the Monitor's Certificate, forthwith after delivery thereof.

5. THIS COURT ORDERS that, notwithstanding:

(a) the pendency of these proceedings;

(b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of the Vendor and any bankruptcy order issued pursuant to any such applications; and

(c) any assignment in bankruptcy made in respect of the Vendor;

the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Vendor (or any one or more of them) and shall not be void or voidable by creditors of the Vendor (or any one or more of them), nor shall it constitute nor be deemed to be a settlement, fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

6. THIS COURT ORDERS AND DECLARES that the Transaction is exempt from the application of the *Bulk Sales Act* (Ontario).

7. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Vendor and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Vendor, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Vendor and its agents in carrying out the terms of this Order.

Schedule A – Form of Monitor's Certificate

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF First Leaside Wealth Management Inc., First Leaside Finance Inc., First Leaside Securities Inc., FL Securities Inc., First Leaside Management Inc., First Leaside Accounting and Tax Services Inc., First Leaside Holdings Inc., 2086056 Ontario Inc., First Leaside Realty Inc., First Leaside Capital Inc., First Leaside Realty II Inc., First Leaside Investments Inc., 965010 Ontario Inc., 1045517 Ontario Inc., 1024919 Ontario Inc., 1031628 Ontario Inc., 1056971 Ontario Inc., 1376095 Ontario Inc., 1437290 Ontario Ltd., 1244428 Ontario Ltd., PrestonOne Development (Canada) Inc., PrestonTwo Development (Canada) Inc., PrestonThree Development (Canada) Inc., PrestonFour Development (Canada) Inc., 2088543 Ontario Inc., 2088544 Ontario Inc., 2088545 Ontario Inc., 1331607 Ontario Inc., Queenston Manor General Partner Inc., 1408927 Ontario Ltd., 2107738 Ontario Inc., 1418361 Ontario Ltd., 2128054 Ontario Inc., 2069212 Ontario Inc., 1132413 Ontario Inc., 2067171 Ontario Inc., 2085306 Ontario Inc., 2059035 Ontario Inc., 2086218 Ontario Inc., 2085438 Ontario Inc., First Leaside Visions Management Inc., 1049015 Ontario Inc., 1049016 Ontario Inc., 2007804 Ontario Inc., 2019418 Ontario Inc., FL Research Management Inc., 970877 Ontario Inc., 1031628 Ontario Inc., 1045516 Ontario Inc., 2004516 Ontario Inc., 2192341 Ontario Inc., and First Leaside Fund Management Inc. (the "Applicants")

MONITOR'S CERTIFICATE

RECITALS

A. Pursuant to an Order of the Court dated [DATE] (the "Approval Order"), the Court approved the agreement of purchase and sale made as of [DATE OF AGREEMENT] (the "Sale Agreement") between the Vendor and Purchaser (as defined in the Approval Order) and provided for the vesting in the Purchaser of the Vendor's right, title and interest in and to the Purchased Assets (as defined in the Approval Order), which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Monitor to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the purchase price for the Purchased Assets; (ii) that the conditions to closing as set out in the Sale Agreement have been satisfied or waived by the Vendor and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the parties.

THE MONITOR CERTIFIES the following:

1. The Purchaser has paid and the Vendor has received Purchase Price 1 (as defined in the Sale Agreement) for the Purchased Assets payable on the Closing Date pursuant to the Sale Agreement;

2. The conditions to Closing as set out in sections 3.4.1 and 3.4.2 of the Sale Agreement have been satisfied or waived by the Vendor and the Purchaser; and

3. The Transaction has been completed to the satisfaction of the parties.

4. This Certificate was delivered by the Monitor at [TIME] on ___ [DATE].

GRANT THORNTON LIMITED, in its capacity as Monitor in respect of the *Companies' Creditors Arrangement Act* proceedings brought by the Applicants and not in its personal capacity

Per: ______________________________

Name:

Title:

SCHEDULE E

Form of Non-Competition Agreement

NON-COMPETITION AGREEMENT

THIS AGREEMENT dated effective 2012

BETWEEN , of the , in the Province of Ontario, (the "Vendors")

and

a company incorporated pursuant to the laws of the Province of Ontario, (the "Purchaser")

WHEREAS:

A. The Vendors are vendors in a Share Purchase Agreement dated April , 2012 (the "Agreement");

B. The Vendors have agreed to sell and the Purchaser has agreed to purchase certain limited partnership interests in certain limited partnerships (the "Limited Partnerships") held by the Vendors and certain real estate;

C. the Vendors and the Purchaser have agreed to enter into this Agreement as additional consideration in order to induce the Purchaser to complete the transaction contemplated in the Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the sum of Two ($2.00) Dollars paid by the Purchaser to the Vendors (the receipt and sufficiency of which is hereby acknowledged), and of other valuable consideration, the Parties hereto covenant with each other as follows:

1. The Vendors will not, for a period of two (2) years after the completion of the purchase and sale pursuant to the Agreement (the "Closing"), without the consent of the Purchaser, by themselves or in partnership or in conjunction with any individual, partnership, company, corporation, unincorporated association, or a trust, either directly or indirectly, undertake or carry on or be engaged in or have any financial or other interest in, or in any manner advise or assist, any person engaged or interested in any business or businesses which operate within the Province of Ontario which would compete with the business carried on by the Limited Partnerships and their subsidiaries at the time of the Closing (the "Business").

1. 2. The Vendors acknowledges that the Vendors have heretofore, had access to and have been entrusted with information relating to the Business that has not been disclosed to third parties ("Confidential Information") including, without limitation, trade secrets and know-how, the names and addresses of the customers and suppliers of the Business and their particular business requirements and the names and addresses of the employees of the Business, the disclosure of which Confidential Information to competitors of the Purchaser, or to the general public would be highly detrimental to the best interests of the Purchaser. The Vendors further acknowledge and agree that the right to maintain confidential the Confidential Information constitutes a proprietary right that the Purchaser is entitled to protect. Accordingly, the Vendors covenant and agree with the Purchaser that they will not disclose any Confidential Information to any person nor will they use the same for any purposes other than those of the Business or the Purchaser at any time during the period two (2) years following the Closing. The term "Confidential Information" shall not include, and this Agreement does not apply to or restrict any of the Vendors or their affiliates from using or disclosing Confidential Information which:

(i) is or becomes generally available to the public other than through a breach of this Agreement by a Vendor;

(ii) is or becomes available to a Vendor on a non-confidential basis from a source other than the Limited Partnerships or their subsidiaries, which source, to the best of the Vendors' knowledge, is not prohibited from disclosing such information by a legal, contractual or fiduciary obligation; or

(iii) is independently developed by a Vendor without the use of the Confidential Information.

3. The Vendors shall not, for a period of two (2) years following the Closing, solicit the services of any present employee of the Purchasers except as incidental to opportunities for employment made available to qualified persons in the community generally and not designed for or specifically offered to employees of the Purchaser.

4. The Vendors shall not, for a period of two (2) years following the Closing, divert or attempt to divert any business or customers or suppliers or employees away from the Purchaser.

5. The Parties hereby acknowledge that nothing in the foregoing covenants of this Agreement is intended to be in breach of public policy or to prevent the Vendors from otherwise engaging in lawful profession or becoming gainfully employed. The Vendors acknowledge and agree that they have knowledge and skills in other fields and the enforcement of the covenants herein contained will not prohibit him from earning a livelihood.

6. The Parties hereto covenant and agree that the covenants on the part of the Vendor herein contained are independent of and supplementary to any other similar covenant given to the Purchaser by the Vendors pursuant to other agreements.

7. The covenants contained in this Agreement shall be construed as severable and independent and the Vendor s acknowledge that the restrictions contained herein are reasonable and necessary under the circumstances. Specifically, the Vendors hereby agree that all restrictions

in sections 1 and 2 are reasonable and valid and all defences to the strict enforcement thereof by the Purchaser are hereby waived by the Vendors. The Vendors acknowledges that a violation of any of the provisions of sections 1 and 2 will result in immediate and irreparable damage to the Purchaser, and agrees that, in the event of such violation, the Purchaser shall, in addition to any other rights to relief, be entitled to equitable relief by way of temporary or permanent injunction and to such other relief as any court of competent jurisdiction may deem just and proper. If the Vendors are in breach of any of such restrictions, the running of the period of proscription shall be stayed and shall recommence upon the date the Vendors ceases to be in breach thereof, whether voluntarily or by injunction.

8. This Agreement shall be interpreted, construed and governed by the laws of the Province of Ontario and the laws of Canada applicable in such Province.

9. Notwithstanding any other provision herein, nothing herein shall prevent a Vendor from disclosing Confidential Information to the extent it becomes legally compelled to do so (including by Court order, by order of examination for discovery, order for production of documents, subpoena, civil investigative demand or similar process by court order of a court of competent jurisdiction, or in order to comply with applicable requirements of any stock exchange, government department or agency or other regulatory authority, or by requirements of any securities law or regulations or other legal requirements or as part of the CCAA Proceedings (as such term is defined in the Agreement)).

IN WITNESS WHEREOF the Parties hereto have executed this Agreement as of the date first noted above.

SIGNED, SEALED AND DELIVERED)
in the presence of)
) ________________________
)
)
)

____
A.S.O.

SCHEDULE F

Required Consents

1. The Court Order.

2. Consent of First Leaside Nominee Services Inc. Re: the transfer of nominee ownership of the property municipally known as 90 King St. E, Thornbury, Ontario upon which First Leaside Nominee Services Inc. has registered a first charge mortgage.

3. Consents of Doug Hyatt re: waiving of the right of first refusal pursuant to section 5.02 of the First Leaside Beverages Limited Partnership Agreement.

4. Consents of Sean Fleming re: waiving of the right of first refusal pursuant to section 5.02 of the First Leaside Beverages Limited Partnership Agreement.

SCHEDULE G

Indebtedness

1. Mortgage to First Leaside Nominee Services Inc.: mortgage on Property in amount of $1,000,000.00 principal with $1,000,000.00 outstanding ('mortgage') payable interest only (to be assumed on Closing with consent of mortgagee to be provided on Closing).

2. GSA from Partnership 1 to First Leaside Nominee Services Inc. in support of mortgage (to be discharged on Closing together with PPSA registration)

3. GSA from Vendor 5 to First Leaside Nominee Services Inc. in support of mortgage (to be discharged on Closing together with PPSA registration)

4. Loans from B.T.F. Ventures Inc. as set out in attached *Amended Postponement of Rights and Claims* totalling $557.000.00 principal together with interest to April 30, 2012 of $55,700.00 and secured by PPSA registrations. To be assumed on Closing.

5. Security given by Subsidiaries of Vendors for business assets secured by PPSA registrations as on attached PPSA registrations for Beer Barons Inc., King Brewery Inc. and Thornbury Village Cidery Inc. To be assumed on closing.

SCHEDULE H

Litigation

1. Threatened civil claim by Troy Taylor. See attached correspondence from Mr. Taylor's counsel relating to the threatened action.

TAB G

This is Exhibit "G" referred to in the affidavit of **Gregory MacLeod** sworn before me at Toronto, Ontario this 23rd day of April 2012

....

A Commissioner For Taking Affidavits

Leon Efraim, LSUC #51809W

Colliers INTERNATIONAL

Accelerating success.

Michael Betsalel

Vice President, Sales Representative

Office: Toronto North
245 Yorkland Boulevard, Suite #200
Toronto, ON M2J 4W9

Dir:+1 416 643 3465
Email:Michael.Betsalel@colliers.com

Download V-Card

SHARE

My Profile

Professional Summary

Michael Betsalel accelerates his clients' success by sharing market insight to create knowledge driven solutions. He specializes in helping institutions, REITs and private investors to acquire or dispose of multi-family real estate investments. Michael has built a unique network of local, national and international investors, enabling him to provide his clients with geographic investment flexibility. By sharing market insight and business connections with investors across the country, Michael has become a market leader in the multi-family investment industry. Prior to the completion of his Masters of Business Degree, Michael spent five years in Management with a Fortune 500 organization. He has spent the past 7 years focused exclusively on multi-family investment brokerage in the Greater Toronto Area.

Accomplishments

Since developing Colliers Apartment Team in 2005, Michael has quickly become one of the most active multi-family specialists in the city, having sold over $300 million in commercial real estate transactions. and $200 million in Multi-family properties.

Education

MBA, Schulich School of Business

Hons. BBA, Wilfrid Laurier University

Specializations

Apartments and Residential Brokerage, Investment Properties Brokerage

Accreditations

MBA, BBA

Languages Spoken

English

Year Started

2005

Latest Transactions

19 Suites - Yonge & Bloor
For Sale
ID #5614

Broker(s):
Michael Betsalel
Earl Kufner

Multi-Family Sold

30 Charles Street East

Description:
Sold at a Cap Rate of 5.4%.

Read More

20 Suites - Dufferin & St. Clair Ave. W.
For Sale
ID #5612

Broker(s):
Michael Betsalel
Earl Kufner

Multi-Family Sold

1078 St. Clair Ave W.

Description:
5,000 SF of retial on St. Clair Ave. W. Sold at a Cap Rate of 7.0%.

Read More

58 Suites - Dufferin & Eglinton
For Sale
ID #5609

Broker(s):
Michael Betsalel
Earl Kufner

Multi-Family Sold

101 Marlee Avenue

Description:
Court ordered sale. Sold at a Cap Rate of 6.0%.

Read More

View all Canada transactions

Michael's Listings

- View my Recent Transactions

TAB H

This is Exhibit "H" referred to in the affidavit of **Gregory MacLeod** sworn before me at Toronto, Ontario this 23rd day of April 2012

Leon E

....

