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.

Applicants

SECOND REPORT TO COURT OF GRANT THORNTON LIMITED, MONITOR OF THE APPLICANTS UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*

APRIL 25, 2012

Grant Thornton

Grant Thornton Limited,
Monitor of the Applicants under the Companies' Creditors Arrangement Act

Royal Bank Plaza
200 Bay Street, South Tower, 19th Floor
Toronto, Ontario, M5J 2P9

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Applicants

SECOND REPORT TO COURT OF GRANT THORNTON LIMITED, MONITOR OF THE APPLICANTS UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*

APRIL 25, 2012

INTRODUCTION

1. On February 23, 2012, the Applicants made an application to the Ontario Superior Court of Justice (Commercial List) (the "**Court**") to commence proceedings under the *Companies' Creditors Arrangement Act* (the "**CCAA Proceedings**"). On that date, the Court issued an order (as amended by the Court on March 8, 2012) (the "**Initial Order**"), *inter alia*, granting the Applicants and the entities listed on Schedule A hereto (collectively, the "**Companies**" or "**First Leaside**") the protection of a stay of proceedings, appointing Grant

Thornton Limited ("**GTL**") as the Companies' monitor under the CCAA (the "**Monitor**") and confirming the appointment of G.S. MacLeod & Associates Inc., as the Companies' Chief Restructuring Officer (the "**CRO**"). A copy of the Initial Order (as amended) is attached as **Appendix "1"**.

2. On March 23, 2012, the Court issued an order extending the stay of proceedings to June 29, 2012 (the "**March 23 Order**"). A copy of the March 23 Order is attached as **Appendix "2"**.

3. This report (the "**Second Report**") has been prepared by GTL in its capacity as Monitor.

PURPOSE OF SECOND REPORT

4. The purpose of this Second Report is to advise the Court with respect to the Monitor's observations, views and recommendations regarding the Applicants' request for an Order:

    (i) approving the Unit Purchase, Transfer of General Partner and Transfer of Property Agreement dated April 11, 2012 (the "**Beverages Agreement**"), made between First Leaside Wealth Management Inc., First Leaside Progressive Limited Partnership, First Leaside 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. ("**Beverages Purchaser 1**") and Provincial

Beverages Inc. (together with Beverages Purchaser 1, the "**Beverages Purchasers**"), as purchasers, and First Leaside Beverages Limited Partnership ("**Beverages**") and King Brewery Limited Partnership ("**King Brewery**"), wherein the Beverages Purchasers are purchasing the Vendor's interest in Beverages and King Brewery;

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

(iii) approving the agreement of purchase and sale dated March 16, 2012 (the "**Queenston Agreement**"), 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 Queenston Street, St. Catherines (the "**Property**");

(iv) vesting title to the interests of Queenston Manor in the Property in the Queenston Purchaser upon the closing of the Queenston Agreement;

(v) authorizing and directing Queenston Manor to pay the sum of approximately $4.4 million to Midland Loan Services Inc., a division of PNC Bank, National Association ("**Midland**"), the master servicer to the sole secured creditor and first registered mortgagee of the Property, Computershare Trust Company of Canada ("**Computershare**"), on closing of the sale;

(vi) approving the Report of the Proposed Monitor dated February 22, 2012 (the "**Pre-filing Report**"), the Monitor's First Report dated March 21, 2012, this Second Report, and the Monitor's conduct and activities as described in each of the foregoing; and

(vii) increasing the Representative Counsel Allowance (as defined in the Initial Order) to $300,000.

SCOPE AND TERMS OF REFERENCE

5. In preparing this Second Report, the Monitor has relied upon unaudited financial information, the Companies' records, financial information and projections and discussions with the CRO, the Companies' management and certain of its employees. While the Monitor reviewed various documents provided by the Companies and believes that the information therein provides a fair summary of the transactions as reflected in the documents, such work does not constitute an audit or verification of such information for accuracy, completeness or compliance with Generally Accepted Accounting Principles. Accordingly, the Monitor expresses no opinion or other form of assurance in respect of such information.

6. Some of the information used in preparing this Second Report relies on financial projections. The Monitor cautions that these projections are based upon assumptions about future events and conditions that are not ascertainable. The Companies' actual results may vary from such projections. The Monitor's review of the future oriented information used to prepare this Second Report did not constitute a review or examination of such information under Canadian Generally Accepted Auditing Standards or International Financial Reporting Standards.

