Court File No. CV-12-9930-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.	)	WEDNESDAY, THE 24th
	)	
JUSTICE MORAWETZ	)	DAY OF JULY, 2013

IN THE MATTER OF THE RECEIVERSHIP OF First Leaside Wealth Management Inc. and the Applicants Listed on Schedule "A" (collectively, "**First Leaside**")

INTERIM DISTRIBUTION ORDER

THIS MOTION, made by Grant Thornton Limited ("**GTL**") in its capacity as the Court-appointed receiver (the "**Receiver**"), without security, of all of the assets, undertakings and properties of First Leaside, for an order:

(a) 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 July 24, 2013;

(b) approving the Receiver's proposed distribution matrix (the "**Distribution Matrix**") as described in the Third Report of the Receiver dated July 17, 2013 (the "**Third Report**"), including the Receiver's allocation of those general costs that were not specifically incurred in respect of a particular First Leaside entity ("**General Costs**") and costs that were allocated to certain entities (the "**Other Entities**") pursuant to a billing protocol that was established in the CCAA proceedings of First Leaside Wealth Management Inc. ("**FLWM**") and certain of its affiliates and subsidiaries, Court File No. 12-9617-00CL (the "**CCAA Proceedings**");

(c) authorizing and directing the Receiver to make an interim distribution (the "**First Interim Distribution**") of proceeds of realization to known creditors of First Leaside ("**Creditors**") and investors who are clients of First Leaside Securities Inc. ("**Investors**"), after accounting for certain holdbacks from the net proceeds of realization in respect of (i) disputed and unresolved claims; (ii) future operating costs of the receivership; and (iii) the Director's Charge established in the CCAA Proceedings in the amount of $250,000 and continued at paragraph 14 of the Discharge and Transition Order dated December 7, 2012 issued in the CCAA Proceedings; and (iv) applying a holdback from the First Interim Distribution of amounts that would otherwise be distributable to Creditors and Investors who are also debtors of FLWM in the amount of such indebtedness (collectively, the "**Holdbacks**"), which Holdbacks are to be retained from distributions to Creditors and Investors by the Receiver pending further Order of this Court;

(d) subject to any applicable Holdbacks, authorizing and directing the Receiver to distribute any amounts due and payable to FLEX Fund and First Leaside Wealth Management Fund (collectively, the "**First Leaside Investment Funds**") directly to the Investors in the First Leaside Investment Funds, in accordance with each Investor's proportionate interest as determined in the claims process administered by the Receiver pursuant to a December 7, 2012 Order of this Court (the "**Claims Process**");

(e) approving the Receiver's interim receipts and disbursements for the period from December 7, 2012 to June 20, 2013 (the "**June 20, 2013 R&D**");

(f) approving the activities of the Receiver as described in the Third Report; and

(g) approving the fees and disbursements of (i) GTL in its capacity as Monitor in the CCAA Proceedings during the period from December 1, 2012 to December 7, 2012, and in its capacity as Receiver during the period from December 7, 2012 to May 31, 2013, (ii) its counsel, Blake, Cassels & Graydon LLP ("**Blakes**"), Cassels, Brock & Blackwell LLP ("**Cassels Brock**") and Lax, O'Sullivan, Scott & Lisus LLP ("**Lax O'Sullivan**"), and (iii) Dentons Canada LLP ("**Dentons**"), in its capacity as representative counsel for the Investors ("**Representative Counsel**"),

was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Third Report, the affidavit of Jonathan Krieger, sworn July 16, 2013 (the "**Krieger Affidavit**"), the affidavit of Pamela L.J. Huff, sworn July 16, 2013 (the "**Huff Affidavit**"), the affidavit of David S. Ward, sworn July 15, 2013 (the "**Ward Affidavit**"), the affidavit of Tracy Wynne, sworn July 9, 2013 (the "**Wynne Affidavit**"), the affidavit of R. Shayne Kukulowicz, sworn June 21, 2013 (the "**Kukulowicz Affidavit**"), and on hearing the submissions of counsel for the Receiver, counsel for the WALP Funds and mortgage Fund, counsel for the OSC, and Representative Counsel, no one else appearing although served as evidenced by the affidavits of service of Christina DeLuca, sworn July 16, 2013 and July 18, 2013, filed:

Service

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion, the Motion Record and the Third Report is hereby abridged and the manner thereof validated so that this Motion is properly returnable today and hereby dispenses with any further or other service thereof.