A Commissioner For Taking Affidavits

Leon Efraim, LSUC #51809W

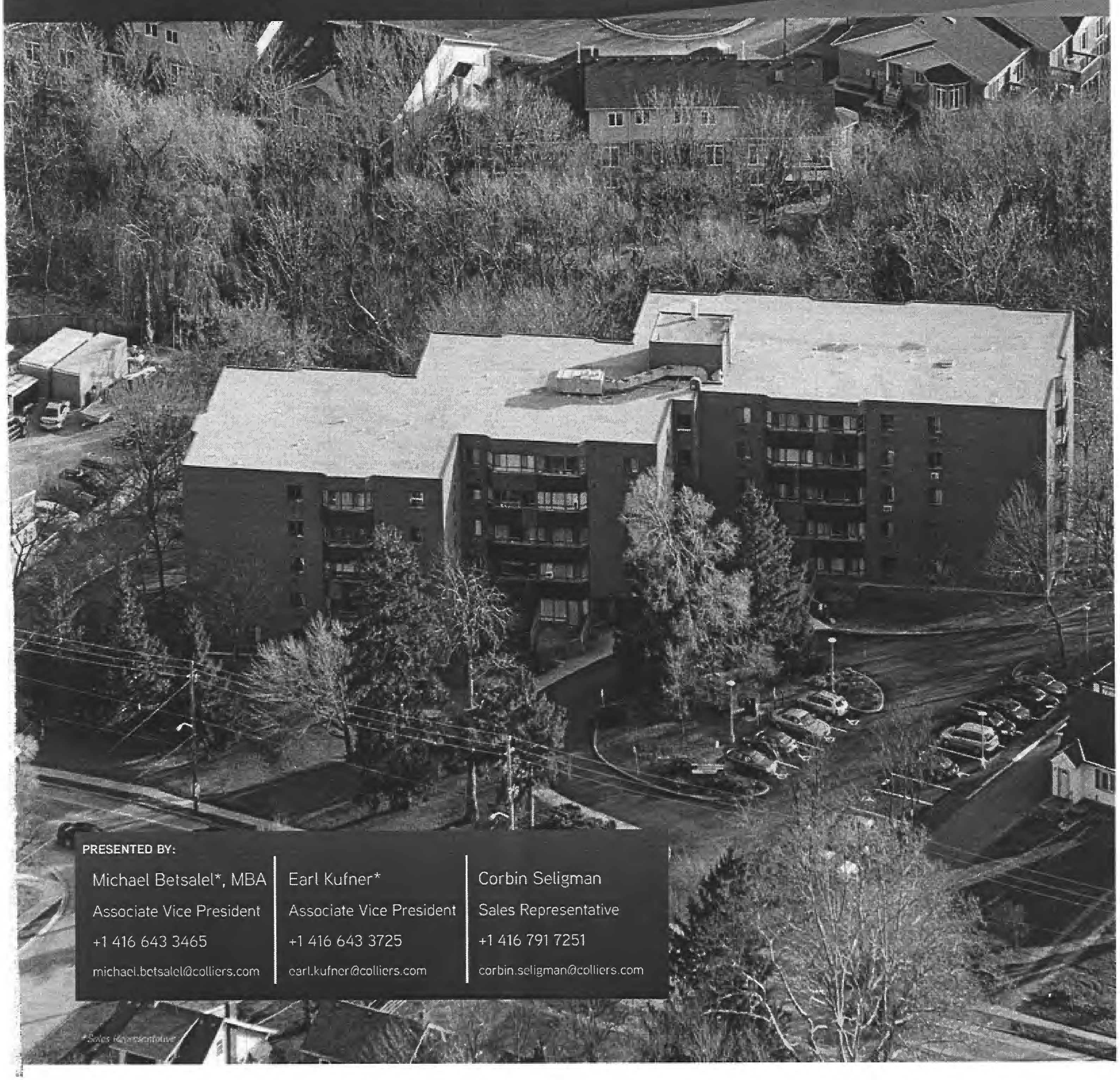
Admin*1473413.1

Multi-Family Investment Opportunity

St. Catharines, Ontario

Confidential Investment Memorandum

Colliers INTERNATIONAL



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Queenston
Manor

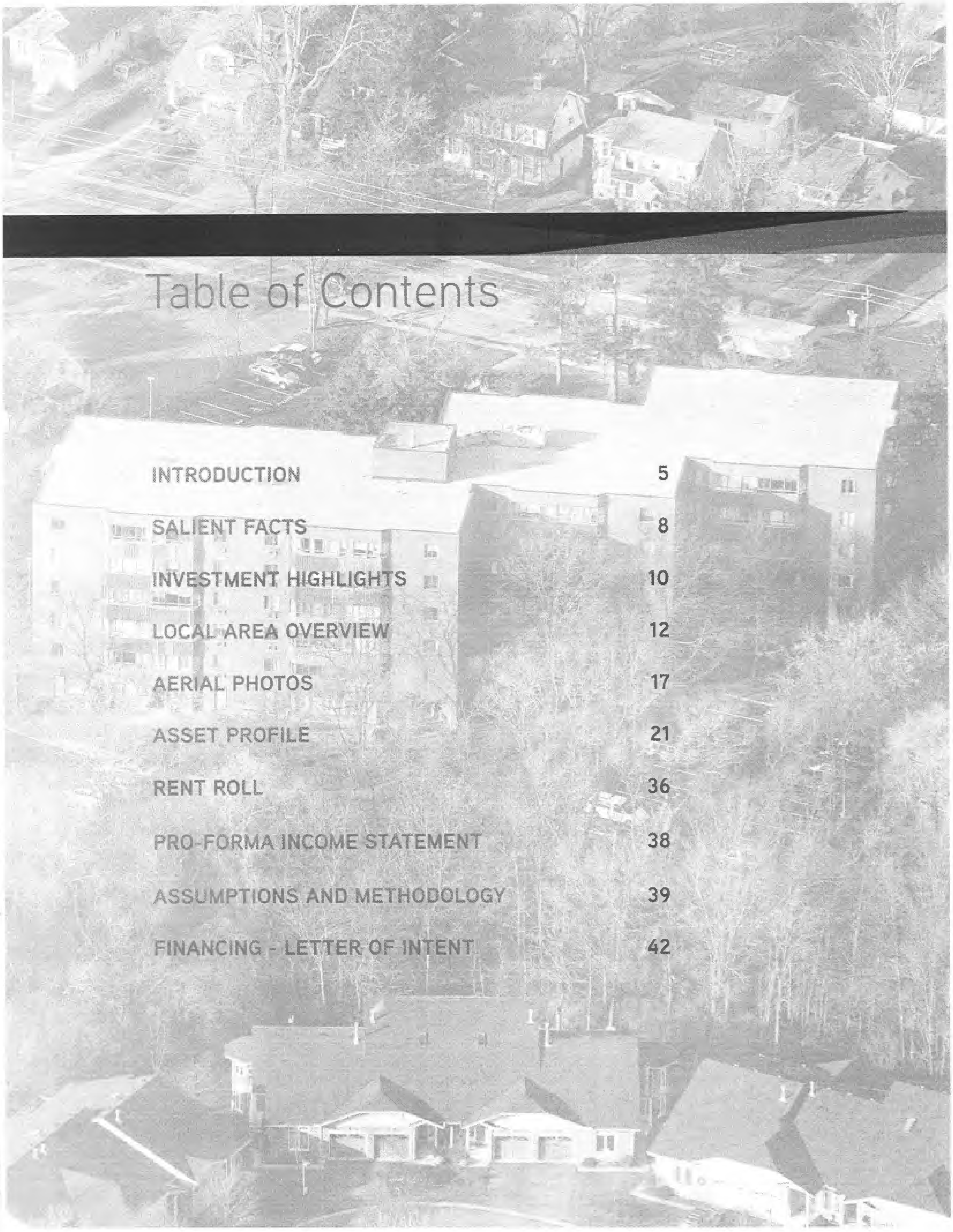

Table of Contents

INTRODUCTION	5
SALIENT FACTS	8
INVESTMENT HIGHLIGHTS	10
LOCAL AREA OVERVIEW	12
AERIAL PHOTOS	17
ASSET PROFILE	21
RENT ROLL	36
PRO-FORMA INCOME STATEMENT	38
ASSUMPTIONS AND METHODOLOGY	39
FINANCING - LETTER OF INTENT	42

Introduction

INTRODUCTION

Colliers Macaulay Nicolls (Ontario) Inc. ("Colliers") has been retained on an exclusive basis by the owner (the "Vendor") to act as its advisor and exclusive agent in connection with the proposed sale of 382 Queenston Street (the "Property"). The Property is comprised of a 77-suite apartment building, in the City of St. Catharines, Ontario, located on the south side of Queenston Street, east of Hartzel Road and west of Bunting Road.

CONFIDENTIALITY AND DISCLAIMER

The Confidential Investment Memorandum (the "CIM") is provided to interested and qualified parties with an expressed interest in acquiring the Property. The recipient agrees not to reproduce this document, in whole or in part, to use the information contained herein for any purpose other than the evaluation of the investment opportunity, and to keep permanently confidential all such information that is not in the public domain.

The CIM provides detailed information relating to certain physical, financial and location characteristics of the Property. The information on which this CIM is based has been obtained from various sources considered reliable, including the Vendor. All information relating to the Property, in addition to the information provided herein, which is transmitted or made available to a prospective purchaser at any time, orally or otherwise, by the Vendor or Colliers, is provided as a convenience only without representation or warranty as to accuracy or completeness, and such information should not be relied upon by a prospective purchaser without independent investigation and verification. Colliers has conducted a review of this information but has not independently verified its accuracy or completeness. This document is provided by Colliers with the expressed understanding that prospective purchasers will undertake their own review and due diligence and independently investigate those matters deemed pertinent. Colliers reserves the right to request return of this document at any time.

The Vendor and Colliers expressly disclaim any and all liability for any errors or omissions in the CIM or any other written or oral communication transmitted or made available to a prospective purchaser.

The CIM is not to be reproduced, in whole or in part, without the express written consent of Colliers. The terms and conditions in this section will relate to all of the sections in this CIM as if stated independently therein. The division of the CIM into sections, paragraphs, sub-paragraphs and the insertion or use of titles and headings are for convenience of reference only and shall not affect the construction or interpretation of this CIM.

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. All properties are subject to change or withdrawal without notice. Colliers Macaulay Nicolls (Ontario) Inc., Brokerage and certain of its subsidiaries are independently owned and operated businesses and member firms of Colliers International Property Consultants, an affiliation of independent companies with over 240 offices throughout more than 50 countries worldwide.

SUBMISSION GUIDELINES

Submissions will be evaluated primarily on the consideration offered for the asset, the method of payment of the consideration, the prospective purchaser's ability to complete the transaction, the form of offer and the proposed date and conditions of closing.

Prospective purchasers should note that the Vendor is under no obligation to respond to or accept any submission for the asset. The Vendor reserves the right to remove the asset from the market and to alter the process described above and timing thereof, at its sole discretion.

SUBMISSION DATE

CONDITIONS OF SALE

The assets and all fixtures, chattels and equipment included with the Subject Property are to be purchased on an "as is, where is" basis and there is no warranty, expressed or implied, as to title, description, condition, cost, size, merchantability, fitness for purpose, quantity or quality thereof.

Any information related to the asset which has been or may be obtained from the Vendor, Colliers International or any other person, by a prospective purchaser, will have been provided solely for the convenience of the prospective purchaser and will not be warranted to be accurate or complete and will not form part of the terms of an Agreement of Purchase and Sale.

OFFERING PRICE

$8,500,000

EXCLUSIVE REPRESENTATION

All inquiries regarding the Property or any information contained in this Offering are to be directed to:

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Salient Facts

Salient Facts

Municipal Address	382 Queenston Street, St. Catharines, ON
Legal Descriptions	PT LT 11 CON 7 GRANTHAM PARTS 5-42, 30R3638; S/T RO464715, RO464716, RO472849; ST. CATHARINES
Frontage	270.67 Feet
Lot Size	121,137 Square Feet (7.8 ac)
Zoning:	R4AZ4 (Residential)
Construction	Concrete Construction, Brick Masonry
Year Built	1982
Building Size	77 Apartment Suites
Suite Mix	30 One bedroom units - 690 SF 31 Two bedroom units - 834 SF 11 Two bedroom units - 998 SF 5 Two bedroom units - 1,039 SF
Parking:	Surface Parking Lots (89 Total Spots)
Laundry Facility	Yes
Elevator	Yes (2)
Financing	Treat as Clear
List Price	$8,500,000
Price Per Suite	$110,390
Projected Net Income (2012)	$432,115
Cap Rate (%) (2012)	5.08%
Cash on Cash Yield (%) (2012)	4.91%
Total Investment Return (2012)	7.73%

Investment Highlights

Investment Highlights

EXTREMELY WELL CAPITALIZED

Current management has maintained the building to a standard well above what is generally seen in the multifamily marketplace. The building can be underwritten without a discount to many significant future major capital expenditures. In the past few years, the entire roof and the majority of the windows have been replaced, a brand new elevator and gas boiler installed, and the parking lot has been re-paved.

CURB APPEAL & RELATIVE LOCATION

The building has a very enticing street presence, on a quiet residential street, backed by trees. The 2.8 acre property is located in central St. Catharines, Ontario, backing onto a ravine and across from a municipal park.

AMENITIES

The building offers tenants a variety of amenities at the Property, including a fitness center, complete with a sauna and whirlpool, as well as social lounge and games room.

TENANT PROFILE

As a result of the quality of the building and its suites, the associated amenities, and the community atmosphere, the building has become the primary alternative for retirees seeking independent living prior to entering assisted living accommodations. The tenants in the building are almost exclusively senior citizens. The tenants have formed an association that organizes social programs such as BBQ's, book clubs, etc.. There is extraordinarily low turnover at the Property.

CONDO-QUALITY UNITS

Condo-grade units enable a developer or investor to convert the Property into a condominium building and to sell off individual units to end users. Further, the building could be converted into a retirement residence considering the age and demographic of current tenants as well as the amenities and common spaces on the lower level.

CLEAR FINANCING

The opportunity enables an investor to lever the Property with unencumbered CMHC insured debt, which is currently being offered at historically low interest.

Location Overview

Location Overview

The Subject Property is located in central St. Catharines, on the south side of Queenston Street, between Hartzel and Bunting Roads. Ideally situated on a major thoroughfare, in an upscale neighbourhood, the Property benefits from its central location in St. Catharines and proximity to parks, shops and hospitals.

TRANSPORTATION

The Property is located steps from the Queenston Street east-west bus route which transports residents across the city of St. Catharines and connects to many other bus routes.

Motorists have easy access to Queenston Street and are in close proximity to the Garden City Skyway and Highway 406. These major freeways provide access to Toronto and Hamilton to the north and Niagara and Buffalo to the south.

NEIGHBOURHOOD

The Property is situated in a well-established residential neighbourhood, known as Niagara Gardens, on a major east-west thoroughfare. The surrounding neighbourhood is centrally located and is popular among older couples and retirees.

St. Catharines is known for its friendliness, charm and pride – characteristics that stem from its identity as 'The Garden City'. St. Catharines has over 1,000 acres of parks, trails and other recreational land.

Situated on the Welland Canal, St. Catharines has a long industrial and shipping history. In the early 1800's, an inn was built by Thomas Adams, located on the east side of what is now Ontario Street. It became a community meeting place, election centre, stagecoach stop, and mail delivery deposit. The Church and log school house were also completed around the same time as the inn – both are located on the east bank of the 12 Mile Creek at the extreme west end of the what was known at that time as Main Street - an extension of the old Iroquois Trail and renamed St. Paul Street by the mid-19th Century. Several mills, salt works, numerous retail outlets, a ship building yard, distillery and various other businesses followed.

The first Welland Canal was constructed from 1824 to 1833 behind St. Paul Street, using Twelve Mile and Dick's Creek. The canal established St. Catharines as the hub of commerce and industry for the Niagara Peninsula.

Location Overview (continued)

DEMOGRAPHICS

382 Queenston Street is located in the City of St. Catharines, which is home to a population of 131,989 people. The community is stable, with a large number of older couples and seniors. Demographic statistics based on the 2006 census identify an average age of 41.7 years, above the provincial average of 39 years. 44.8% of the population lives in rental accommodations with apartment style buildings of 5 storeys or more accounting for 10.7% of the dwellings, below the provincial average of 15.6%.

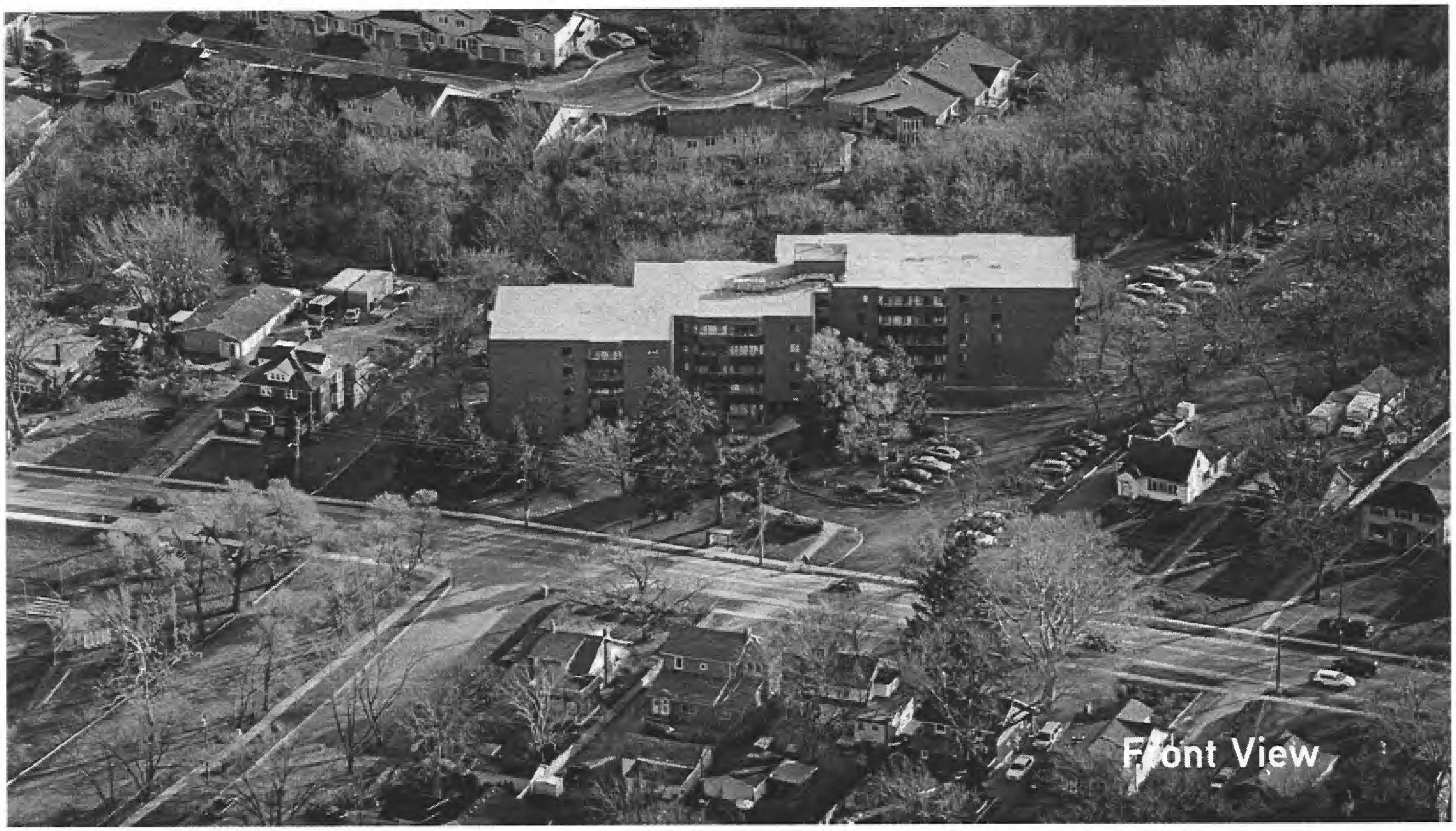
LOCAL AMENTIEIS

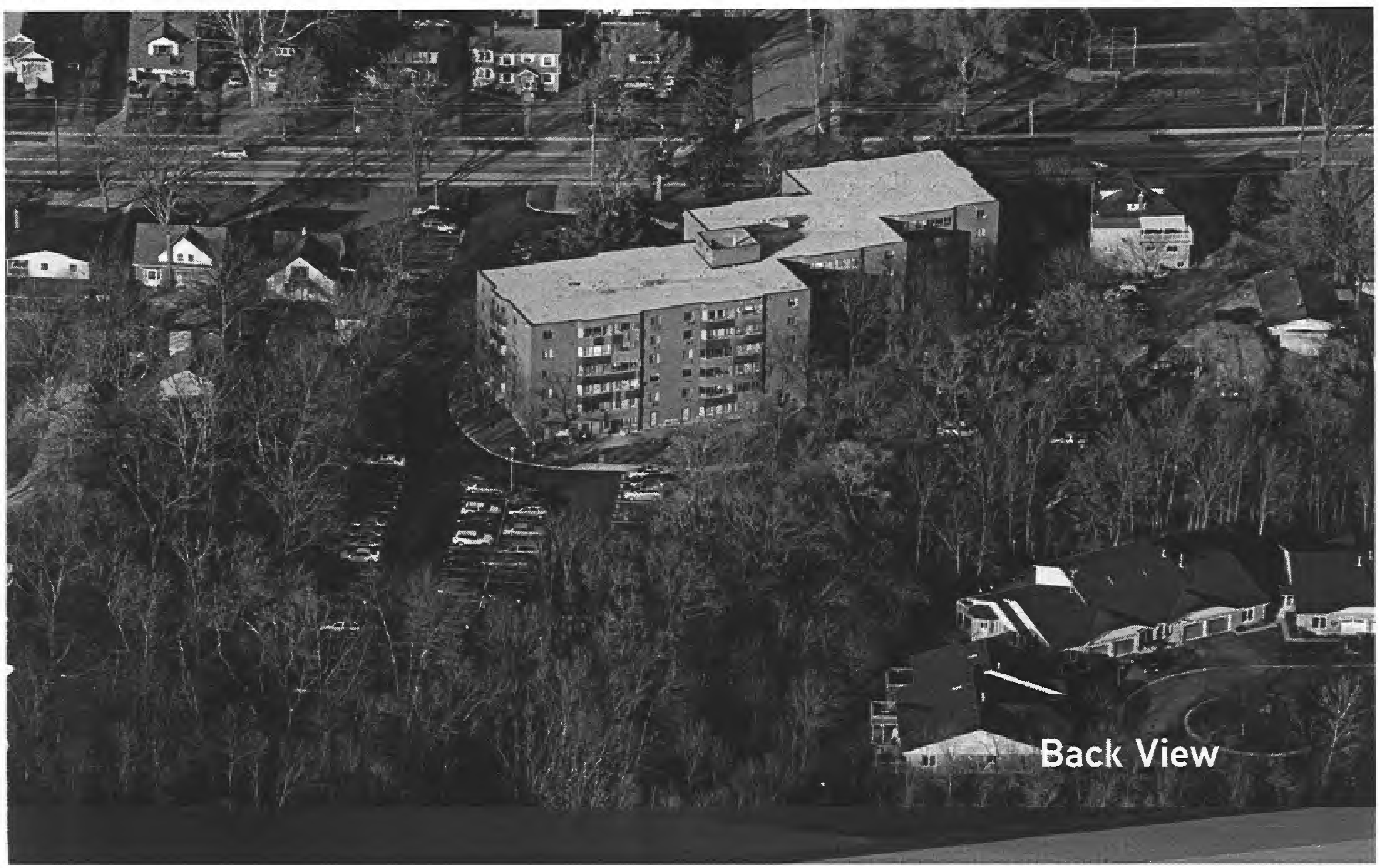
St. Catharines residents enjoy a plethora of public and private amenities. As noted earlier, St. Catharines is dubbed 'The Garden City' due to the large number of parks and ample recreation lands within the city boundaries. St. Catharines has several art galleries, notably Rodman Hall and the Niagara Artists Centre – a not-for-profit collective, serving working artists of the Niagara region. Further, the St. Catharines Museum provides a glimpse into the city's history as an industry and shipping hub. The museum is located on the Welland Canal.