7. In the course of its mandate, the Monitor has assumed the integrity and truthfulness of the information and explanations presented to it by the CRO and the Companies and their management, within the context in which such information was presented. To date, nothing has come to the Monitor's attention that would cause it to question the reasonableness of this assumption. The Monitor has requested that management and the CRO bring to its attention any significant matters which were not addressed in the course of the Monitor's specific inquiries. Accordingly, this Second Report is based solely on the information (financial or otherwise) made available to the Monitor by the CRO and the Companies.

8. This Second Report has been prepared for the use of this Court and the Companies' stakeholders as general information relating to First Leaside. Accordingly, the reader is cautioned that this Second Report may not be appropriate for any other purpose. The Monitor will not assume responsibility or liability for losses incurred by the reader as a result of the circulation, publication,

reproduction or use of this Second Report contrary to the provisions of this paragraph.

9. All references to dollars are in Canadian currency unless otherwise noted. Balances denominated in U.S. currency are converted to Canadian currency at par.

10. Capitalized terms not defined in this Second Report have the meanings ascribed to them in the Affidavit of Greg S. MacLeod sworn April 23, 2012 (the "**Third MacLeod Affidavit**"), which was filed with the Court in support of the Applicants' motion returnable April 30, 2012 for the relief set out in paragraph 4 above.

BEVERAGES

11. Beverages owns a majority interest in a brewery and cidery, and the land and building upon which the cidery is located. Beverages acquired its operating assets between December 2010 and February 2011. The Monitor understands that First Leaside has a 50.45% position in Beverages through First Leaside Wealth Management Inc. (26.59%), First Leaside Progressive Limited Partnership (10.17%), First Leaside Holdings Limited Partnership (11.56%) and F.L. Beverages Group Limited Partnership (2.13%), each of which are subject to the Initial Order.

12. As described in the Third MacLeod Affidavit, prior to the CCAA Proceedings, in October, 2011, management of Beverages commenced a marketing process aimed at attracting new investors in Beverages, or a potential acquirer of First Leaside's ownership interest in Beverages (the "**Beverages Sale Process**"). The

Monitor was not involved in the design or execution of the Beverages Sale Process, but was aware that First Leaside was conducting the Beverages Sale Process from October, 2011 to January, 2012, and that the list of potential purchasers/investors contacted included a broad range of industry participants and competitors that may have had an interest in the opportunity. As set out in the Pre-filing Report, prior to the CCAA proceedings, GTL was engaged as a private monitor on behalf of First Leaside on November 4, 2011 ("**Private Monitor**"), and GTL in its capacity as the Private Monitor was aware that the Beverages Sale Process was underway at that time.

13. The Monitor has been advised by the CRO that the Beverages Sale Process resulted in non-disclosure agreements being signed by five potential acquirers, four of which participated in tours of the facilities and had discussions and due diligence meetings with management of Beverages.

14. The Monitor has been advised by the CRO that the only formal expression of interest received by First Leaside with respect to its interest in Beverages was a term sheet submitted by the Beverages Purchasers, prior to the CCAA Proceedings, on January 20, 2012.

15. Beverages is facing an imminent liquidity crisis and is unable to operate in the normal course absent an injection of additional working capital. Beverages has been operating on the basis of ongoing cash support from First Leaside to Beverages over the past year, and has made continued requests for capital from First Leaside.

16. The Purchase Price in the Beverages Agreement is substantially less than the 2010/2011 acquisition cost of First Leaside's interests in Beverages. As Private Monitor, GTL became aware that First Leaside contemplated a significant additional capital contribution to rebuild the Beverages facilities and the purchase of a substantial amount of machinery, which was intended to enhance profitability in the business. None of the contemplated improvements occurred. In the absence of these capital improvements, the business was not projected to be profitable. Beverages' continued operating losses contributed to the discrepancy between the original acquisition cost and the value to be realized from the Beverages Agreement.