Distribution

2. **THIS COURT ORDERS** that the Distribution Matrix be and is hereby authorized and approved.

based on Method 3

3. **THIS COURT ORDERS** that the Receiver's allocation of General Costs and the allocation of costs of the Other Entities as set out in paragraphs 70-78 of the Third Report be and are hereby authorized and approved.

4. **THIS COURT ORDERS** that the Receiver's proposed First Interim Distribution be and is hereby authorized and approved, and the Receiver be and is hereby authorized and directed to make the proposed First Interim Distribution on behalf of each applicable First Leaside entity to Creditors and Investors for whom amounts are available for distribution pursuant to the Distribution Matrix, which distributions shall be made in accordance with each Creditor's and/or Investor's proportionate interest as determined in the Claims Process.

5. **THIS COURT ORDERS** that the Receiver be and is hereby authorized and directed to distribute any amounts due and payable to the First Leaside Investment Funds directly to Investors holding units in such First Leaside Investment Funds in accordance with their proportionate share of such units as determined in the Claims Process.

6. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, other than the proposed First Interim Distribution expressly authorized pursuant to paragraphs 4 and 5 of this Order, the Receiver shall not make any distributions to Creditors or Investors without further Order of this Court.

7. **THIS COURT ORDERS** that the methodology of the Receiver in formulating the Distribution Matrix and the First Interim Distribution is without prejudice to any claims, arguments or theories of compensation that any Investor may advance in respect of the Canadian Investor Protection Fund ("**CIPF**") provided however that any claim filed with CIPF will be determined by CIPF pursuant to the CIPF Coverage Policy.

8. **THIS COURT ORDERS** that, upon making the First Interim Distribution, the Receiver shall be released and discharged from any and all obligations and claims in respect of the First Interim Distribution.

9. **THIS COURT ORDERS AND DECLARES** that the remittance of the First Interim Distribution by the Receiver as provided herein, including the distributions in respect of the First Leaside Investment Funds, is not a "distribution" for purposes of section 159 of the *Income Tax Act* (Canada), section 270 of the *Excise Tax Act* (Canada), section 107 of the *Corporations Tax Act* (Ontario) and section 117(1) of the *Taxation Act*, 2007 (Ontario) (collectively, the "**Acts**"), and that the Receiver, in making the payments and remittances ordered herein is not "distributing," or considered to have "distributed" the proceeds, and shall have no obligation to obtain a clearance certificate in respect of such payments or remittances. The Receiver shall incur no personal liability for any obligation to remit amounts payable to the Canada Revenue Agency in respect of amounts owing by First Leaside for taxes under the Acts for making the First Interim Distribution.

Receiver's R&D and Activities

10. **THIS COURT ORDERS** that the June 20, 2013 R&D be and is hereby approved.

11. **THIS COURT ORDERS** that the Third Report and the conduct and activities of the Receiver as set out therein be and are hereby approved.

Fees and Disbursements

12. **THIS COURT ORDERS** that the fees and disbursements of GTL, as Monitor in the CCAA Proceedings, for services rendered during the period from December 1 to December 7, 2012, and as Receiver for services rendered during the period from December 7, 2012 to May 31, 2011, in the aggregate amount of $520,972.91 including HST, as detailed in the Krieger Affidavit, be and are hereby approved.

13. **THIS COURT ORDERS** that the fees and disbursements of Blakes, in its capacity as counsel to the Monitor during the period from December 1 to December 7, 2012 and in its capacity as independent counsel to the Receiver from December 7, 2012 to May 31, 2013, in the aggregate amount of $390,526.53 including HST, as detailed in the Huff Affidavit, be and are hereby approved.

14. **THIS COURT ORDERS** that the fees and disbursements of Cassels Brock, in its capacity as special counsel to the Receiver during the period from December 7, 2012 to May 31, 2013, in the aggregate amount of $229,098.68 including HST as detailed in the Ward Affidavit, be and are hereby approved.