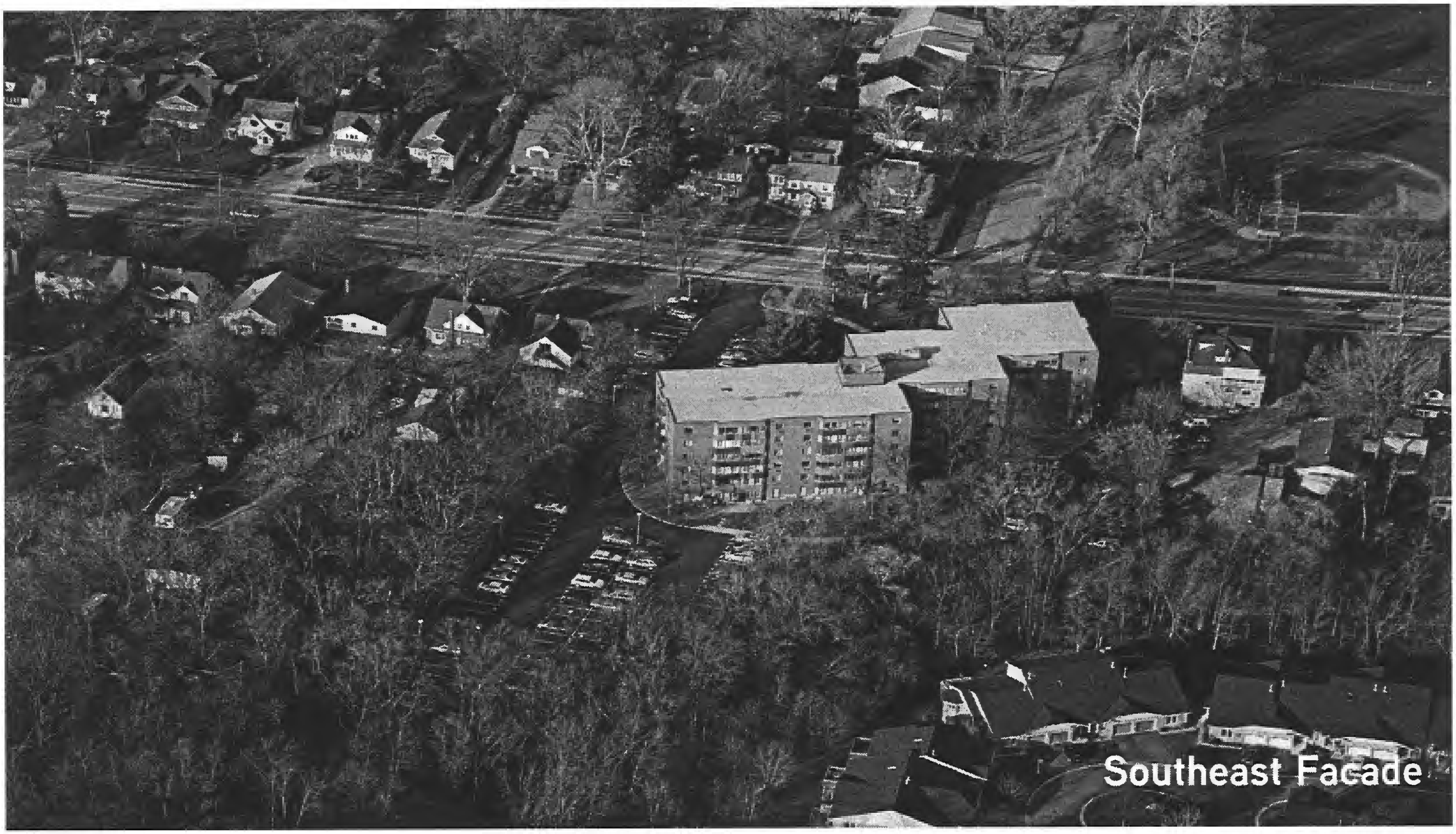
St. Catharines plays host to several festivals throughout the year. Annual art shows, grape and wine festivals, music festivals and many other community celebrations are enjoyed by residents year-round.

Location Map

Aerials

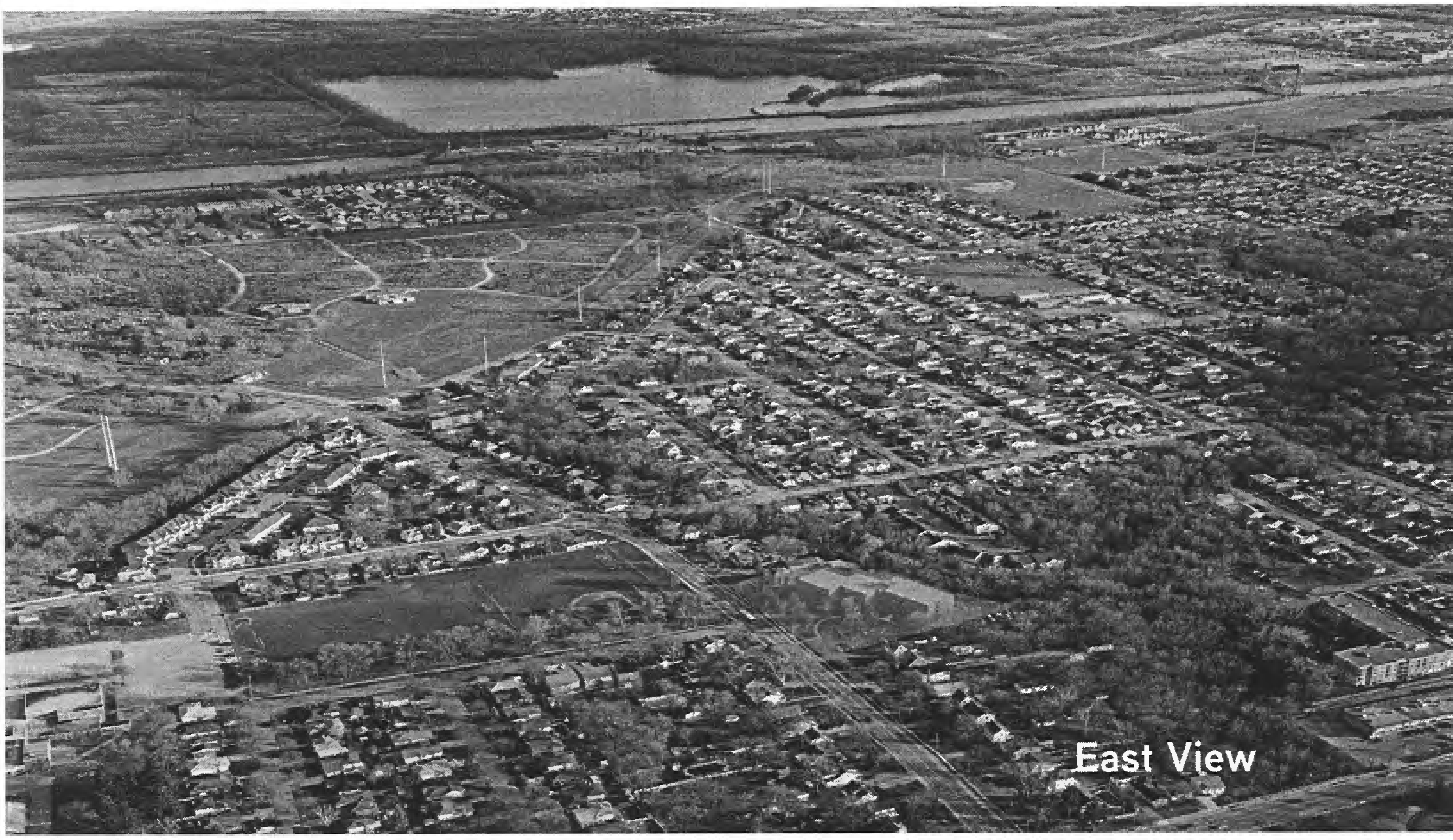

F ont View

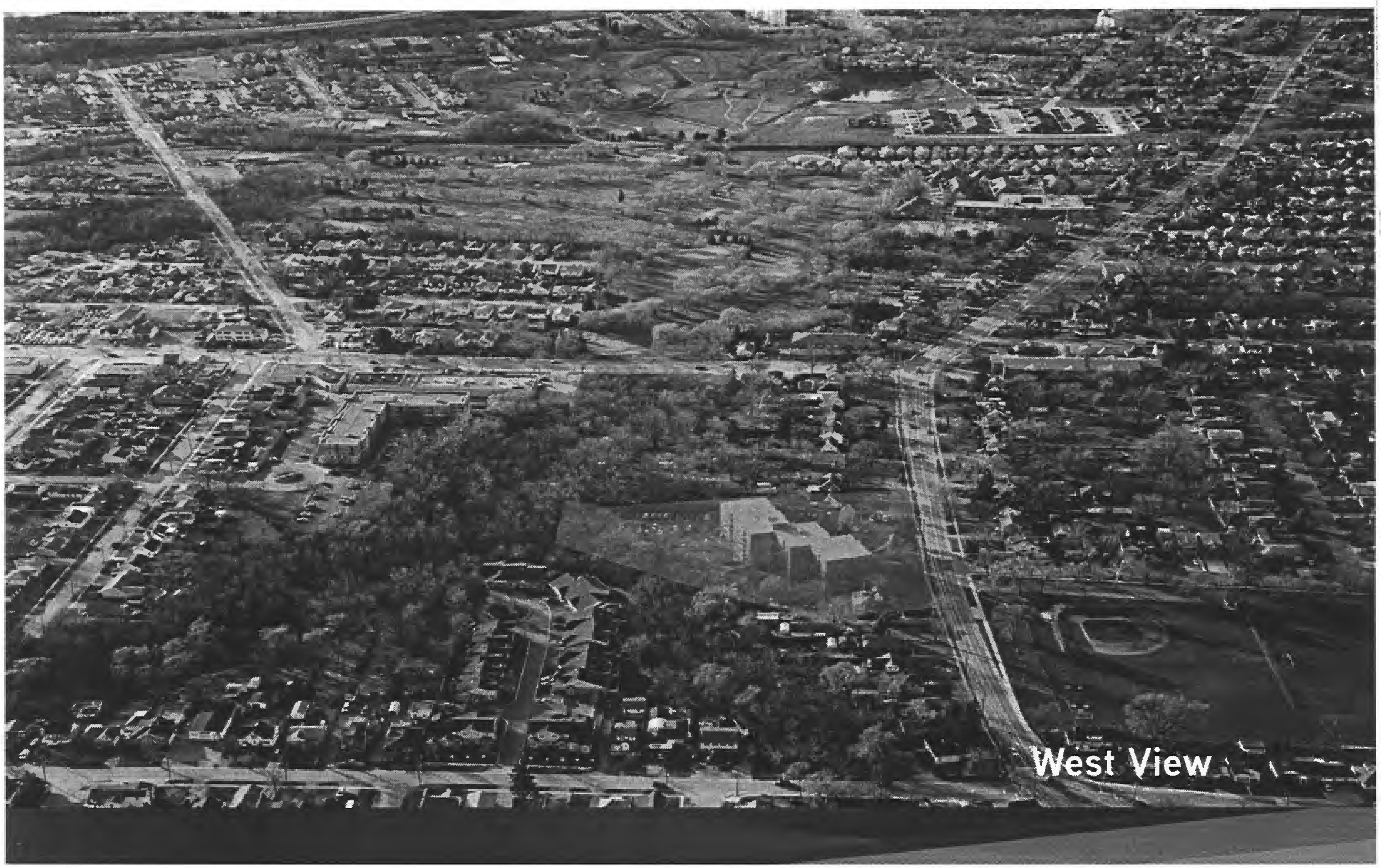

Back View



Southeast Facade

North View to Lake


East View


West View

Asset Profile

Asset Profile

SITE DETAILS

Site Area:	2.8 acres (121,137 Square Feet) ; irregular in shape
Frontage:	Approximately 270.67 feet along the south side of Queenston Street
Zoning:	Commercial Residential
Official Plan:	Apartment Neighbourhood
Legal Description:	PT LT 11 CON 7 GRANTHAM PARTS 5-42, 30R3638; S/T RO464715, RO464716, RO472849; ST. CATHARINES
Style:	Mid-rise 5- Storey
Year Built:	Circa 1980's

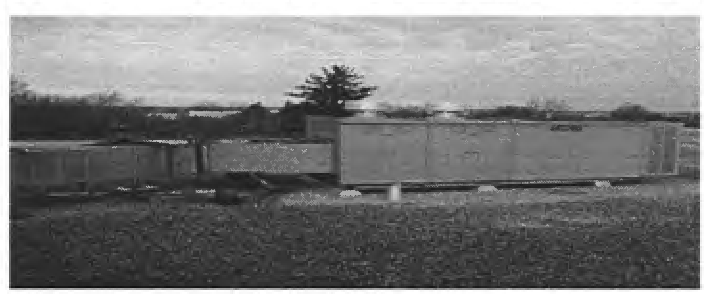
Asset Profile (continued)

Exterior Walls: Masonry brick exterior walls with concrete shear walls and foundation. The exterior of the building is finished with red bricks and dark brown metal cladding under the windows.

Roof: The roof was replaced within the past 2 years and is of a built up tar and gravel construction. New roof anchors and flashings were installed at the same time. The roof area shows to be well maintained and in excellent condition.

Windows: The majority of the fixed windows were replaced in 2005/06 with modern double glazed units. Generally, the window configuration is comprised of horizontal slider units in the bedrooms and a combination of fixed and horizontal opening uppers above horizontal fixed units in the living room.

Parking: The building has two surface parking stalls with a total of 89 units. Parking is accommodated in the rear of the property and accessible from Queenston Street. Both rear lots were repaved and painted/numbered in summer of 2011.



Exterior

Exterior Front


Exterior Back


Exterior Side


Exterior Front


Exterior Parking


Exterior Parking

Asset Profile (continued)

MECHANICAL ELEMENTS

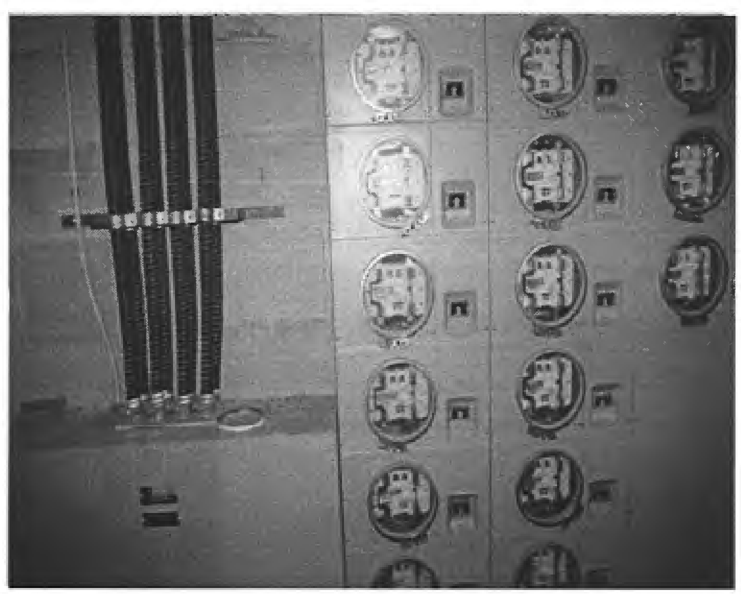
Fire Protection: Pull stations, annunciators and fire hoses and extinguishers in the hallways of each floor. Hard wired smoke detectors are in individual suites and hallways. Carbon monoxide detectors are installed within the units and common areas as required by code. A Mirtone fire and safety panel constantly monitors the building. It's main electronics are located in the electrical utility room and there ia a remote display panel within the entrance lobby. The building complies with the relevant fire standards and an updated Fire Plan is located within the lobby.

