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December 21, 2012

BY EMAIL

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

Dear Sirs/Mesdames:

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

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

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

1. <u>Termination of the CCAA Proceedings and Appointment of Grant Thornton as Receiver</u>

On December 7, 2012, the Court approved First Leaside's application to appoint Grant Thornton Limited ("**Grant Thornton**") as the court-appointed receiver of First Leaside (in such capacity Grant Thornton is referred to as the "**Receiver**"). Concurrently with such application, the Court made an order (i) terminating the stay of proceedings imposed by the Initial Order issued by Superior Court of Justice on February 23, 2012 in respect of First Leaside pursuant to the CCAA proceedings and terminating the CCAA proceedings, subject to certain transitional provisions (note, there is still a stay of proceedings in the receivership proceedings); (ii) discharging the CRO, Greg MacLeod & Associates Inc., and discharging Grant Thornton as Monitor upon its appointment as Receiver, subject to certain transitional provisions; (iii) releasing the Monitor and the CRO from liability (with the exception of liability for acts of gross negligence or willful misconduct) that may have arisen or may arise in the future, due to acts or omissions of the Monitor or CRO while they acted in such capacities pursuant to their mandate in the CCAA proceedings; (iv) continuing the appointment of Rep Counsel in the receivership proceedings; and (v) approving the fees and disbursements of the Monitor, the CRO and their respective counsel. Rep Counsel's fees and disbursements were approved by the Court on Monday December 17, 2012.

2. <u>Approval of the Claims Process</u>

On December 7, 2012, the Court approved a claims procedure order (the "**Claims Procedure Order**") to, among other things, (i) provide notice to creditors, which includes the Investors of First Leaside, about the upcoming claims process; (ii) establish deadlines for the Receiver to mail acknowledgments of claims forms to the Investors (the "**Acknowledgement of Claim Form**"); (iii) establish a claims bar date, being 5:00 p.m. EST on February 28, 2013 (the "**Claims Bar Date**"), for Investors to submit amendments to the Acknowledgements of Claim Form or to file a Proof of Claim; and (iv) develop a procedure for determining and adjudicating claims.

According to the Claims Procedure Order, an "Investor Claim" is defined as the following:

> any claims of any Investor of First Leaside Securities Inc. derived from such client's investment in First Leaside proprietary products. . .which right is based in whole or in part on facts existing on or prior to February 23, 2012 or which would have been claims provable in bankruptcy on February 23, 2012.

The following summarizes the steps an Investor will encounter in the course of the upcoming claims process:

Acknowledgement of Claim Form

Grant Thornton, in its capacity as Receiver, will send known Investors a package which includes the Acknowledgement of Claim Form by January 15, 2013. Each Investor Claim as set out in the Acknowledgement of Claim Form will be based on First Leaside's books and records. **Unless the Investor elects to complete and file a Request for Amendment and submits supporting documentation to dispute the accuracy of the Acknowledgement of Claim Form, the information contained therein will be deemed to be confirmed in all respects by the Investor.** For further clarity, if you agree with the amounts in the Acknowledgement of Claim Form, you are not required to take any further action.

Request for Amendment

If an Investor submits a Request for Amendment to their claim (as it is set out in the Acknowledgement of Claim Form) to the Receiver, the Receiver will review and consider such request. After reviewing the requested amendment, the Receiver may (i) accept the requested amendment or (ii) revise or disallow the requested amendment by sending the Investor a Notice of Revision or Disallowance of Claim.

Any Request for Amendment **must** be submitted to the Receiver on or before the Claims Bar Date. Otherwise, the Acknowledgement of Claim Form and the information contained therein is considered final and binding on the Investor and can be relied on by the Receiver in valuing an Investor Claim. Moreover, the Investor will be barred from making any further claim that is inconsistent with the information contained in the Acknowledgement of Claim Form.

Filing a Proof of Claim if you do not receive an Acknowledgement of Claim Form

If you are an Investor and you do not receive an Acknowledgement of Claim Form from the Receiver by January 23, 2013, please consider contacting Grant Thornton at 1-855-883-2474. Otherwise, where an Investor does not receive an Acknowledgment of Claim Form, a Proof of Claim must be completed and submitted by the Investor to the Receiver by 5:00 pm EST on the Claims Bar Date.