15. **THIS COURT ORDERS** that the fees and disbursements of Lax O'Sullivan, in its capacity as litigation counsel to First Leaside and the Receiver during the period from

July 13, 2012 to May 31, 2013, in the aggregate amount of $237,008.56 including HST, as detailed in the Wynne Affidavit, be and are hereby approved.

16. **THIS COURT ORDERS** that the fees and disbursements of Representative Counsel, Dentons, during the period from December 1, 2012 to May 31, 2013 in the aggregate amount of $265,858.79 including HST, as detailed in the Kukulowicz Affidavit, be and are hereby approved.

Schedule "A" – List of Additional Receivership Applicants

First Leaside Finance Inc.
First Leaside Securities Inc.
F.L. Securities Inc.
Mill Street Limited Partnership
Harmony Townhomes Limited Partnership
First Leaside Management Inc.
Development Notes Limited Partnership
Special Notes Limited Partnership
First Leaside Accounting and Tax Services Inc.
2086056 Ontario Inc.
First Leaside Properties Limited Partnership
First Leaside Realty Inc.
First Leaside Realty Limited Partnership
First Leaside Realty II Inc.
First Leaside Investors Limited Partnership
First Leaside Premier Limited Partnership
First Leaside Progressive Limited Partnership
First Leaside Realty II Limited Partnership
First Leaside Ultimate Limited Partnership
First Leaside Universal Limited Partnership
Uxbridge Development Limited Partnership
First Leaside Retirement Residences Limited Partnership
First Leaside Venture Limited Partnership
965010 Ontario Inc.
Wimberly Apartments Limited Partnership
1045517 Ontario Inc.
The Shores Limited Partnership
1024919 Ontario Inc.
Old Mill Pond Apartments Limited Partnership
1031628 Ontario Inc.
1056971 Ontario Inc.
The Bluffs of Lakewood Limited Partnership
1376095 Ontario Inc.
F.L. Spring Valley Limited Partnership
1437290 Ontario Ltd.
First Leaside Partners Limited Partnership
First Leaside Opportunities Limited Partnership
1244428 Ontario Ltd.
Preston Racquet Club Real Estate Limited Partnership Series 910PA
Preston Racquet Club Real Estate Limited Partnership Series 910PB
Preston Racquet Club Real Estate Limited Partnership Series 910PC
Preston Racquet Club Real Estate Limited Partnership Series 910PD
PrestonOne Development (Canada) Inc.
PrestonTwo Development (Canada) Inc.
PrestonThree Development (Canada) Inc.

PrestonFour Development (Canada) Inc.
2088543 Ontario Inc.
2088544 Ontario Inc.
F.L.W. Pond Master Ltd.
2088545 Ontario Inc.
F.L.W. Shores Master Ltd.
1331607 Ontario Inc.
First Leaside Acquisitions Limited Partnership
Queenston Manor General Partner Inc.
Queenston Manor Limited Partnership
2107738 Ontario Inc.
First Leaside Advantage Limited Partnership
2128054 Ontario Inc.
First Leaside Elite Limited Partnership
1132413 Ontario Inc.
First Leaside Entities Limited Partnership
2067171 Ontario Inc.
First Leaside Expansion Limited Partnership
2085306 Ontario Inc.
First Leaside Growth Limited Partnership
2086218 Ontario Inc.
First Leaside Unity Limited Partnership
First Leaside Visions Management Inc.
2007804 Ontario Inc.
First Leaside Wealth Management Limited Partnership
First Leaside Fund Management Inc.
F.L. Beverages Group Limited Partnership
First Leaside Global Limited Partnership
Special U.S. Notes Limited Partnership
FLWM Holdings Limited Partnership
First Leaside Select Limited Partnership
Cherry Park Retirement Residences Limited Partnership
First Leaside Retirement Residences (Okanagan) Limited Partnership
Orchard Valley Retirement Residences Limited Partnership
The Shores Retirement Residences Limited Partnership
F.L. PrimeTime Living Limited Partnership

IN THE MATTER OF THE RECEIVERSHIP OF FIRST LEASIDE WEALTH MANAGEMENT INC. AND THE APPLICANTS LISTED ON SCHEDULE "A"

Court File No: CV-12-9930-00CL

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SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceeding commenced at Toronto

INTERIM DISTRIBUTION ORDER

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