Electrical: The main electrical equipment consists of a Federal Pioneer integrated main/secondary disconnect switches and single phase distribution service cabinet. The Property is bulk metered, however, there are individual metering/shut-off cabinets on the first and third floor. Meter heads have not been installed. Units are equipped with a 100 amp breaker panel which supplies all in-suite electricity for domestic use and heating.

Plumbing: All domestic supply lines are copper. Waste lines are a combination of copper, cast and PVC. Sprinkler lines are galvanized metal.

Heating Plant: Primary heat for the property is provided by in-suite electric baseboards with individual thermostats. There is a gas fired ICE (International Commercial Equipment) Aerotherme packaged make-up air unit located on the roof of the building. It provides conditioned fresh air to the hallways and common

Domestic Hot Water: The Property has a single rented RBI gas fired hot water heater located on the roof level. The tanks, ancillary piping and pumps were replaced within the last five years.



Mechanical Elements

Electrical Fire

Electrical Main

Elevator New Mechanical

Elevator New Mechanical 2

Elevator New Mechanical 3

Hot Water

Asset Profile (continued)

INTERIOR COMMON

Lobby: The main vestibule has a double glass entry door, providing a very bright and open introduction to the building. The floors are finished with durable clay tile. The walls are finished with both a red clay brick and painted drywall. The brick wall features a large circular window providing direct lines of sight for tenants sitting in interior lobby and allowing abundant natural light into the building. Illumination is provided by recessed and surface mounted light fixtures. The inner lobby is carpeted and there is a sitting area located next to the office.

Intercom: A intercom system is located inside the main entrance. Communication with the residents is accommodated through the telephone system.

Mail room: Each suite has its own secure locking mailbox, located within the front inner lobby.

Hallways: The lower level of the building is utilized for various common recreational areas. The party room is approximately 2,000 square feet and consists of three spaces. The main room is used for organized tenant activities and parties and is supported by a kitchen/prep area. On the opposite side of the room are double doors that lead to the recreation area which is equipped with pool and ping pong tables as well as various card tables and a library of board games.

Stairwells: The building has two internal stairwells, one at each end of the building servicing all floors. The stairwells are of a painted steel construction and have concrete treads and landings. They are finished with steel railings, painted and textured gypsum walls and ceilings. Ceiling mounted lighting is present in all stairwells.

Elevator: The building benefits from having two cable elevators which services all floors. One elevator is original to the building and in good mechanical condition, the second elevator was not installed until **2008** and represents the most current technology.

Asset Profile (continued)

INTERIOR COMMON

Laundry: The air-conditioned laundry centre is located on the lower level and provides five washing machines five dryers, they are owned and in very good condition as all machined were replaced in **2010**.

Lockers: Two separate locker rooms are located on the lower level and provide secure storage for each individual unit.

Work shop: There is a small workshop/storage area on the lower level that is utilized by the tenants.

Recreation Lounge: The lower level of the building is utilized for various common recreational areas. The party room is approximately 2,000 square feet and consists of three spaces. The main room is used for organized tenant activities and parties and is supported by a kitchen/prep area. On the opposite side of the room are double doors that lead to the recreation area which is equipped with pool and ping pong tables as well as various card tables and a library of board games.

Fitness Centre: Also located on the lower level is the gym, whirlpool and change rooms. The mirrored gym area is equipped with a treadmill, stationary bike, rowing machine and free weights. Directly beside the gym is a room dedicated to the whirlpool tub. Separate change rooms are adjacent to the gym/whirlpool area and each provides a cedar sauna and multiple showers.

Interior Common Areas

Entry to Lobby

Lobby

Lobby Mail

Typical Hallway

Elevator Lobby

Laundry Room

Interior Common Areas

Sauna

Lower Lounge

Fitness Room

Hot tub

Games Room

Locker Room

Asset Profile (continued)

INTERIOR SUITES

Typical Suite Finishes:

Typical in-suite finishes include wall to wall carpeting throughout the living room, dining room and bedroom and halls, with vinyl tile floors in the kitchen, storage closets and bathroom. Most kitchens are finished with painted wood cabinets, ceramic tile or wallpapered backsplash and laminate countertops, a stainless steel sink and faucet. Each suite is outfitted with two appliances, including an electric stove with exhaust fan and a fridge. All suites contain a three-piece washroom with ceramic tile tub enclosure, vanity mounted sink and a wall mounted mirrored cabinet. Lighting for the suites is provided by ceiling mounted fixtures in the foyer, kitchen and washroom. All dining areas are fitted with hanging fixtures some with fans. Each suite contains a large storage closet/pantry, linen closet and a built-in cabinet/closet within the main hall.

Number of Units	Type of Unit	Area (square feet)
30	1-bedroom	690 s.f.
31	2-bedroom	834 s.f.
11	2-bedroom	998 s.f.
5	2-bedroom	1,039 s.f.
77		

Interior Suites

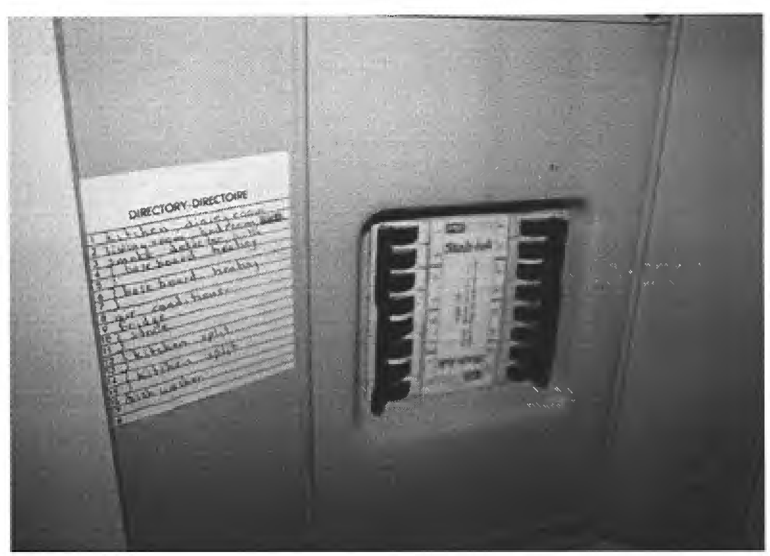
Living Room

Living Room 2

Dining Room

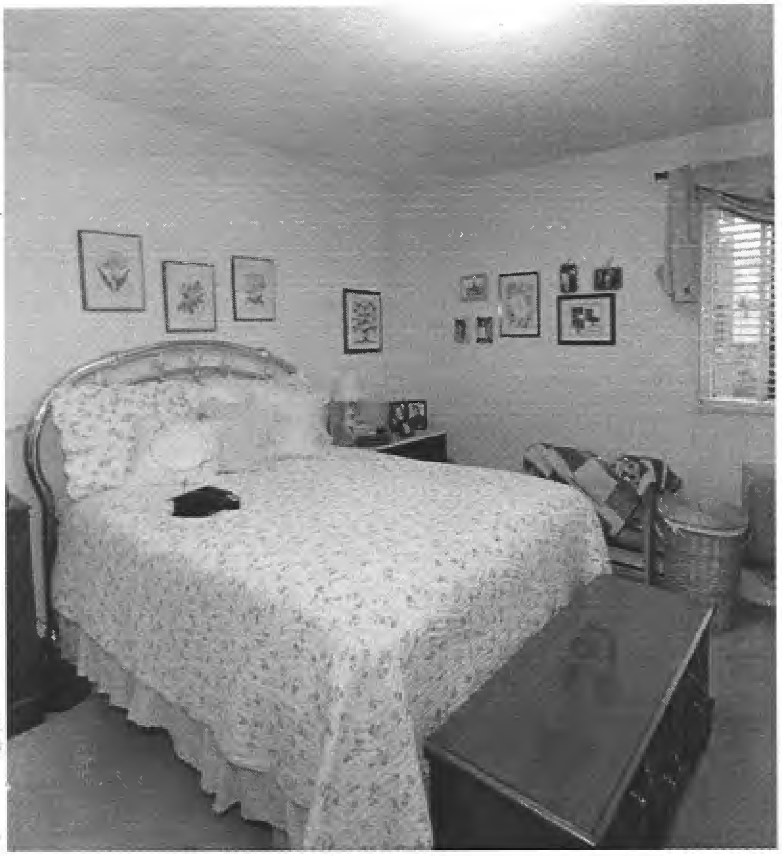
Kitchen

Kitchen 2

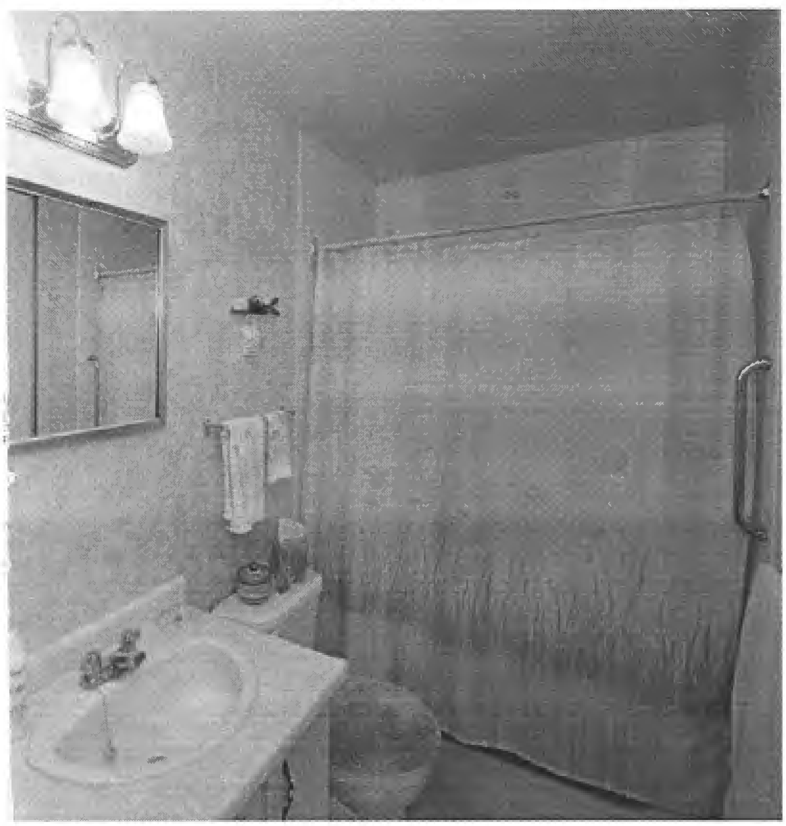


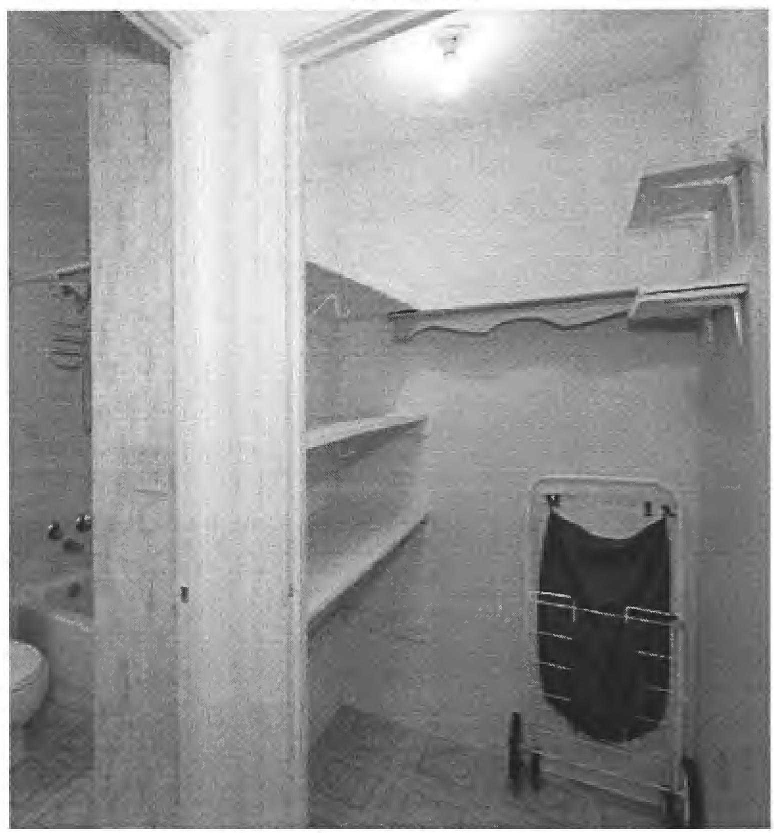
In- Suite Breaker

Interior Suites


Bedroom 1


Bedroom 2


Bathroom


Bathroom Pantry

Financials

Rent Roll

RENT ROLL - FEBRUARY 2012				
Suite	Type	Sq. Ft.	Net Rent	Parking
12	2 BDR	834	$1,015.90	
14	1 BDR	690	$830.78	
15	2 BDR	834	$1,001.97	
16	2 BDR	1039	$1,015.90	
101	2 BDR	834	$951.09	
102	1 BDR	690	$875.00	
103	1 BDR	690	$848.23	
104	2 BDR	834	$893.96	
105	2 BDR	998	$1,015.90	
106	1 BDR	690	$822.52	
109	1 BDR	690	$830.77	
110	2 BDR	834	$961.77	
111	2 BDR	998	$961.77	
112	2 BDR	834	$941.99	
114	1 BDR	690	$785.61	
115	2 BDR	834	$961.77	
116	2 BDR	1039	$921.05	
201	2 BDR	834	$1,015.90	
202	1 BDR	690	$875.00	
203	1 BDR	690	$727.09	
204	2 BDR	834	$961.77	
205	2 BDR	998	$995.00	
206	1 BDR	690	$785.61	
207	1 BDR	690	$785.61	
208	2 BDR	834	$1,015.90	
209	1 BDR	690	$856.00	
210	2 BDR	834	$942.07	
211	2 BDR	998	$878.16	
212	2 BDR	834	$995.00	
214	1 BDR	690	$837.32	$20.00
215	2 BDR	834	$1,015.90	
216	2 BDR	1039	$837.62	
301	2 BDR	834	$961.77	
302	1 BDR	690	$875.00	
303	1 BDR	690	$875.00	
304	2 BDR	834	$1,015.90	
305	2 BDR	998	$968.15	
306	1 BDR	690	$650.16	
307	1 BDR	690	$837.32	
308	2 BDR	834	$995.00	
309	1 BDR	690	$747.20	

*Superintendant Suite

Rent Roll (continued)

RENT ROLL - FEBRUARY 2012				
Suite	Type	Sq. Ft.	Net Rent	Parking
310	2 BDR	834	$1,015.90	
311	2 BDR	998	$961.77	
312	2 BDR	834	$961.77	
314	1 BDR	690	$837.32	
315	2 BDR	834	$961.77	
316	2 BDR	998	$1,015.90	
401	2 BDR	834	$758.21	
402	1 BDR	690	$830.78	
403	1 BDR	690	$837.32	
404	2 BDR	834	$1,015.90	
405	2 BDR	998	$994.32	
406	1 BDR	690	$875.00	
407	1 BDR	690	$837.32	
408	2 BDR	834	$1,015.90	
409	1 BDR	690	$837.32	
410	2 BDR	834	$1,015.90	
411	2 BDR	998	$961.77	
412	2 BDR	834	$1,001.97	$20.00
414	1 BDR	690	$837.32	
415	2 BDR	834	$961.77	
416	2 BDR	1039	$994.32	
501	2 BDR	834	$995.00	
502	1 BDR	690	$850.00	
503	1 BDR	690	$857.00	
504	2 BDR	834	$1,015.90	
505	2 BDR	998	$1,015.90	
506	1 BDR	690	$856.00	
507	1 BDR	690	$837.32	
508	2 BDR	834	$758.21	
509	1 BDR	690	$848.23	
510	2 BDR	834	$1,001.97	
511	2 BDR	998	$767.46	
512	2 BDR	834	$839.79	
514	1 BDR	690	$822.52	
515	2 BDR	834	$961.77	
516	2 BDR	1039	$921.06	
TOTAL			**$69,963.11**	**$40.00**

**Superintendant Suite*

5 Year Financial Pro-Forma

			2012	2013	2014	2015	2016
REVENUE	% of EGR	$/Unit					
Base Rental Revenue	97.8%	$10,903	$865,584	$887,223	$920,384	$943,393	$966,978
Parking Income	0.1%	$6	$495	$507	$520	$533	$546
Laundry Income	2.2%	$240	$18,942	$19,416	$19,901	$20,398	$20,908
Gross Revenue		**$11,150**	**$885,020**	**$907,146**	**$940,805**	**$964,325**	**$988,433**
Vacancy / Bad Debt	-2.0%	($218)	($17,700)	($18,143)	($18,816)	($19,286)	($19,769)
Effective Gross Revenue	**100.0%**	**$10,932**	**$867,320**	**$889,003**	**$921,989**	**$945,038**	**$968,664**
Gross Revenue Multiplier			9.80	9.56	9.22	8.99	8.77
OPERATING EXPENSES	% of EGR	$/Unit					
Property Taxes	18.2%	$1,989	$156,978	$160,902	$164,925	$169,048	$173,274
Insurance	1.1%	$116	$8,896	$9,118	$9,346	$9,580	$9,820
Gas	2.2%	$240	$18,951	$19,424	$19,910	$20,408	$20,918
Hydro	10.8%	$1,180	$95,375	$97,760	$100,204	$102,709	$105,277
Water & Sewer	3.6%	$396	$31,285	$32,068	$32,869	$33,691	$34,533
Solid Waste Management	0.7%	$79	$6,100	$6,253	$6,409	$6,569	$6,733
Repairs & Maintenance	7.3%	$800	$61,600	$63,140	$64,719	$66,336	$67,995
Salaries & Benefits	3.6%	$390	$30,000	$30,750	$31,519	$32,307	$33,114
Management Fees	3.0%	$328	$26,020	$26,670	$27,660	$28,351	$29,060
Total Operating Expenses	**50.5%**	**$5,517**	**$435,205**	**$446,085**	**$457,560**	**$468,999**	**$480,724**
Expense Ratio			50.18%	50.18%	49.63%	49.63%	49.63%
NET OPERATING INCOME	49.5%	$5,414	$432,115	$442,918	$464,429	$476,039	$487,940
Capitalization Rate			5.08%	5.21%	5.46%	5.60%	5.74%
Down Payment							
Principal Amount			$4,962,000	$4,862,289	$4,759,312	$4,652,960	$4,543,124
Debt Service			$258,428	$258,428	$258,428	$258,428	$258,428
Cash Flow After Debt Service			$173,688	$184,490	$206,001	$217,612	$229,513
Cash on Cash Yield			4.91%	5.21%	5.82%	6.15%	6.49%
Principal Paydown			$99,711	$102,978	$106,352	$109,836	$113,435
Total Investment Return			7.73%	8.13%	8.83%	9.26%	9.69%

Assumptions & Methodology

FINANCIAL ASSUMPTIONS

BASE RENTAL REVENUE

Base rental revenue is derived directly from the February 2012 rent roll (as provided by Management).