17. In GTL's August 19, 2011 report to First Leaside (attached as Exhibit AA to the Affidavit of Greg MacLeod, sworn February 22, 2012, filed), GTL commented at page 36 that it had concerns about the circumstances surrounding First Leaside Holdings Limited Partnership's purchase of its interest in Beverages from First Leaside Wealth Management Inc. (including that there does not appear to have been an external valuation at the time).

18. The Monitor has been advised by the CRO that the minority unitholders of Beverages, who include current and former employees and a FLWM director, have consented to the transaction under the Beverages Agreement, that their minority interests are not being conveyed to the Beverages Purchasers and that they are not receiving any compensation under the Beverages Agreement or otherwise in connection with the contemplated transaction.

19. The Monitor has reviewed the Beverages Agreement and supports First Leaside's request for approval of same for the following reasons:

(i) The Monitor has gained an understanding of the Beverages Sale Process that was conducted prior to the commencement of the CCAA Proceedings and is of the view that it was reasonable in the circumstances;

(ii) Should a fresh marketing process be commenced under the supervision of this Court, the CCAA Vendors are unlikely to be able to obtain a better realization on their investment than what is offered in the Beverages Agreement;

(iii) Beverages requires immediate and substantial funding and First Leaside is no longer willing or able to provide Beverages with continued financial support;

(iv) Given Beverages financial and liquidity position, including the losses in 2010 and 2011 that were noted in the Third MacLeod Affidavit, the Monitor is of the view that the purchase price in the Beverages Agreement is consistent with or in excess of the market value of the Vendor's interest in Beverages, if calculated on the basis of customary valuation methods;

(v) The Monitor believes that the proceeds of the Beverages Agreement are superior to realizations that would be obtained in a sale conducted pursuant to a bankruptcy of First Leaside, including because (a) a trustee would be unlikely to get a better price in a forced liquidation, (b) the cash-burn between the proposed closing of the Beverages Agreement and the closing of any sale by a trustee would be material and would require Beverages to seek third-party funding; (c) it is unlikely Beverages would be able to obtain such third-party funding; and (d) a sale in a bankruptcy would involve additional costs;

(vi) The Monitor understands that Representative Counsel has been consulted about the sale of Beverages; and

(vii) The Monitor understands that the minority unitholders of Beverages support the transaction.

QUEENSTON MANOR

20. On March 16, 2012, Queenston Manor entered into the Queenston Agreement, which provides for the sale of the Property, a near fully tenanted retirement apartment building, to the Queenston Purchaser. The Queenston Agreement is subject to the approval of the Court.

21. In November, 2011, First Leaside approached CBRE and Colliers Macaulay Nicolls (Ontario) Inc. ("**Colliers**") to act as advisor and broker/agent for the sale of the Property, and ultimately retained Colliers. The Colliers' advisory team was

lead by Michael Betsalel, Associate Vice President and head of the Colliers' Apartment Team.

22. The sale process that led to the Queenston Agreement (the "**Colliers Sale Process**") is described in detail in the Third MacLeod Affidavit, and was predicated on an Opinion of Value & Marketability Report, completed in December, 2011, 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 (the "**Value Opinion**"). Colliers furthermore prepared a Confidential Information Memorandum, which described the Property in considerable detail, and provided an overview of the Property, investment highlights and rent roll information (the "**CIM**"). The Monitor is advised by the CRO that Colliers provided the CIM to approximately 40 to 50 potential interested parties.

23. The Colliers Sale Process was largely conducted prior to the commencement of the CCAA Proceedings and informed by the Value Opinion. Accordingly, it did not have the prior input or approval of the Monitor or approval of the Court. However, as was the case with the Beverages Sale Process, in GTL's capacity as Private Monitor, GTL was aware of First Leaside's listing of the Property, and its efforts to secure a buyer.

24. On the basis of the information provided to it by the CRO, the Monitor is satisfied that the Colliers Sale Process was materially consistent with the method for offering First Leaside properties for sale as authorized by this Court in the

March 23 Order, pursuant to which First Leaside was authorized to enter into real property listing agreements, provided that it obtains the Monitor's prior approval of such agreements.

Queenston Manor's Mortgagee – Computershare & Midland

25. Computershare, acting through its service provider Midland, is the only secured creditor registered against the Property. Midland has advised the CRO and the Monitor that it has the authority to represent the interests of and bind Computershare.

