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April 20, 2012

BY EMAIL OR ORDINARY MAIL

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

Dear Sirs/Mesdames:

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

**AND RE: Third Communication to Investors by Fraser Milner Casgrain LLP as Court-appointed representative counsel for the Investors ("Representative Counsel")**

As we communicated to you in our reporting letters dated February 28, 2012 (the "**First Communication**") and March 16, 2012 (the "**Second Communication**"), we were appointed by the Court to act as Representative Counsel.

This third reporting letter is intended to update you on the status of the CCAA proceedings and the activities that we have been engaged in on your behalf since our Second Communication.

## 1. Reducing Communication Costs

If you have not already done so, please help us reduce the cost of communicating to Investors by providing us with an email address where we can send you our correspondence. Going forward, we will not send out any further reporting letters by ordinary mail, unless you call our hotline and make a specific request that we continue to do so. Otherwise, we will only send out communications by email and the communications will also be posted on the internet at www.granthornton.ca/firstleaside (the "**Monitors Website**").

## 2. Telephone Town Hall Meeting

On Tuesday April 3, 2012, we hosted a telephone town hall meeting and invited all Investors to attend. Greg MacLeod of G.S. MacLeod & Associates inc., the Court-appointed Chief Restructuring Officer (the "**CRO**") and Jonathan Krieger of Grant Thornton Limited, the Court-appointed Monitor (the "Monitor") were also in attendance. Together with the Monitor and the CRO, we addressed several questions that Investors posed to Representative Counsel. Key highlights from the meeting include the following:

- **Tax Receipts.** The CRO confirmed that First Leaside sent out its 2011 tax receipts to all Investors. If you have not received your tax receipt, you can request to receive your tax receipt by email by contacting First Leaside at 1-888-370-9856.

- **Distribution of Proceeds.** The net proceeds from the sale of assets of any First Leaside entity will be held by such First Leaside entity or the Monitor until the Court orders the distribution of any such proceeds. Court approval of any sale is a separate matter from the distribution of proceeds resulting from the sale of First Leaside assets. We cannot say at this time precisely when the Court will approve a distribution of the proceeds resulting from the sale of any First Leaside assets, however, it is possible that a Court may approve a distribution to certain priority creditors at the same time as an approval of a sale.

- **Merrill Lynch Bonds.** The CRO confirmed that Bank of America is continuing to pay interest on the Merrill Lynch Bonds. These bonds are not being actively traded because Investors who hold these bonds represent the entire market for the product. If you plan to transfer your bond out of Penson, since the valuation data is not currently available, we understand that it will be transferred without being valued.

- **Source and Use of Funds and Distributions if any to Insiders.** The Monitor was asked whether it would review and disclose any distributions to officers, directors and management of First Leaside with inside information in a period prior to the CCAA filing. The Monitor is preparing a summary of the source and use of funds by First Leaside from July 2011 to November 2011, based on its investigations prior to its appointment as Monitor. Subject to confidentiality requirements, the Monitor will address the issue of distributions if any to insiders in that period.

- **Sale of certain First Leaside assets**. Please see the discussion below.

## 3. Consultations with a Committee of Investors

In our Second Communication we provided you with a list of Investors who were interested in joining an informal steering committee (the "**Steering Committee**"). On Wednesday April 11, 2012, we had our first meeting with members of the Steering Committee. We discussed issues that were identified as being important to Investors, which included, among other things, the role of the Steering Committee; circumstances surrounding the CCAA filing; Investor led-initiatives; and the financial condition of the First Leaside entities. Working together, we developed a list of action items that Representative Counsel is currently pursuing.

## 4. Financial Statements for all First Leaside entities

We have requested the CRO and First Leaside to provide us with copies of the financial statements for each of the First Leaside entities. We requested this information to give Investors a better sense of the overall financial condition of the entities and how this may impact their particular portfolio of investments. We expect to receive copies of the financial information in late April and will be arranging a Steering Committee meeting shortly thereafter to review the financial information provided. Copies of the information will also be made available to all Investors on the Monitor's website. We understand that the Monitor and the CRO will present and speak to this financial information at the FLIPA meeting of the First Leaside Investors Protection Association ("FLIPA") on May 2, 2012 (discussed below).

**5. Canadian Investor Protection Fund ("CIPF")**

The current deadline for submitting CIPF claims is August 22, 2012. Although our mandate does not include CIPF issues, we are currently working with CIPF to discuss a possible extension of the deadline for Investors to file CIPF claims. At this time, however, CIPF has not formally agreed to any extension.

**6. Sale of First Leaside Assets**

We have been advised that CRO and First Leaside with the concurrence of the Monitor have chosen Colliers Canada as the listing broker for the majority of the Ontario properties of First Leaside. We understand that all of the properties are being listed with a list price based on up-to-date appraisals.

The agreement to sell the Bramtrea property, entered into prior to the CCAA proceedings, was not completed. Therefore, the Bramtrea property will be re-listed by Colliers Canada, along with the other Ontario properties. Agreements have been, however, completed for the sale of the Queenston Manor property and the sale of the assets of First Leaside Beverages Partnership, which includes the cidery in Thornbury, King Brewery in King City, and Beer Barons (the beer and spirits consulting company) (the "**Beverages Assets**").

A motion has been scheduled by First Leaside for April 30, 2012 seeking court-approval of the sale of the Beverages Assets and Queenston Manor property. The motion materials will be available on the Monitor's website in the near future.

**7. Additional Communications from Certain Investors**

We understand that a group of Investors are currently analyzing the prospect of leading a recapitalization of the WALP portfolio of properties. It is our expectation that a recapitalization would involve, at some level, the Court's direction.

FLIPA has invited all Investors to attend another meeting that is being hosted by FLIPA on Wednesday, May 2, 2012. A copy of the notice is attached as **Appendix A**. Representative Counsel has been invited to this meeting (along with the CRO and Monitor) and does plan to attend this meeting.

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

Yours Truly,

Fraser Milner Casgrain LLP

Shayne Kukulowicz

cc: Jane Dietrich
Alison Beer
Geoff Janoscik

# Appendix A

## Notice of General Meeting

## First Leaside Investors Protection Association

## Wednesday May 2, 2012

**Where:**

# Albion Bolton Community Centre

**150 Queen Street South, Bolton Ontario L7E 1E3, P-905.857.3356**

**Registration: 8 -9 AM**

Business Meeting 9 AM to 12 Noon, Refreshments will be available

Reports from:

Ross Cochrane – Steering Committee
Paul McGrail – Sectary and Liaison – Greg MacLeod
Robin Pullen – Treasurer
Andrew Bartle – Website
Jack Redmond –
Steve Conlif –
Chris Brown – Communication
Colin Mackenzie - Documentation
Michael Arcus - Texas Properties

12 Noon to 1:30 PM Lunch (Brown Bag or Local Restaurants)

1:30 PM Reconvene for guest Speakers. The following people or organizations have been invited to speak to us.

- Leo de Bever or Representative of Independent Committee
- David Phillips
- Greg MacLeod
- Fraser Milner Casgrain LLP
- Grant Thornton
- Ontario Securities Commission
- IROC
- CIPF

Cost: Members $15.00 – Non Members $25.00 (Non Members may join the Association at Registration)

R.S.V.P. If you plan on attending please send an email indicating number attending to: firstleasideinvestorsinc@gmail.com By April 25.