GUIDELINE RENTAL INCREASES

For the purpose of this analysis, base rents are increased in 2012 by the Annual Guideline Increase of 3.1%. For the purpose of this 5-year pro-forma we have assumed an average annual guideline rental increase of 2.5% beyond 2012.

PARKING INCOME

Parking income is derived directly from the February 2012 rent roll (as provided by Management). It is assumed the parking rents will increase in 2012 by the annual guideline increase of 3.1% and 2.5% per year thereafter. Despite offering sufficient parking stalls (84 exterior stalls), only 2 stalls are currently rented by tenants in addition to their rent. Management has only recently begun to charge tenants for parking at market rates of $20 per month for exterior stalls.

LAUNDRY INCOME

The washers and dryers at the Property are currently owned by existing management. Laundry income is forecasted based on $20 per suite per month, which is comparable with similar properties. Laundry income is increased by 2.5% per year.

VACANCY CREDIT LOSS

Likely due to the premium accommodations and quality of the building, the Property has historically outperformed the market in terms of its occupancy levels. It is usually fully occupied and vacant suites are typically filled quickly. According to current management there were only four units turned over in 2011, which is consistent for the Property. As such, we have estimated a vacancy factor of 1.5% of Potential Gross Rental Revenue.

REALTY TAXES

Based on 2012 Property Interim Tax Statement and increased by 2.5% per annum.

INSURANCE

Based on the actual 2011/2012 Insurance Expense and increased by 2.5% per annum

HYDRO

The hydro expense is based on 12 months of actual invoices from Horizon Utilities Corporation (December 2010 to December 2011). Due to anticipated increases in hydro costs, we have forecasted a 5% increase in 2012 and a 2.5% increase per year thereafter. Currently, hydro is bulk metered, and paid for by the landlord. The building is electrically heated.

WATER AND SEWER

The water & sewer expense is based on 12 months of actual invoices from the City of St. Catharines (December 2010 to December 2011) and increased for 2012 and each year thereafter.

NATURAL GAS (ENBRIDGE)

The gas expense is based on 12 months of actual invoices from the Enbridge (December 2010 to December 2011). It is increased by 2.5% per year. As the property is electrically heated, the gas is only utilized to heat the water and common areas.

Assumptions & Methodology (continued)

SOLID WASTE MANAGEMENT

Currently, garbage is picked up by Waste Management. The SWM expense is based on the actual new contract provided by management, and is increased by 2.5% per year after 2012.

REPAIRS AND MAINTENANCE (R&M)

An annual per unit allowance of $800 has been made in consideration of the building type, size, and overall building quality of recent upgrades. Considering the superior condition of the building (new roof, windows, elevator, paving and common areas), its lack of an underground parking garage, the level of turnover, the quality and age of the Property and the suites, this amount should be adequate to maintain and improve the appearance and structure of the Property. R&M allocation is increased annually by 2.5%.

SALARIES & BENEFITS

Wages are based upon the actual contracted rate with the Superintendent. The superintendent is compensated with a free suite and a monthly salary. Wages are increased by 2.5% per year beyond 2012.

MANAGEMENT

A Management fee of 3.0% of Effective Gross Revenue is assumed throughout this analysis.

FINANCING

The financing is to be treated as clear. We have been provided with a Letter of Intent from Penmor Mortgage Capital Corp, for new debt on the Property. For the purpose of this pro-forma, Penmor has provided terms based on the maximum loan amount and a 25 year amortization, having already underwritten the Property on a preliminary basis. The terms of the proposed loans are as follows:

Initial Term	5 Years
Interest Rate	2.46%
Amortization Period	25 Years
Down Payment Req'd	$3,538,000
Principal Amount	$4,962,000
Loan to Value	85%
Loan to Purchase Price	58.4%
Monthly Payment	$19,470

Colliers
INTERNATIONAL

TAB I

This is Exhibit "I" referred to in the affidavit of **Gregory MacLeod** sworn before me at Toronto, Ontario this 23rd day of April 2012

....
A Commissioner For Taking Affidavits
Leon Efraim, LSUC# 51809W

OREA Ontario Real Estate Association

Agreement of Purchase and Sale
Commercial

Commercial Division
Toronto Real Estate Board

This Agreement of Purchase and Sale dated this 15th day of March 20 12

BUYER, STARLIGHT INVESTMENTS LTD. in trust (Full legal names of all Buyers), agrees to purchase from

SELLER, QUEENSTON MANOR GENERAL PARTNER INC. (Full legal names of all Sellers), the following

REAL PROPERTY:

Address 382 Queenston Street fronting on the side

of Queenston St. in the City of St. Catharines

and having a frontage of as per survey more or less by a depth of as per survey more or less

and legally described as Pt Lt 11, Con 7, Grantham, Parts 5-42, 30R-3638: S/T RO464716, and RO472849: St. Catharines [PIN 46351-0077 LT] (Legal description of land including easements not described elsewhere) (the "property").

PURCHASE PRICE: Dollars (CDN$) 7,100,000.00

Seven Million One Hundred Thousand Dollars

DEPOSIT: Buyer submits within 2 business days (Herewith/Upon Acceptance/as otherwise described in this Agreement)

One Hundred Thousand Dollars (CDN$) 100,000.00

by negotiable cheque payable to Seller's solicitor in trust "Deposit Holder" to be held in trust pending completion or other termination of this Agreement and to be credited toward the Purchase Price on completion. For the purposes of this Agreement, "Upon Acceptance" shall mean that the Buyer is required to deliver the deposit to the Deposit Holder within 24 hours of the acceptance of this Agreement. The parties to this Agreement hereby acknowledge that, unless otherwise provided for in this Agreement, the Deposit Holder shall place the deposit in trust in the Deposit Holder's non-interest bearing Real Estate Trust Account and no interest shall be earned, received or paid on the deposit.

Buyer agrees to pay the balance as more particularly set out in Schedule A attached.

SCHEDULE(S) A B,C, D & E **attached hereto form(s) part of this Agreement.**

1. **IRREVOCABILITY:** This Offer shall be irrevocable by Buyer (Seller/Buyer) until 11:59 p.m. on the 20th day of March 20 12, after which time, if not accepted, this Offer shall be null and void and the deposit shall be returned to the Buyer in full without interest.
2. **COMPLETION DATE:** This Agreement shall be completed by no later than 6:00 p.m. on the ~~17th~~ 1st day of ~~April~~ May, 20 12. Upon completion, vacant possession of the property shall be given to the Buyer unless otherwise provided for in this Agreement.
3. ~~**NOTICES:** Seller hereby appoints the Listing Brokerage as Agent for the purpose of giving and receiving notices pursuant to this Agreement. **Only if the Co-operating Brokerage represents the interests of the Buyer in this transaction,** the Buyer hereby appoints the Co-operating Brokerage as Agent for the purpose of giving and receiving notices pursuant to this Agreement. Any notice relating hereto or provided for herein shall be in writing. This offer, any counter offer, notice of acceptance thereof, or any notice shall be deemed given and received, when hand delivered to the address for service provided in the Acknowledgement below, or where a facsimile number is provided herein, when transmitted electronically to that facsimile number.~~

FAX No. (For delivery of notices to Seller) FAX No. (For delivery of notices to Buyer)

INITIALS OF BUYER(S): **INITIALS OF SELLER(S):**

4. **CHATTELS INCLUDED:**

See Schedule "B"

5. **FIXTURES EXCLUDED:**

Hot water tank, if rental

6. **RENTAL ITEMS:** The following equipment is rented and **not** included in the Purchase Price. The Buyer agrees to assume the rental contract(s), if assumable:

Hot water tank, if rental

7. **GST: If this transaction is subject to Harmonized Sales Tax HST ~~Goods and Services Tax (GST)~~, then such tax shall be included in ~~in addition to~~ the Purchase Price.** The Seller will not collect GST if the Buyer provides to the Seller a warranty that the Buyer is registered under the Excise Tax Act ("ETA"), together with a copy of the Buyer's ETA registration, a warranty that the Buyer shall self-assess and remit the ~~GST~~ HST payable and file the prescribed form and shall indemnify the Seller in respect of any ~~GST~~ HST payable. The foregoing warranties shall not merge but shall survive the completion of the transaction. If this transaction is not subject to ~~GST~~, HST Seller agrees to certify on or before closing, that the transaction is not subject to ~~GST~~. HST

8. **TITLE SEARCH:** Buyer shall be allowed until 6:00 p.m. on the 5th day of after waiving, 20 11, (Requisition Date) to examine the title to the property at his own expense and until the earlier of: (i) thirty days from the later of the Requisition Date or the date on which the conditions in this Agreement are fulfilled or otherwise waived or; (ii) five days prior to completion, to satisfy himself that there are no outstanding work orders or deficiency notices affecting the property, that its present use (Multi-Unit Residential) may be lawfully continued and that the principal building may be insured against risk of fire. Seller hereby consents to the municipality or other governmental agencies releasing to Buyer details of all outstanding work orders and deficiency notices affecting the property, and Seller agrees to execute and deliver such further authorizations in this regard as Buyer may reasonably require.

9. **FUTURE USE:** Seller and Buyer agree that there is no representation or warranty of any kind that the future intended use of the property by Buyer is or will be lawful except as may be specifically provided for in this Agreement.

10. **TITLE:** Provided that the title to the property is good and free from all registered restrictions, charges, liens, and encumbrances except as otherwise specifically provided in this Agreement and save and except for (a) any registered restrictions or covenants that run with the land providing that such are complied with; (b) any registered municipal agreements and registered agreements with publicly regulated utilities providing such have been complied with, or security has been posted to ensure compliance and completion, as evidenced by a letter from the relevant municipality or regulated utility; (c) any minor easements for the supply of domestic utility or telephone services to the property or adjacent properties; and (d) any easements for drainage, storm or sanitary sewers, public utility lines, telephone lines, cable television lines or other services which do not materially affect the use of the property. If within the specified times referred to in paragraph 8 any valid objection to title or to any outstanding work order or deficiency notice, or to the fact the said present use may not lawfully be continued, or that the principal building may not be insured against risk of fire is made in writing to Seller and which Seller is unable or unwilling to remove, remedy or satisfy or obtain insurance save and except against risk of fire in favour of the Buyer and any mortgagee, (with all related costs at the expense of the Seller), and which Buyer will not waive, this Agreement notwithstanding any intermediate acts or negotiations in respect of such objections, shall be at an end and all monies paid shall be returned without interest or deduction and Seller, Listing Brokerage and Co-operating Brokerage shall not be liable for any costs or damages. Save as to any valid objection so made by such day and except for any objection going to the root of the title, Buyer shall be conclusively deemed to have accepted Seller's title to the property.

11. **CLOSING ARRANGEMENTS:** Where each of the Seller and Buyer retain a lawyer to complete the Agreement of Purchase and Sale of the Property, and where the transaction will be completed by electronic registration pursuant to Part III of the Land Registration Reform Act, R.S.O. 1990, Chapter L4 and the Electronic Registration Act, S.O. 1991, Chapter 44, and any amendments thereto, the Seller and Buyer acknowledge and agree that the exchange of closing funds, non-registrable documents and other items (the "Requisite Deliveries") and the release thereof to the Seller and Buyer will (a) not occur at the same time as the registration of the transfer/deed (and any other documents intended to be registered in connection with the completion of this transaction) and (b) be subject to conditions whereby the lawyer(s) receiving any of the Requisite Deliveries will be required to hold same in trust and not release same except in accordance with the terms of a document registration agreement between the said lawyers. The Seller and Buyer irrevocably instruct the said lawyers to be bound by the document registration agreement which is recommended from time to time by the Law Society of Upper Canada. Unless otherwise agreed to by the lawyers, such exchange of the Requisite Deliveries will occur in the applicable Land Titles Office or such other location agreeable to both lawyers.

12. **DOCUMENTS AND DISCHARGE:** Buyer shall not call for the production of any title deed, abstract, survey or other evidence of title to the property except such as are in the possession or control of Seller. If requested by Buyer, Seller will deliver any sketch or survey of the property within Seller's control to Buyer as soon as possible and prior to the Requisition Date. If a discharge of any Charge/Mortgage held by a corporation incorporated pursuant to the Trust And Loan

INITIALS OF BUYER(S): **INITIALS OF SELLER(S):**

Companies Act (Canada), Chartered Bank, Trust Company, Credit Union, Caisse Populaire or Insurance Company and which is not to be assumed by Buyer on completion, is not available in registrable form on completion, Buyer agrees to accept Seller's lawyer's personal undertaking to obtain, out of the closing funds, a discharge in registrable form and to register same, or cause same to be registered, on title within a reasonable period of time after completion, provided that on or before completion Seller shall provide to Buyer a mortgage statement prepared by the mortgagee setting out the balance required to obtain the discharge, and, where a real-time electronic cleared funds transfer system is not being used, a direction executed by Seller directing payment to the mortgagee of the amount required to obtain the discharge out of the balance due on completion.

~~13. **INSPECTION:** Buyer acknowledges having had the opportunity to inspect the property and understands that upon acceptance of this Offer there shall be a binding agreement of purchase and sale between Buyer and Seller.~~

14. **INSURANCE:** All buildings on the property and all other things being purchased shall be and remain until completion at the risk of Seller. Pending completion, Seller shall hold all insurance policies, if any, and the proceeds thereof in trust for the parties as their interests may appear and in the event of substantial damage, Buyer may either terminate this Agreement and have all monies paid returned without interest or deduction or else take the proceeds of any insurance and complete the purchase. No insurance shall be transferred on completion. If Seller is taking back a Charge/Mortgage, or Buyer is assuming a Charge/Mortgage, Buyer shall supply Seller with reasonable evidence of adequate insurance to protect Seller's or other mortgagee's interest on completion.
15. **PLANNING ACT:** This Agreement shall be effective to create an interest in the property only if Seller complies with the subdivision control provisions of the Planning Act by completion and Seller covenants to proceed diligently at his expense to obtain any necessary consent by completion.
16. **DOCUMENT PREPARATION:** The Transfer/Deed shall, save for the Land Transfer Tax Affidavit, be prepared in registrable form at the expense of Seller, and any Charge/Mortgage to be given back by the Buyer to Seller at the expense of the Buyer. If requested by Buyer, Seller covenants that the Transfer/Deed to be delivered on completion shall contain the statements contemplated by Section 50(22) of the Planning Act, R.S.O.1990.
17. **RESIDENCY:** Buyer shall be credited towards the Purchase Price with the amount, if any, necessary for Buyer to pay to the Minister of National Revenue to satisfy Buyer's liability in respect of tax payable by Seller under the non-residency provisions of the Income Tax Act by reason of this sale. Buyer shall not claim such credit if Seller delivers on completion the prescribed certificate or a statutory declaration that Seller is not then a non-resident of Canada.
18. **ADJUSTMENTS:** Any rents, mortgage interest, realty taxes including local improvement rates and unmetered public or private utility charges and unmetered cost of fuel, as applicable, shall be apportioned and allowed to the day of completion, the day of completion itself to be apportioned to Buyer.
19. **TIME LIMITS:** Time shall in all respects be of the essence hereof provided that the time for doing or completing of any matter provided for herein may be extended or abridged by an agreement in writing signed by Seller and Buyer or by their respective lawyers who may be specifically authorized in that regard.
20. **PROPERTY ASSESSMENT:** The Buyer and Seller hereby acknowledge that the Province of Ontario has implemented current value assessment and properties may be re-assessed on an annual basis. The Buyer and Seller agree that no claim will be made against the Buyer or Seller, or any Brokerage or Salesperson, for any changes in property tax as a result of a re-assessment of the property.
21. **TENDER:** Any tender of documents or money hereunder may be made upon Seller or Buyer or their respective lawyers on the day set for completion. Money may be tendered by bank draft or cheque certified by a Chartered Bank, Trust Company, Province of Ontario Savings Office, Credit Union or Caisse Populaire.
22. **FAMILY LAW ACT:** Seller warrants that spousal consent is not necessary to this transaction under the provisions of the Family Law Act, R.S.O.1990 unless Seller's spouse has executed the consent hereinafter provided.
23. **UFFI:** Seller represents and warrants to Buyer that during the time Seller has owned the property, Seller has not caused any building on the property to be insulated with insulation containing ureaformaldehyde, and that to the best of Seller's knowledge no building on the property contains or has ever contained insulation that contains ureaformaldehyde. This warranty shall survive and not merge on the completion of this transaction, and if the building is part of a multiple unit building, this warranty shall only apply to that part of the building which is the subject of this transaction.
24. **LEGAL, ACCOUNTING AND ENVIRONMENTAL ADVICE:** The parties acknowledge that any information provided by the brokerage is not legal, tax or environmental advice, and that it has been recommended that the parties obtain independent professional advice prior to signing this document.
25. **CONSUMER REPORTS: The Buyer is hereby notified that a consumer report containing credit and/or personal information may be referred to in connection with this transaction.**
26. **AGREEMENT IN WRITING:** If there is conflict or discrepancy between any provision added to this Agreement (including any Schedule attached hereto) and any provision in the standard pre-set portion hereof, the added provision shall supersede the standard pre-set provision to the extent of such conflict or discrepancy. This Agreement including any Schedule attached hereto, shall constitute the entire Agreement between Buyer and Seller. There is no representation, warranty, collateral agreement or condition, which affects this Agreement other than as expressed herein. For the purposes of this Agreement, Seller means vendor and Buyer means purchaser. This Agreement shall be read with all changes of gender or number required by the context.
27. **TIME AND DATE:** Any reference to a time and date in this Agreement shall mean the time and date where the property is located.