26. Midland has sought leave to appeal to the Court of Appeal in respect of Queenston Manor's inclusion in the CCAA Proceedings, however Queenston Manor and Midland have resolved their outstanding dispute and settled upon terms pursuant to which Midland has agreed on behalf of Computershare to: i) accept prepayment of its mortgage loan (the "**Midland Loan**") although not required to under the terms of the Midland Loan, ii) withdraw its opposition to (and appeal of) the CCAA Proceedings, and iii) discharge Computershare's security against the Property, all provided that Midland receives payment in full of the obligations under the Midland Loan on closing (the "**Midland Settlement**") including a prepayment premium of approximately $588,000 given the rights of the parties under the Midland Loan and Midland's agreement to accept prepayment.

27. It is a term of the Midland Settlement that Queenston Manor will obtain Court approval of the repayment of the Midland Loan to Midland on closing, which is

anticipated to be on May, 1, 2012. First Leaside advises that there will be approximately $4.4 million owing to Midland on the Midland Loan as of May 1, 2012.

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

29. The Monitor has reviewed the Queenston Agreement, the Value Opinion, and the Midland payout statement, and supports First Leaside's request for approval of the Queenston Agreement for the following reasons:

(i) Although not consulted on the Colliers Sale Process, which was largely completed prior to the Monitor's appointment, GTL has existing knowledge of the Colliers Sales Process and is of the view that it was reasonable in the circumstances;

(ii) Should a fresh marketing process be commenced with the prior approval of the Monitor as contemplated by the March 23 Order, the Monitor is of the view that Queenston Manor is unlikely to be able to obtain a better realization from the Property than what is offered in the Queenston Agreement;

(iii) The Purchase Price in the Queenston Agreement is consistent with the Value Opinion;

(iv) The Midland payout statement and prepayment discharge costs have been accurately calculated based on the terms of the Midland Loan;

(v) The sale of the Property, in the context of the CCAA Proceedings is more beneficial than a sale of the Property in the context of bankruptcy proceedings; and

(vi) The Monitor understands that Representative Counsel has been consulted about the sale of the Property.

REPRESENTATIVE COUNSEL ACTIVITIES AND FEE ALLOWANCE

30. The Initial Order appointed Fraser Milner Casgrain LLP as Representative Counsel in these proceedings ("**Representative Counsel**") to represent the interests of clients of First Leaside Securities Inc. (the "**Clients**"). The Initial Order authorized First Leaside to pay the reasonable fees and disbursements of Representative Counsel up to an initial maximum amount of $150,000 (defined as the "**Representative Counsel Allowance**" in the Initial Order), with any subsequent increases subject to further order of the Court.

31. Since the appointment, the Monitor understands that Representative Counsel has been active in gathering information in respect of First Leaside and the interests of the Clients, and in meetings and communications with the Clients, Monitor and CRO in respect of these proceedings. Three newsletters have been

sent to the Clients. The Monitor and CRO have been invited to attend information sessions with Representative Counsel and the Investors.

32. The Monitor has been advised by the CRO that it has received and reviewed the detailed accounts of the Representative Counsel to date, and finds the fees and disbursements to be reasonable.

33. Representative Counsel has reached the initial maximum of the Representative Counsel Allowance and the CRO and First Leaside have agreed to an increase of the Representative Counsel Allowance to $300,000 in order for Representative Counsel to continue to effectively represent the interests of the Clients. While the Monitor has not reviewed the accounts, it is aware of the considerable activity of Representative Counsel and does not object to the increase.

34. Accordingly, the Monitor endorses and recommends the relief sought by the Applicants to increase the Representative Counsel Allowance to $300,000.

APPLICANTS' REQUESTED RELIEF

35. The Monitor respectfully recommends that this Court grant the relief requested by the Applicants as set out in the Applicants' amended notice of motion.