A sample of the Proof of Claim form and the Acknowledgement of Claim Form, along with a complete copy of the Claims Procedure Order, can be found online on Grant Thornton's website: www.grantthorton.ca/firstleaside at Appendix 6 to the "Combined Seventh Report of the Monitor and Proposed Receivers Report dated December 5, 2012".

If you have further questions about the Claims Procedure Order, please contact Grant Thornton at 1-855-883-2474.

3. **Transfer of Investor Accounts from Penson Financial Services Canada ("Penson") to Fidelity Clearing Canada ULC ("Fidelity")**

On December 7, 2012, the Court granted an order authorizing the CRO, to execute a Custodial Services Agreement with Fidelity on behalf of First Leaside. Fidelity has agreed to become the successor custodian to Penson in respect of all Investor accounts that currently remain with Penson. The agreement contemplates that Fidelity will hold all Investor securities, including securities registered in each Investor account. As Penson is ceasing its operations in Canada, the remaining accounts need to be transferred to a new custodian. The seventh report from the Monitor, Grant Thornton, further elaborates on the nature of this arrangement and is available on Grant Thornton's website: www.grantthorton.ca/firstleaside.

To the extent that you have any questions about the transfer of Investor accounts from Penson to Fidelity, we urge you to contact either (i) Christine Chang at First Leaside at 905-852-1430 or (ii) Grant Thornton at 1-855-883-2474.

4. **Canadian Investor Protection Fund ("CIPF") Claims Process**

We have had a number of meetings with CIPF and we have discussed with them the form of claims process and issues regarding CIPF coverage. Despite originally indicating they would be willing to coordinate a claims process with the Receiver's claims process, CIPF has now indicated that they are no longer agreeable to such. To date, CIPF has still not set a deadline for filing a CIPF claim and we will continue to keep Investors up to date about our discussions with CIPF in this regard.

On the issue of coverage, while we have had discussions with CIPF, Investors need to recognize that CIPF may not pay any compensation for Investor Claims and we have no commitment to date on any claims coverage or the type of Investor Claims that they may compensate.

At our last meeting with CIPF, dealing specifically with the issue of rescue plans, CIPF, on a without prejudice basis, did make some statements that Rep Counsel conceptually agrees with, namely: (i) the date for determining any potential claim will likely be the date of the Initial Order (February 23, 2012), so the claim would be calculated as of that date and it would be reduced for any subsequent recoveries (either by reduction of the claim or assignment of those recoveries to CIPF); and (ii) Investors should not be penalized for trying to mitigate their losses (i.e. though a rescue plan) but they should also be aware that any recoveries may reduce the CIPF claim or be assigned to CIPF, if CIPF in fact pays out based upon the full value of a claim. We do not know enough about the rescue plans to understand whether this is an issue or not.

Notwithstanding the second point, if you transfer, trade or assign your units or interest in any First Leaside security to any other party, we would be concerned that you may no longer be in a position to assert a claim against CIPF.

5. **Telephone Town Hall**

All Investors are invited to attend a telephone town hall meeting with Rep Counsel and the Receiver, which is taking place on Wednesday, January 9, 2013, from 2:00pm until 4:00pm (EST). The purpose of this call is to provide you with an update on the status of the claims process in the context of the receivership proceedings, the CIPF claims process, and to answer Investor questions regarding same.

The teleconference call-in details are as follows:

Local:	416-695-7806
Outside the GTA:	1-888-789-9572
Passcode:	5370624

During the call, you will be invited to queue up to ask questions by hitting the pound key on your phone. In an effort to maximize the time we have to answer your questions, and to help avoid duplication of your questions during the meeting, we request that you forward to us any questions you have in advance, by email to FirstLeaside@fmc-law.com.

Yours Truly,

Fraser Milner Casgrain LLP

Shayne Kukulowicz

cc: Jane Dietrich, Fraser Milner Casgrain LLP
cc: Greg MacLeod, G.S. MacLeod & Associates Inc.
cc: John Birch, Cassels Brock & Blackwell LLP
cc: David Ward, Cassels Brock & Blackwell LLP
cc: Jonathan Krieger, Grant Thornton Limited
cc: Daniel Sobel, Grant Thornton Limited
cc: Pamela L. Huff, Blake, Cassels & Graydon LLP
cc: Katherine McEachern, Blake, Cassels & Graydon LLP