INITIALS OF BUYER(S): **INITIALS OF SELLER(S):**

28. **SUCCESSORS AND ASSIGNS:** The heirs, executors, administrators, successors and assigns of the undersigned are bound by the terms herein.

SIGNED, SEALED AND DELIVERED in the presence of: IN WITNESS whereof I have hereunto set my hand and seal:

(Witness) (Buyer/Authorized Signing Officer) (Seal) DATE March 15, 2012

(Witness) (Buyer/Authorized Signing Officer) (Seal) DATE

I, the Undersigned Seller, agree to the above Offer. I hereby irrevocably instruct my lawyer to pay directly to the Listing Brokerage the unpaid balance of the commission together with applicable Goods and Services Tax (and any other taxes as may hereafter be applicable), from the proceeds of the sale prior to any payment to the undersigned on completion, as advised by the Listing Brokerage to my lawyer.

SIGNED, SEALED AND DELIVERED in the presence of: IN WITNESS whereof I have hereunto set my hand and seal:

(Witness) (Seller/Authorized Signing Officer) (Seal) DATE March 16, 2012

(Witness) (Seller/Authorized Signing Officer) (Seal) DATE

SPOUSAL CONSENT: The Undersigned Spouse of the Seller hereby consents to the disposition evidenced herein pursuant to the provisions of the Family Law Act, R.S.O.1990, and hereby agrees with the Buyer that he/she will execute all necessary or incidental documents to give full force and effect to the sale evidenced herein.

(Witness) (Spouse) (Seal) DATE

CONFIRMATION OF ACCEPTANCE: Notwithstanding anything contained herein to the contrary, I confirm this Agreement with all changes both typed and written was finally accepted by all parties at .... a.m./p.m. this .... day of ...., 20.... .

(Signature of Seller or Buyer)

INFORMATION ON BROKERAGE(S)

Listing Brokerage .... Tel.No. ....

Co-op/Buyer Brokerage .... Tel.No. ....

ACKNOWLEDGEMENT

I acknowledge receipt of my signed copy of this accepted Agreement of Purchase and Sale and I authorize the Agent to forward a copy to my lawyer.

(Seller) DATE

(Seller) DATE

Address for Service 33 Toronto Street North
Uxbridge, Ontario, L9P 1E6 Tel.No. 905-852-1430
Seller's Lawyer Cassels Brock and Blackwell LLP
Address 2100 Scotia Plaza, 40 King St. W. Toronto, ON M5H 3C2
416-869-5300 (Tel.No.) 416-360-8877 (FAX No.)

I acknowledge receipt of my signed copy of this accepted Agreement of Purchase and Sale and I authorize the Agent to forward a copy to my lawyer.

(Buyer) DATE

(Buyer) DATE

Address for Service 40 The West Mall, Suite 1100
Toronto, ON Tel.No. (416) 234-8444
Buyer's Lawyer Bloom Lanys Professional Corp.
Address 200 - 2171 Avenue Road, Toronto, ON
(416) 486-9913 (Tel.No.) (416) 485-6054 (FAX No.)

~~FOR OFFICE USE ONLY~~

~~**COMMISSION TRUST AGREEMENT**~~

~~To: Co-operating Brokerage shown on the foregoing Agreement of Purchase and Sale:~~
~~In consideration for the Co-operating Brokerage procuring the foregoing Agreement of Purchase and Sale, I hereby declare that all moneys received or receivable by me in connection with the Transaction as contemplated in the MLS® Rules and Regulations of my Real Estate Board shall be receivable and held in trust. This agreement shall constitute a Commission Trust Agreement as defined in the MLS® Rules and shall be subject to and governed by the MLS® Rules pertaining to Commission Trust.~~

~~DATED as of the date and time of the acceptance of the foregoing Agreement of Purchase and Sale.~~ ~~Acknowledged by:~~

~~(Authorized to bind the Listing Brokerage)~~ ~~(Authorized to bind the Co-operating Brokerage)~~

Schedule A
Agreement of Purchase and Sale – Commercial

OREA Ontario Real Estate Association

Commercial Division
Toronto Real Estate Board

This Schedule is attached to and forms part of the Agreement of Purchase and Sale between:

BUYER, STARLIGHT INVESTMENTS LTD. in trust, and

SELLER, QUEENSTON MANOR GENERAL PARTNER INC.

for the purchase and sale of 382 Queenston Street St. Catharines

UXBRIDGE dated the 15th day of March, 20 12.

Buyer agrees to pay the balance as follows:

The Buyer agrees to pay the balance of the purchase price, subject to adjustments by bank draft or certified cheque, to Seller on the completion of this transaction.

The following schedules form an integral part of this agreement.

Schedule "A"
Schedule "B"
Schedule "C" - Rent Roll
Schedule "D" - Survey
Schedule "E" - Permitted Encumbrances

This form must be initialed by all parties to the Agreement of Purchase and Sale.

INITIALS OF BUYER(S): **INITIALS OF SELLER(S):**

SCHEDULE "B"

A. Included in the Purchase Price are all existing electrical light fixtures and ceiling fan and fan lights in units, hallways and office, broadloom (where laid) and not belonging to the tenants, 77 fridges, 77 stoves, 7 washing machines, 7 dryers, janitorial equipment and supplies, garbage containers all existing storm and screens, all hot water tanks and water heaters , all office and lobby furniture, central heated plant, related heating equipment and gas burner (if not rented) existing fire alarms, fire fighting equipment, emergency lighting equipment, landscaping, gardening equipment, and any other fixtures and chattels belonging to the Seller and integral to the operation of the property being purchased herein.

B. Seller agrees to engross the Transfer/Deed as the Buyer may direct.

C. In the event the Seller is a non-resident of Canada, it shall prior to Closing, furnish a certificate pursuant to Section 116 of the Income Tax Act of Canada or shall provide a declaration that it is not a non-resident of Canada.

D. The Seller and Buyer both agree that the execution of this Offer to Purchase or any amendment thereto, or any notice or waiver required to be given pursuant thereto may be transmitted by facsimile and such facsimile (fax) or emailed copy shall be deemed to have the same force and effect as an executed original, provided that all original documents are witnessed before they are transmitted, to either the Buyer, Seller or their Solicitors.

E. It is understood and agreed by the Buyer and the Seller that the deposit money is to be held in an interest bearing term deposit, the last date of the term to be the date of Closing, to be held in trust and that all interest earned shall be paid to the Buyer on the completion or other termination as per the terms and conditions of the Agreement of Purchase and Sale.

F. This offer is conditional until April 15th, 2012 (the "Conditional Period") following the delivery to the Buyer of the documents listed in (b), (d), (e), (f), (g) and (h) below, upon the Buyer or its authorized agents satisfying itself in its sole and unfettered discretion with each of the following:

(a) physical inspection of the Property, and the apartments units;
(b) the existing written terms and conditions of the tenancies (including complete rent rolls for the last three (3) years, copies of all leases, amendments to leases and Notices of Rent Increases);
(c) title to the Property and all permitted encumbrances relating thereto as set out in Schedule "E" hereto and Chattels;
(d) copies of all utility bills, tax bills, notices of assessments and insurance bills of the Property for the past three (3) years;
(e) the contracts to be assumed by the Buyer on Closing if any;
(f) copies of the existing Phase I environmental Site Assessments;
(g) copies of accounts receivable list for past three (3) year period;
(h) the compliance of the building with the local fire code retrofit provisions;
(i) Buyer arranging satisfactory financing in its sole and unfettered discretion.

If the Buyer is not satisfied with one or more of the aforesaid matters and indicates same in writing to the Seller or the Seller's solicitor prior to the expiry of the Conditional Period (the "Notice"), this Agreement shall be considered null and void, in which case the Deposit shall be returned to the Buyer without deduction, and with accrued interest if applicable, and the parties shall be released from all obligations hereunder. The above conditions are for the exclusive benefit of the Buyer and may be waived by the Buyer at any time prior to the expiry of the Conditional Period. In the event that the Buyer fails to issue and deliver the Notice as aforesaid, the Buyer shall be deemed not to have waived the Buyer's Conditions and this Agreement shall be null and void.

G. The Seller agrees to be solely responsible for payment of any real estate commissions owing for this transaction to any realtor engaged by the Seller.

H. Upon the waiving of all of the Buyer's conditions herein, the Buyer agrees to pay a second deposit of One Hundred Thousand ($100,000.00) Dollars to the Seller's solicitor, in trust, within forty-eight (48) hours of such waiver, to be applied on Closing towards the purchase price and to be held in accordance with paragraph E above.

TO THE BEST OF THE SELLER'S KNOWLEDGE:

A. as of the date hereof and again as of the Closing Date:

1. The Seller has not received any notices of non-compliance setting out that the Property does not comply with any applicable by-laws and regulations of the City of St. Catharines or from the St. Catharines Fire Department;
2. Unless otherwise agreed to herein, there will be no contract or agreement, implied, written or oral affecting the Property to be assumed by the Buyer.
3. All devices, equipment, and any other fixtures now on the Property including electrical, heating, boiler and plumbing installations will be in working order as of Closing.
4. At Closing, no notice of roll-back, rent- freeze, challenge, appeal or application for rent reduction or abatement has been received or is outstanding. In addition, that there are no proceedings by tenants or applications by tenants outstanding under the Residential Tenancies Act, R.S.O. 1980 as amended, the Residential Rent Regulations Act, as amended, and the Rent Control Act, and Tenant Protection Act, as amended.
5. There are not now and there will be not be on closing, any work orders or deficiency notices against the Property.

B. Within five (5) days of acceptance, the Seller will furnish the Buyer will all documents in paragraph F above, as well as a list in detail showing the apartment rented, rental received, move in dates for the tenants, date of last increase, date of payment of interest on deposits, arrears, if any, prepaid rents, and security deposits, and same shall be adjusted and credited to the Buyer on Closing

C. If required by the Buyer, no later than 15 days prior to Closing, notification of which shall be given to the Seller in writing, the Seller shall dismiss all employees working on the Property including all superintendents, assistant superintendents, maintenance personnel and cleaning staff effective as at the closing date, and the Seller shall be responsible for and shall pay all severance pay, vacation pay, benefits and wages due up to the date of such dismissal, or adjust for this amount in favour of the Buyer should the Buyer choose to rehire such employee(s). The Seller agrees to indemnify the Buyer with respect to any claims made by staff of the Seller for termination or severance pay up to the Closing Date.

D. All rent in arrears at the date of Closing hereof shall be for the account of the Seller and shall not be adjusted on the Closing. Only rent received for the month of Closing shall be adjusted. The Seller shall be entitled to collect and retain, subject to re-adjustment with the Buyer, all arrears and all rent for the month of Closing and the Buyer agrees to offer co-operation with the Seller in collecting any rental arrears. Any free rent or rental abatements given to tenants for the period of the Buyers ownership shall be adjusted for in favour of the Buyer on Closing.

E The Seller shall credit to the Buyer out of the monies due on Closing all prepaid rents and security deposits on the Closing Date. The Seller warrants that all interest on said amounts pursuant to the Tenant Protection Act shall be adjusted for on Closing. Rent for the month of Closing shall be adjusted for on the statement of adjustments with the date of Closing to the Buyer's benefit.

F. To the best of the Seller's knowledge the Tenants under the leases have not been granted any concession, rebate, allowance for free rent, which have effect during the term of the leases subsequent to the Closing Date.

G. To the best of the Seller's knowledge there are currently no work orders presently against the Property, and if any work orders should arise prior to Closing, it shall be the Seller's responsibility to rectify, provided that such work orders do not exceed a repair cost of $50,000.00. In the event that such work orders exceed a repair cost in excess of $50,000.00, the Buyer shall have the option to either assume the work orders, provided that the Buyer is given a $50,000.00 credit on the statement of adjustments, or to alternatively terminate the herein Agreement of Purchase and Sale; and

H. The Seller warrants that there are 77 residential units at the Property.

Seller Agrees On or Before The Date of Closing As Follows:

On Closing of the within transaction the Seller shall deliver the following to the Buyer:

1. a registerable transfer of title to the Property, in electronic format.

2. a Bill of Sale conveying title to all the Chattels, equipment and other tangible personal property included in the purchase price herein.

3. a general assignment of all the leases (and contracts, if applicable) to the Buyer;

4. directions to the tenants advising the sale of the Property and irrevocably authorizing and directing them to pay all future rent to the Buyer or as the Buyer shall otherwise direct.

5. all existing original signed leases and tenancy agreements, together with all files relating to and corresponding with the tenants, in possession or control of the Seller,

6. any original contracts or agreements if any which the Buyer shall have elected to assume in accordance with the terms of this Agreement.

7. a declaration from the Seller that all equipment have been paid for in full and that no one has the right to file a lien within the meaning of the Construction Lien Act (Ontario) or any other applicable legislation granting a legal action for collection or redress in respect of the property and the building erected therein or thereon.

8. a declaration of the Seller setting out that the rent roll for the month of closing is true and accurate and complete in all material respects, same to confirm that amount of all security deposits and last month's rental deposits, the move in dates of the tenants, and the status of interest paid thereon, and the dates that rent increases were last served.

9. an assignment of any outstanding guarantees, warranties, indemnities, permits certificate and licenses related to the property and the building thereon, to the extent that such documents are assignable, if any.

10. all existing duplicate master keys to all locks and locking devices on the property or in the building.

11. all architectural, structural, electrical, engineering, mechanical, site servicing and other plans related to the property and the building erected thereon as shall be in possession of the Seller or under its control and any other plans, if any.

12. a declaration confirming that all representations and warranties given under this agreement of purchase and sale are true, to the best of the Seller's knowledge and belief, as of the Date of Closing.

N.R.

13. a declaration that at the time of closing the sale of this Property does not constitute a taxable supply of Property to the Buyer for the purpose of Federal Harmonized Sales Tax pursuant to the Excise Tax Act (Canada), as this is "Used Residential" property as that term is defined in the Act.

14. its undertaking to pay all utilities to the date of Closing to pay all taxes to the date of Closing and to readjust any item on or omitted from the statement of adjustments if necessary, after Closing.

15. an employee indemnity.

THE SELLER FURTHER COVENANTS AND AGREES AS FOLLOWS:

A) To maintain, manage and operate the Property from the date of acceptance of this Offer to closing in the matter equivalent to the Seller's prior management.

B) Once the Buyer has waived its conditions herein, the Seller will not enter into any new lease with any new tenant without the Buyer's written approval based on its sole and absolute discretion. Until the Buyer waives its conditions herein, the Seller shall be free to continue to lease units to tenants on commercial reasonable terms and at no less than the market rents.

C) The Seller agrees to provide any survey of the Property in its possession to the Buyer upon acceptance.

D) Upon reasonable prior notice in accordance with the *Residential Tenancies Act* (Ontario) to allow the Buyer or its agents or representatives reasonable access during normal business hours to the Property, including access to individual apartment units, for the purposes of obtaining quotations for work to be done after Closing or for obtaining appraisals for lending institutions or for insurance quotations.

BUYER RIGHT TO ASSIGN

The Buyer may without the Seller's consent assign its rights and obligations in the herein Agreement, prior to the Closing Date, to an affiliated entity entirely, or to a vehicle jointly owned by the Buyer or any affiliate thereof and any investment partner.

SELLERS CONDITIONS

The Transaction shall be conditional upon the Seller receiving approval from the Ontario Superior Court of Justice (the "Court") pursuant to the *Canadian Creditors Arrangement Act.*

SCHEDULE "C"
Rent Roll
(See Attached)

SCHEDULE "D"
Survey
(See Attached)

SCHEDULE "E"

PERMITTED ENCUMBRANCES

"Permitted Encumbrances" means:

1. the reservations, limitations, exceptions, provisos and conditions, if any, expressed in any original grants from the Crown including, without limitation, the reservation of any mines and minerals in the Crown or any other person;

2. encumbrances respecting minor encroachments by any Property over neighbouring lands and/or permitted under agreements with the owners of such other lands and minor encroachments over any property by improvements of abutting land owners;

3. title defects or irregularities which are of a minor nature and in the aggregate will not materially impair the use or marketability of the Property for the purposes for which it is presently used;

4. all easements, servitudes and rights of way which are registered against the Property;

5. any subdivision, site-plan, development or other similar regional or municipal agreements and registered restrictions, provided the same have been complied with;

6. the Leases and any charge of the tenants or subtenants therein; and

7. Airport Zoning Regulations and amendments thereto

SPECIFIC REGISTRATIONS (to be inserted from Parcel Register)

B. J.

OREA Ontario Real Estate Association

Amendment to Agreement

Toronto Real Estate Board

BETWEEN BUYER: Starlight Investments Ltd. In Trust

AND SELLER: Queenston Manor General Partner Inc.