All of which is respectfully submitted,

GRANT THORNTON LIMITED,
In its capacity as CCAA Monitor of the Applicants
under the *Companies' Creditors Arrangements Act*
and not in any other capacity

Per:

J. Krieger, CA•CIRP

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 Celliect 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

Appendix 1

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 A TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

FEB 24 2012

NB

N Brown

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 Celliject 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

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**")

ORDER
(Amending Initial Order to Add Paragraph 41A)

THIS MOTION, made by Grant Thornton Limited ("**GTL**"), in its capacity as court appointed Monitor of the Applicants (the "**Monitor**") for an order (a) validating and abridging the time for service of the Motion Record; and (b) amending the order of Mr. Justice Brown, dated Thursday, February 23, 2012 (the "**Initial Order**") to add a new paragraph 41A, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Affidavit of Jonathan Krieger, sworn March 5, 2012, and on hearing the submissions of counsel for the Monitor, no one appearing for any other person on the service list, although properly served as appears from the affidavit of service of Maria Konidis, dated March 5, 2012, filed:

SERVICE

1. **THIS COURT ORDERS AND DECLARES** that the filing and service of the Notice of Motion and the Motion Record, including the method and timing of notice, service to the service list by way of email shall be and is hereby abridged and validated, so that this Motion is properly returnable today and any further service thereof upon any interested party other than the persons served with the Motion Record is hereby dispensed with.

AMENDMENT TO INITIAL ORDER

2. **THIS COURT ORDERS** that the Initial Order is hereby amended to include the following new paragraph as paragraph 41A:

> THIS COURT ORDERS THAT, notwithstanding its appointment as Monitor herein, Grant Thornton Limited is hereby permitted to enter into retainers outside of these CCAA Proceedings with any or all of Canadian Imperial Bank of Commerce ("CIBC"), Toronto-Dominion Bank ("TD") and KingSett Mortgage Corporation ("KingSett") to monitor the business and affairs of any or all of the Excluded LPs, on such terms as may be agreed amongst such parties, provided that any costs incurred by Grant Thornton Limited in such capacity shall be paid by CIBC, TD and/or KingSett, as applicable, and not by First Leaside. Such retainers shall furthermore not prevent Grant Thornton Limited from acting as a monitor, an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Excluded LPs, their businesses and property, if so appointed by further Order of this Court obtained on reasonable notice to CIBC, TD and KingSett.

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

MAR 0 8 2012

MB

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

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C., 1985 c. C-36
AND IN THE MATTER of First Leaside Wealth Management Inc., et al.

Applicants

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

ORDER

(AMENDING INITIAL ORDER)

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Lawyers for the Monitor

Appendix 2

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE MR.	)	FRIDAY, THE 23rd
	)	
JUSTICE MORAWETZ	)	DAY OF MARCH, 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. (the "Applicants")

ORDER
(First Extension of Stay Period)

THIS MOTION, made by the Applicants for an order, among other things, extending the Stay Period to June 29, 2012, was heard this day at the Court House, 330 University Avenue, Toronto, Ontario.

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ON READING the notice of motion dated March 21, 2012, the affidavit of Gregory MacLeod sworn March 21, 2012 ("**MacLeod Affidavit**"), and the first report to the court (the "**First Report**") of Grant Thornton Limited, in its capacity as court appointed monitor ("**Monitor**") of the Applicants and the limited partnerships listed on Schedule "A" hereto (collectively, "**First Leaside**"), and upon hearing the submissions of counsel for the First Leaside, the Monitor, and representative counsel for the clients of Applicant First Leaside Securities Inc.,

1. **THIS COURT ORDERS** that the time for the service of the notice of motion and motion record herein be validated and abridged and any further service of this motion record be dispensed with.

2. **THIS COURT ORDERS** that the "Stay Period" as defined at paragraph 19 of the Initial Order of the Honourable Mr. Justice Brown dated February 23, 2012 be and is hereby extended to June 29, 2012.

3. **THIS COURT ORDERS** that, subject to obtaining the Monitor's prior written consent, G.S. MacLeod & Associates Inc., in its capacity as Chief Restructuring Officer of First Leaside ("**CRO**"), be and is hereby authorized to enter into sales, marketing and/or listing agreements with agents, realtors and/or brokers in furtherance of the marketing and sale of First Leaside's real property.

Legal*7308744.5

4. **THIS COURT ORDERS** ~~that the conduct and activities of the CRO~~, as described ~~in the MacLeod Affidavit, be and are hereby approved.~~

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

MAR 2 3 2012

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Schedule A

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

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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 Cellject 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

Legal*7308744.5

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

ORDER

(First Extension of Stay Period)

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