RE: Agreement of Purchase and Sale between the Seller and Buyer, executed the 16th day of March, 20 12, concerning the property known as 382 Queenston Street, St. Catharines, Ontario as more particularly described in the aforementioned Agreement.

IRREVOCABILITY: This Offer to Amend the Agreement shall be irrevocable by Buyer (Seller/Buyer) until 5:00 p.m. on the 18th day of April, 20 12, after which time, if not accepted, this Offer to Amend shall be null and void.

The Buyer(s)/Tenant(s) and Seller(s)/Landlord(s) herein agree to the following Amendments to the aforementioned Agreement:

Delete:

Schedule "B", paragraph "F", in its entirety

Insert:

The Seller agrees to complete all elevator deficiencies at the Property on or before Closing, at its sole cost and expense, as per the attached report dated April 9th, 2012 from TSSA and to provide written evidence to the Buyer that all elevator deficiencies have been completed and paid in full. The Seller further agrees to deliver on or before closing written evidence from TSSA confirming that all elevator deficiencies have been completed and cleared from the Property.

The Seller agrees to complete all work required under Permit No. 98-0097 issued on April 14th, 1998 and Order to Comply No. 07 002209 issued June 22nd, 2007 by the City of St. Catharines Planning and Building Department against the Property on or before Closing, at its sole cost and expense, and to provide written evidence to the Buyer from the City of St. Catharines Building Department that the said Permit/Order No. 98-0097 has been completed and cleared from the Property.

The Seller agrees to provide proof of payment that all Comfort Solutions Heating & Cooling Inc. invoices have been paid in full.

The Seller agrees to credit the Buyer with the sum of $10,000.00 on the statement of adjustments, provided that the transaction closes on May 1, 2012

The Seller agrees to cancel all contracts at the Property, at its sole cost and expense, on Closing.

INITIALS OF BUYER(S):

INITIALS OF SELLER(S):

For the purposes of this Amendment to Agreement, "Buyer" includes purchaser, tenant, lessee, and "Seller" includes vendor, landlord, lessor and "Agreement of Purchase and Sale" includes an Agreement to Lease.

Time shall in all respects be of the essence hereof provided that the time for doing or completing of any matter provided for herein may be extended or abridged by an agreement in writing signed by Seller and Buyer or by their respective solicitors who are hereby expressly appointed in this regard.

All other Terms and Conditions in the aforementioned Agreement to remain the same.

DATED at Toronto, this 17th day of April, 20 12

SIGNED, SEALED AND DELIVERED in the presence of: IN WITNESS whereof I have hereunto set my hand and seal:

(Witness) Per: (Buyer/Seller) Starlight Investments Ltd. in Trust (Seal) DATE Apr. 17/12

(Witness) (Buyer/Seller) (Seal) DATE

I, the undersigned, agree to the above Offer to Amend the Agreement.

DATED at Toronto, this 18th day of April, 20 12

SIGNED, SEALED AND DELIVERED in the presence of: IN WITNESS whereof I have hereunto set my hand and seal:

QUEENSTON MANOR GENERAL PARTNER INC.

(Witness) (Buyer/Seller) (Seal) DATE Apr/18/12

(Witness) (Buyer/Seller) (Seal) DATE

The undersigned Spouse of the Seller hereby consents to the Amendments hereinbefore set out

(Witness) (Spouse) (Seal) DATE

CONFIRMATION OF EXECUTION: Notwithstanding anything contained herein to the contrary, I confirm this Amendment to Agreement with all changes both typed and written was finally executed by all parties at 3:07 a.m./p.m. this 18 day of April, 20 12

(Signature of Seller or Buyer)

ACKNOWLEDGEMENT

I acknowledge receipt of my signed copy of this Amendment of Agreement and I authorized the Agent to forward a copy to my lawyer.

(Seller) DATE

(Seller) DATE

Address for Service

Tel No.

Seller's Lawyer Cassels Brock & Blackwell LLP

Address: 40 King Street West, #2100, Toronto

Tel. No 416-869-5300 Fax No. 416-360-8877

I acknowledge receipt of my signed copy of this Amendment of Agreement and I authorized the Agent to forward a copy to my lawyer.

(Buyer) DATE

(Buyer) DATE

Address for Service

Tel No.

Buyer's Lawyer Bloom Lanys Professional Corp.

Address: 2171 Avenue Rd., #200, Toronto, ON

Tel. No. 416-486-9913 Fax No. 416-485-6054

14th Floor, Centre Tower
3300 Bloor Street West
Toronto, Ontario
Canada M8X 2X4
Tel.: 416.734.3300
Fax: 416.231.1626
Toll Free: 1.877.682.8772

www.tssa.org

Administration and Customer Services

Tel: (416) 734-3570
Fax: (416) 734-3568

09 April 2012
File No: ED 11913

Barbara Lanys
BLOOM LANYS PROFESSIONAL CORPORATION
2171 Avenue Road
Suite 200
TORONTO ON M5M 4B4

Dear Madam:

RE: 382 Queenston Street, St. Catharines, Ontario – Your File No: BL5619

Thank you for your request and fee of $80.00 + HST for information regarding the devices at this location. Enclosed are copies of two (2) reports showing details of the last inspection conducted by **Technical Standards & Safety Authority** at the above location.

The installations were last inspected in November 2011. Directions in the reports have been given a specified target date for compliance; all are considered outstanding as of today's date.

It should be noted that when an inspector issues orders and/or directions, the contractor must ensure compliance within the specified time limits. All written notification of compliance (where eligible) should be sent to the inspector.

If you require any further information, please contact me.

Sincerely,

Prem Lal
Coordinator - Public Information Services
attch/

TECHNICAL STANDARDS and SAFETY AUTHORITY

14th Floor, Centre Tower
3300 Bloor Street West
Toronto, Ontario M8X 2X4
Toll free 1-877-682-8772
Fax (416) 231-1626
www.tssa.org

ED Inspection Report

Service Request #	478564
Inspection Report #	3634624

Inspection Address: 382 QUEENSTON ST ST CATHARINES;ON CA L2P 3V5	Reference Number(s): 37092	Inspection Completion Date: NOV 29, 2011
	Facility Type: RENTAL	Item Type: Passenger Elevator
Customer Name and Address: OTRV QUEENSTON MANOR 382 QUEENSTON ST ST CATHARINES;ON CA L2P 3V5	Task Type: ED-Followup Inspection	
	The facility/equipment is inspected in accordance with Ontario's Technical Standards & Safety Act and the appropriate regulations and codes. When an inspector's order is issued, time limits for compliance reflect the severity of the violation and serve to avoid disruption of service.	

Line	Reference and Order(s)	Compliance Date
55896 1-1	Machine room other: REMOVE THE GREASE/ OIL FROM THE BRAKE DRUM AND SHOES.	DEC 06, 2011
55896 1-2	Machine room other: REPLACE THE MISSING BRAKE CAP FASTENER AT THE DRIVE MACHINE.	DEC 06, 2011
55896 1-4	The annual testing of the governor tripping speed shall be carried out in accordance with requirement 4.3.2(a) of B44.2 (Where governor can not be sealed), and the maintenance log book updated with the results. PERFORM A GOVERNOR SPIN TEST AND RECORD IN THE LOG BOOK PRIOR TO THIS CAR BEING RETURNED TO SERVICE.	DEC 06, 2011

Task Notes

INSPECTION PERFORMED AT TIME OF PERIODIC INSPECTION. GOVERNOR WORK COMPLETE. THIS CAR MAY BE RETURNED TO SERVICE.
COPY OF THIS REPORT LEFT ON SITE AND SENT TO BROCK ELEVATOR.

Standard Notes

Where an inspector performs a follow up inspection and finds that the order(s) have not been completed, the owner (for periodic inspection issues) or the contractor (for minor alteration issues) will be billed at three times the regular charge for inspection. The order(s) will remain outstanding and will be subject to an additional follow up inspection. A regular inspection includes half hour travel time per site plus actual inspection time. There is a minimum billable time of one hour per site.

Failure to comply with inspection orders by the required date shall result in this device being removed from service.

Labour Detail

Date	Activity	Hours	Comments
NOV 29, 2011	Inspection	.5	

Customer Signature & Position / Date:		Inspector Name: Simonffy, Les	Inspector Contact Number: 905-389-1630
Report Received By:	Customer Contact Number:	Inspector Email: LSimonffy@tssa.org	Inspector Fax: 905-389-8659

As a not-for-profit regulatory authority, TSSA operates on a cost recovery basis. An Invoice will be issued for the Total Charges Incurred.
(Note: This is not an Invoice)

Putting Public Safety First

TECHNICAL STANDARDS and SAFETY AUTHORITY

14th Floor, Centre Tower
3300 Bloor Street West
Toronto, Ontario M8X 2X4
Toll free 1-877-682-8772
Fax (416) 231-1626
www.tssa.org

ED Inspection Report

Service Request #	478564
Inspection Report #	3634624

Inspection Address: 382 QUEENSTON ST ST CATHARINES;ON CA L2P 3V5	Reference Number(s): 37092	Inspection Completion Date: NOV 29, 2011
	Facility Type: RENTAL	Item Type: Passenger Elevator
Customer Name and Address: OTRV QUEENSTON MANOR 382 QUEENSTON ST ST CATHARINES;ON CA L2P 3V5	Task Type: ED-Followup Inspection The facility/equipment is inspected in accordance with Ontario's Technical Standards & Safety Act and the appropriate regulations and codes. When an Inspector's order is issued, time limits for compliance reflect the severity of the violation and serve to avoid disruption of service.	

Customer Signature & Position / Date:		Inspector Name: Simonffy, Les	Inspector Contact Number: 905-389-1630
Report Received By:	Customer Contact Number:	Inspector Email: LSimonffy@tssa.org	Inspector Fax: 905-389-8659

As a not-for-profit regulatory authority, TSSA operates on a cost recovery basis. An Invoice will be issued for the Total Charges Incurred.
(Note: This is not an invoice)

TECHNICAL STANDARDS and SAFETY AUTHORITY

14th Floor, Centre Tower
3300 Bloor Street West
Toronto, Ontario M8X 2X4
Toll free 1-877-682-8772
Fax (416) 231-1626
www.tssa.org

ED Inspection Report

Service Request #	478534
Inspection Report #	3130723

Inspection Address:	Reference Number(s):	Inspection Completion Date:
382 QUEENSTON ST ST CATHARINES;ON CA L2P 3V5	87657	NOV 29, 2011
	Facility Type: RENTAL	Item Type: Passenger Elevator
Customer Name and Address: OTRV QUEENSTON MANOR 382 QUEENSTON ST ST CATHARINES;ON CA L2P 3V5	Task Type: ED-Periodic Inspection The facility/equipment is inspected in accordance with Ontario's Technical Standards & Safety Act and the appropriate regulations and codes. When an Inspector's order is issued, time limits for compliance reflect the severity of the violation and serve to avoid disruption of service.	

Line	Reference and Order(s)	Compliance Date
55896 6-1	Car door other: MAKE THE CAR DOOR RESTRICTOR FUNCTION.	DEC 06, 2011
55896 6-2	Emergency communication other: THE IN CAR EMERGENCY COMMUNICATIONS SHALL FUNCTION FOR A MINIMUM OF 2 HOURS AFTER LOSS OF NORMAL POWER. NOW THE PHONE DOES NOT FUNCTION WITHOUT 110 VOLT POWER.	DEC 06, 2011

Task Notes

COPY OF THIS REPORT LEFT ON SITE AND SENT TO BROCK ELEVATOR.

Standard Notes

Failure to comply with inspection orders by the required date shall result in this device being removed from service.

Where an inspector performs a follow up inspection and finds that the order(s) have not been completed, the owner (for periodic inspection issues) or the contractor (for minor alteration issues) will be billed at three times the regular charge for inspection. The order(s) will remain outstanding and will be subject to an additional follow up inspection. A regular inspection includes half hour travel time per site plus actual inspection time. There is a minimum billable time of one hour per site.

Labour Detail

Date	Activity	Hours	Comments
NOV 29, 2011	Inspection	1.25	

Customer Signature & Position / Date:		Inspector Name:	Inspector Contact Number:
		Simonffy, Les	905-389-1630
Report Received By:	Customer Contact Number:	Inspector Email: LSimonffy@tssa.org	Inspector Fax: 905-389-8659

As a not-for-profit regulatory authority, TSSA operates on a cost recovery basis. An Invoice will be issued for the Total Charges Incurred.
(Note: This is not an Invoice)

Putting Public Safety First

City of St. Catharines

Planning and Development Services
PO Box 3012, 50 Church Street
St. Catharines, ON L2R 7C2

Phone: 905-688-5600
Fax: 905-688-5873
TTY: 905-688-4TTY (4889)

Carol
1-416-485-6054
Re: 382 Queenston

pril 17, 2012

Bloom & Lanys
Barristers & Solicitors
Attention: Barbara Lanys
2171 Avenue Road Suite 200
Toronto ON M5M 4B4

Dear Ms. Lanys:

Re: 382 Queenston Street
Part Lot 11, Concession 7, Parts 5 to 42, 30R-3638
Starlight Investments Ltd. purchase from Queenston Manor General Partner Inc.
Our File: 12 103662 MC

The following is an opinion expressed on the basis of the information this Department has in its files as of April 17, 2012 and no site inspection has been carried out, therefore, this information should not be accepted as conclusive. This opinion is not to be construed as a warranty of compliance and you are cautioned to supplement this opinion by such on site inspections and independent advice as you see fit.

We have reviewed our building records respecting the subject property and would advise at this time, we have no outstanding Complaints on this property, however, the following Order and Building Permit are outstanding:

File#	Issue Date	Deficiency
B98-0097	April 14, 1998	alter interior of multi unit residential building(raise floor)
07 002209	June 22, 2007	Order To Comply – final report from Designer required.

For further information with respect to the above Order, please contact Val Boccia at extension 1624.

The property is zoned "Third Density Residential - R3" for no other purpose than an apartment building subject to the provisions of Zoning By-Law Number 62-86 as amended by By-Law Number 84-412, for the City of St. Catharines, copies of which may be obtained from the office of the City Clerk.

By-Law Numbers 62-86 and 84-412 became effective on May 28, 1962 and December 10, 1984, respectively.

The zoning by-law was varied by the Committee of Adjustment under File Number A-12/83, a copy of which is attached hereto, and the development is subject to the terms of a registered Site Plan Agreement with the Corporation of the City of St. Catharines.

In order to verify compliance with the setback and yard requirements of the zoning by-law, it would be necessary to check an Ontario Land Surveyor's Plan against the requirements of the appropriate zoning bylaw, however, the applicable setbacks for this property are:

No survey avail.

FRONT:	73 feet from the centre line of Queenston Street.
REAR:	25 feet or the height of the building, whichever is greater from the rear property line.
SIDEYARDS:	half the height of the building from the side property line on both sides.

Accessory buildings are permitted in side and rear yards only and must be located a minimum of 0.6 metres from the side and rear lot lines and 2.0 metres from the main building.

All lands in the City of St. Catharines are subject to the provision of Site Plan Control Area By-law 85-534, a copy of which may be obtained from the office of the City Clerk.

Any local improvement information is included in the Tax Certificate information which is obtained from our Financial Management Services Department.

We trust this information will satisfy your enquiry and if further information is required, please contact the undersigned at Extension 1627. Attached is your receipt for $100.00.

Yours truly

SMitchell

Sandra Mitchell
Zoning Technician

Encl.

sm

TAB J

This is Exhibit "J" referred to in the affidavit of **Gregory MacLeod** sworn before me at Toronto, Ontario this 23rd day of April 2012

....

A Commissioner For Taking Affidavits

Leon Efraim LSUC #51809W

Ontario ServiceOntario

LAND
REGISTRY
OFFICE #30

PARCEL REGISTER (ABBREVIATED) FOR PROPERTY IDENTIFIER

46351-0077 (LT)

PREPARED FOR PLaForgia
ON 2012/04/20 AT 15:03:56

* CERTIFIED BY LAND REGISTRAR IN ACCORDANCE WITH LAND TITLES ACT * SUBJECT TO RESERVATIONS IN CROWN GRANT *

PROPERTY DESCRIPTION: PT LT 11 CON 7 GRANTHAM PARTS 5-42, 30R3638; S/T RO464715, RO464716, RO472849; ST. CATHARINES

PROPERTY REMARKS:

ESTATE/QUALIFIER:
FEE SIMPLE
LT CONVERSION QUALIFIED

RECENTLY:
RE-ENTRY FROM 46351-0189

PIN CREATION DATE:
2004/01/26

OWNERS' NAMES	CAPACITY	SHARE
QUEENSTON MANOR GENERAL PARTNER INC.	NC	

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
*** PRINTOUT INCLUDES ALL DOCUMENT TYPES (DELETED INSTRUMENTS NOT INCLUDED) ***						
***SUBJECT, ON FIRST REGISTRATION UNDER THE LAND TITLES ACT, TO:*						
****	*SUBSECTION 44(1) OF THE LAND TITLES ACT, EXCEPT PARAGRAPH 11, PARAGRAPH 14, PROVINCIAL SUCCESSION DUTIES **					
****	*AND ESCHEATS OR FORFEITURE TO THE CROWN.*					
****	*THE RIGHTS OF ANY PERSON WHO WOULD, BUT FOR THE LAND TITLES ACT, BE ENTITLED TO THE LAND OR ANY PART OF*					
****	*IT THROUGH LENGTH OF ADVERSE POSSESSION, PRESCRIPTION, MISDESCRIPTION OR BOUNDARIES SETTLED BY*					
****	*CONVENTION.*					
****	*ANY LEASE TO WHICH THE SUBSECTION 70(2) OF THE REGISTRY ACT APPLIES.*					
***DATE OF CONVERSION TO LAND TITLES: 2004/01/26 ***						
30R586	1973/10/26	PLAN REFERENCE				C
RO334344	1976/05/11	AGREEMENT			THE CORPORATION OF THE CITY OF ST. CATHARINES	C
REMARKS: SKETCH ATTACHED. SITE PLAN						
RO387986	1978/10/20	AGREEMENT				C
REMARKS: RO334344						
RO417701	1980/06/13	AGREEMENT			THE CORPORATION OF THE CITY OF ST. CATHARINES	C
REMARKS: SKETCH ATTACHED. SITE PLAN						
30R3638	1983/05/26	PLAN REFERENCE				C
RO464632	1983/07/27	AGREEMENT			THE CORPORATION OF THE CITY OF ST. CATHARINES	C
REMARKS: SITE PLAN						
RO464715	1983/07/28	TRANSFER EASEMENT			THE CORPORATION OF THE CITY OF ST. CATHARINES	C

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

Ontario ServiceOntario

LAND
REGISTRY
OFFICE #30

PARCEL REGISTER (ABBREVIATED) FOR PROPERTY IDENTIFIER

46351-0077 (LT)

PREPARED FOR PLaForgia
ON 2012/04/20 AT 15:03:56

* CERTIFIED BY LAND REGISTRAR IN ACCORDANCE WITH LAND TITLES ACT * SUBJECT TO RESERVATIONS IN CROWN GRANT *

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
RO464716	1983/07/28	TRANSFER EASEMENT			THE CORPORATION OF THE CITY OF ST. CATHARINES	C
RO468712	1983/10/04	AGREEMENT			THE CORPORATION OF THE CITY OF ST. CATHARINES	C
REMARKS: FOUNDATION PERMIT						
RO470352	1983/11/07	AGREEMENT			CITY OF ST. CATHARINES	C
REMARKS: SITE PLAN						
RO472849	1983/12/30	TRANSFER EASEMENT			CITY OF ST. CATHARINES	C
RO472853	1983/12/30	AGREEMENT			CITY OF ST. CATHARINES	C
REMARKS: AMENDING SITE PLAN, RO470352						
RO493091	1985/03/04	NOTICE				C
REMARKS: ZONING REGULATIONS						
RO772777	2000/09/28	TRANSFER		ONTARIO TEACHERS' RETIREMENT VILLAGE (KITCHENER) INCORPORATED, IN TRUST	QUEENSTON MANOR GENERAL PARTNER INC.	C
NR103713	2006/05/23	CHARGE	$4,000,000	QUEENSTON MANOR GENERAL PARTNER INC.	COMPUTERSHARE TRUST COMPANY OF CANADA	C
NR103715	2006/05/23	NO ASSGN RENT GEN		QUEENSTON MANOR GENERAL PARTNER INC.	COMPUTERSHARE TRUST COMPANY OF CANADA	C
REMARKS: NR103713 RENTS						

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM (ONTARIO) ENQUIRY RESULTS

Prepared for :	CASSELS BROCK & BLACKWELL LLP (JO)
Reference :	197
Docket :	33695-27
Search ID :	442697
Date Processed :	4/23/2012 9:51:18 AM
Report Type :	PPSA Electronic Response
Search Conducted on :	QUEENSTON MANOR GENERAL PARTNER INC.
Search Type :	Business Debtor

MINISTRY OF CONSUMER AND BUSINESS SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE

THIS IS TO CERTIFY THAT A SEARCH HAS BEEN MADE IN THE RECORDS OF THE CENTRAL OFFICE OF THE PERSONAL PROPERTY SECURITY SYSTEM IN RESPECT OF THE FOLLOWING:

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: QUEENSTON MANOR GENERAL PARTNER INC.

FILE CURRENCY: April 22, 2012

RESPONSE CONTAINS: APPROXIMATELY 2 FAMILIES and 4 PAGES.

THE SEARCH RESULTS MAY INDICATE THAT THERE ARE SOME REGISTRATIONS WHICH SET OUT A BUSINESS DEBTOR NAME WHICH IS SIMILAR TO THE NAME IN WHICH YOUR ENQUIRY WAS MADE. IF YOU DETERMINE THAT THERE ARE OTHER SIMILAR BUSINESS DEBTOR NAMES, YOU MAY REQUEST THAT ADDITIONAL ENQUIRIES BE MADE AGAINST THOSE NAMES.

THE ABOVE REPORT HAS BEEN CREATED BASED ON THE DATA PROVIDED BY THE PERSONAL PROPERTY REGISTRATION BRANCH, MINISTRY OF CONSUMER AND BUSINESS SERVICES, GOVERNMENT OF ONTARIO. NO LIABILITY IS UNDERTAKEN REGARDING ITS CORRECTNESS, COMPLETENESS, OR THE INTERPRETATION AND USE THAT ARE MADE OF IT.

MINISTRY OF CONSUMER AND BUSINESS SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR
CONDUCTED ON: QUEENSTON MANOR GENERAL PARTNER INC.
FILE CURRENCY: April 22, 2012

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 1 OF 2 ENQUIRY PAGE : 1 OF 4

SEARCH : BD : QUEENSTON MANOR GENERAL PARTNER INC.

00 FILE NUMBER : 625000986 EXPIRY DATE : 09MAY 2018 STATUS :
01 CAUTION FILING : PAGE : 001 OF 002 MV SCHEDULE ATTACHED :
REG NUM : 20060509 0921 1862 1504 REG TYP: P PPSA REG PERIOD: 12
02 IND DOB : IND NAME:
03 BUS NAME: QUEENSTON MANOR GENERAL PARTNER INC.
OCN : 1379340
04 ADDRESS : 430 DURHAM ROAD 8
CITY : UXBRIDGE PROV: ON POSTAL CODE: L9P 1R1
05 IND DOB : IND NAME:
06 BUS NAME: QUEENSTON MANOR LIMITED PARTNERSHIP
OCN :
07 ADDRESS : 430 DURHAM ROAD 8
CITY : UXBRIDGE PROV: ON POSTAL CODE: L9P 1R1

08 SECURED PARTY/LIEN CLAIMANT :
COMPUTERSHARE TRUST COMPANY OF CANADA
09 ADDRESS : 100 UNIVERSITY AVE., S. TWR., 8TH FL.
CITY : TORONTO PROV: ON POSTAL CODE: M5J 2Y1

CONS. GOODS	INVTRY.	EQUIP	ACCTS	OTHER	MV INCL	AMOUNT	DATE OF MATURITY	OR NO FIXED MAT DATE
10	X	X	X	X				

YEAR MAKE MODEL V.I.N.
11
12
GENERAL COLLATERAL DESCRIPTION
13 ALL RIGHTS, TITLE AND INTEREST OF EACH DEBTOR IN ALL PERSONAL
14 PROPERTY LOCATED AT, RELATING TO OR USED IN CONNECTION WITH THE REAL
15 PROPERTY COMPRISING PART LOT 11, CONCESSION 7 GRANTHAM, 382 QUEENSTON
16 AGENT: ROSE, PERSIKO, RAKOWSKY, MELVIN LLP [AAR 2060176]
17 ADDRESS : 390 BAY STREET, SUITE 600
CITY : TORONTO PROV: ON POSTAL CODE: M5H 2Y2

CONTINUED

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

MINISTRY OF CONSUMER AND BUSINESS SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR
CONDUCTED ON: QUEENSTON MANOR GENERAL PARTNER INC.
FILE CURRENCY: April 22, 2012

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 1 OF 2 ENQUIRY PAGE : 2 OF 4

SEARCH : BD : QUEENSTON MANOR GENERAL PARTNER INC.

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00 FILE NUMBER : 625000986   EXPIRY DATE : 09MAY 2018 STATUS :
01 CAUTION FILING :          PAGE : 002 OF 002        MV SCHEDULE ATTACHED :
REG NUM : 20060509 0921 1862 1504 REG TYP:            REG PERIOD:
02 IND DOB :                 IND NAME:
03 BUS NAME:
OCN :
04 ADDRESS :
CITY    :                             PROV:       POSTAL CODE:
05 IND DOB :                 IND NAME:
06 BUS NAME:
OCN :
07 ADDRESS :
CITY    :                             PROV:       POSTAL CODE:


08 SECURED PARTY/LIEN CLAIMANT :

09 ADDRESS :
CITY    :                             PROV:       POSTAL CODE:
CONS.                                   MV                   DATE OF   OR NO FIXED
GOODS INVTRY. EQUIP  ACCTS  OTHER  INCL     AMOUNT       MATURITY     MAT DATE
10
YEAR MAKE                        MODEL                V.I.N.
11
12
GENERAL COLLATERAL DESCRIPTION
13  STREET, ST. CATHARINES, ONTARIO, AND ALL PROCEEDS THEREOF.
14
15
16 AGENT:
17 ADDRESS :
CITY    :                             PROV:        POSTAL CODE:
```

END OF FAMILY

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

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          MINISTRY OF CONSUMER AND BUSINESS SERVICES
          PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
                       ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR
CONDUCTED ON: QUEENSTON MANOR GENERAL PARTNER INC.
FILE CURRENCY: April 22, 2012


1C FINANCING STATEMENT / CLAIM FOR LIEN

   FAMILY :   2 OF   2       ENQUIRY PAGE :   3 OF   4

SEARCH  : BD  : QUEENSTON MANOR GENERAL PARTNER INC.

00 FILE NUMBER : 625000995   EXPIRY DATE : 09MAY 2018 STATUS :
01 CAUTION FILING :          PAGE : 001 OF 002        MV SCHEDULE ATTACHED :
REG NUM : 20060509 0921 1862 1505 REG TYP: P  PPSA    REG PERIOD: 12
02 IND DOB :             IND NAME:
03 BUS NAME: QUEENSTON MANOR GENERAL PARTNER INC.
OCN : 1379340
04 ADDRESS : 430 DURHAM ROAD 8
CITY    : UXBRIDGE                PROV: ON    POSTAL CODE: L9P 1R1
05 IND DOB :             IND NAME:
06 BUS NAME:
OCN :
07 ADDRESS :
CITY    :                         PROV:       POSTAL CODE:


08 SECURED PARTY/LIEN CLAIMANT :
COMPUTERSHARE TRUST COMPANY OF CANADA
09 ADDRESS : 100 UNIVERSITY AVE., S. TWR., 8TH FL.
CITY    : TORONTO                 PROV: ON    POSTAL CODE: M5J 2Y1
CONS.                              MV                    DATE OF  OR NO FIXED
GOODS INVTRY. EQUIP  ACCTS  OTHER  INCL     AMOUNT       MATURITY    MAT DATE
10         X      X      X      X
YEAR MAKE                       MODEL                V.I.N.
11
12
GENERAL COLLATERAL DESCRIPTION
13 ALL RIGHTS, TITLE AND INTEREST OF THE DEBTOR IN ALL PERSONAL PROPERTY
14  LOCATED AT, RELATING TO OR USED IN CONNECTION WITH THE REAL PROPERTY
15  COMPRISING PART LOT 11, CONCESSION 7 GRANTHAM, 382 QUEENSTON STREET,
16 AGENT: ROSE, PERSIKO, RAKOWSKY, MELVIN LLP [RBM 2060176]
17 ADDRESS : 390 BAY STREET, SUITE 600
CITY    : TORONTO                 PROV: ON     POSTAL CODE: M5H 2Y2

CONTINUED

  *** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***
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MINISTRY OF CONSUMER AND BUSINESS SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR
CONDUCTED ON: QUEENSTON MANOR GENERAL PARTNER INC.
FILE CURRENCY: April 22, 2012

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 2 OF 2 ENQUIRY PAGE : 4 OF 4

SEARCH : BD : QUEENSTON MANOR GENERAL PARTNER INC.

00 FILE NUMBER : 625000995 EXPIRY DATE : 09MAY 2018 STATUS :
01 CAUTION FILING : PAGE : 002 OF 002 MV SCHEDULE ATTACHED :
REG NUM : 20060509 0921 1862 1505 REG TYP: REG PERIOD:
02 IND DOB : IND NAME:
03 BUS NAME:
OCN :
04 ADDRESS :
CITY : PROV: POSTAL CODE:
05 IND DOB : IND NAME:
06 BUS NAME:
OCN :
07 ADDRESS :
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

09 ADDRESS :
CITY : PROV: POSTAL CODE:

CONS. GOODS	INVTRY.	EQUIP	ACCTS	OTHER	MV INCL	AMOUNT	DATE OF MATURITY	OR NO FIXED MAT DATE
10								

YEAR	MAKE	MODEL	V.I.N.
11			
12			

GENERAL COLLATERAL DESCRIPTION
13 ST. CATHARINES, ONTARIO, AND ALL PROCEEDS THEREOF.
14
15
16 AGENT:
17 ADDRESS :
CITY : PROV: POSTAL CODE:
LAST SCREEN

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

TAB K

This is Exhibit "K" referred to in the affidavit of **Gregory MacLeod** sworn before me at Toronto, Ontario this 23rd day of April 2012

....
A Commissioner For Taking Affidavits
Leon Efraim, LSUC #51905W

IMS

Institutional Mortgage Servicing

TD Centre, Royal Trust Tower
77 King Street West, Suite 4120, P.O. Box 117
Toronto, Ontario M5K 1G8

MORTGAGE DISCHARGE STATEMENT

Issue Date April 3, 2012

Expiry Date May 1, 2012

Midland Loan No.
030266808

Mortgagee / Lender
Computershare Trust Company of Canada ("Lender")

Borrower/Monitor/Borrower's Counsel/Monitor's Counsel
Queenston Manor General Partner Inc.
Grant Thornton Limited
Cassels Brock & Blackwell LLP
Blake, Cassels & Graydon LLP

Master and Special Servicer
Midland Loan Services, a division of PNC Bank, NA ("Midland")

Subservicer
IMS Limited Partnership, by its General Partner, Institutional Mortgage Servicing Canada Inc. ("IMS")

Property Address:
Queenston Manor, 382 Queen Street
St. Catharines, Ontario

STATEMENT OF PAYOFF AS AT: Tuesday, May 01, 2012 subject to all payments up to and including Wednesday, February 01, 2012 being made and provided all such payments are honoured by the bank drawn upon.

Principal Balance as at	February 1, 2012	**$3,656,469.16**
Interest at	5.654% from February 1, 2012 to and including April 30, 2012	**$51,113.00**
Compound Interest to and including April 30, 2012		**$257.34**
NSF Charge		**$30.00**
Stikeman Elliott LLP Legal Invoice dated March 28, 2012		**$33,905.75**
ESTIMATED Prepayment Premium		**$588,193.80**
Recovery Fee/Workout Fee inclusive of HST		**$41,894.44**
Special Servicing Fees inclusive of HST		**$1,889.56**
ESTIMATED Stikeman Elliott LLP unbilled time		**$23,652.00**
TOTAL AMOUNT TO DISCHARGE AS AT:	May 1, 2012	**$4,397,405.05**

PLEASE NOTE THAT ONLY WIRED FUNDS FOR REPAYMENT OF MORTGAGE LOANS WILL BE ACCEPTED. SEE WIRING INSTRUCTIONS BELOW.

IMS LIMITED PARTNERSHIP, by its General Partner, INSTITUTIONAL MORTGAGE SERVICING CANADA INC.

Jean Monardo, Senior Vice-President

E. & O.E.

Payment Wiring Instructions

Beneficiary Name:	Computershare Trust Company of Canada	Merrill Lynch 2006 C19 P&I Payments
Beneficiary Address:	10851 Mastin, Suite 300, Overland Park, KS 66210	
Bank Name and Address:	TD Canada Trust, 55 King Street West, Toronto, ON	Bank #: 004 Transit #: 10202 Swift Code: TDOMCATTTOR
Account #:	5316492	Reference: 030266808

REMARKS:

This statement is intended for the use of the party(ies) to whom it is addressed. All figures are subject to change based on further verification and confirmation by Midland.

The Prepayment Premium set out above is an estimate only and is based on the Government of Canada bonds having a Maturity Date nearest to the Maturity Date of the Loan. Accordingly, the amount of the Prepayment Premium can fluctuate daily. The final Prepayment Premium Amount will be provided one business day prior to the Payout Date.

The additional Stikeman Elliott LLP legal costs is an estimate only and is subject to additional final legal costs, disbursements and applicable taxes.

The date of receipt of funds by wire transfer to the Lender's account will be determined based upon the time of receipt as stipulated by the loan documents. If payoff is to occur after the Expiry Date, please request an updated statement. A statement fee of $250.00 will be charged for each additional statement requested.

Subject to receipt of all funds required to fully repay the loan indebtedness and all other charges as set out in this statement, the Lender undertakes to, within a reasonable period threreafter, execute discharges of all loan documents registered against or securing the Property and provide the same to the Borrower or its counsel for registration at the Borrower's expense. Such discharges are to be prepared by Borrower's counsel and submitted to Stikeman Elliott LLP for further processing.

Every effort has been made to ensure the accuracy of this mortgage discharge statement . Please review the information set out above and confirm that such information agrees with the Borrower's records. Notification is hereby given that, in the event of error or omission, the Lender does not in any way prejudice its right and entitlement to all monies lawfully due under the terms of the loan documents. This statement does not in any way alter or modify any of the terms of the loan documents.

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceedings Commenced at Toronto

MOTION RECORD

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Toronto, Ontario M5H 3C2

John Birch LSUC#38698U
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Fax: 416-640-3057

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Fax: 416.640.3154

Lawyers for the Applicants