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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

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

MOTION RECORD OF THE APPLICANTS
(Returnable November 20, 2012)

November 13, 2012

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

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

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NOTICE OF MOTION

The Applicants will bring a Motion before a Judge presiding over the Commercial List on Tuesday, November 20, 2012 at 10:00 a.m., or as soon after that time as the Motion can be heard at the court house, 330 University Avenue, 8th Floor, Toronto, Ontario, M5G 1R7.

PROPOSED METHOD OF HEARING: The Motion is to be heard

[ ] in writing under subrule 37.12.1(1) because it is;

[ ] in writing as an opposed motion under subrule 37.12.1(4);

[X] orally.

THE MOTION IS FOR

(a) an Order amending the Sale Approval and Vesting Order of the Honourable Mr. Justice Pattillo dated October 22, 2012 ("**October 22 Order**"), which Order approved a transaction ("**Transaction**") and granted a vesting order in respect of the sale of certain First Leaside assets ("**Purchased Assets**") to BayBridge Seniors Housing Trust ("**BayBridge**"), so that all of the right, title, and interest in and to the Purchased Assets vest in the following BayBridge nominees who have been designated by BayBridge as having the rights in and to the Purchased Assets pursuant to the purchase agreement dated September 27, 2012 ("**BayBridge Agreement**"): Prime Time (Cherry Park) Inc., Prime Time (Orchard Valley) Inc., and Prime Time (Shores) Inc. (collectively, "**Nominees**");

(b) an Order pursuant to paragraph 8(a) of the October 22 Order authorizing payment by the Vendors, as defined in the BayBridge Agreement, of certain debts ("**Court Approved Debt**") owing to the following creditors ("**Approved Creditors**") in furtherance of the scheduled closing of the Transaction on November 30, 2012:

i. payment of the sum of $45,713.52 to Gienow Windoor Ltd. ("**Gienow**") in respect of the supply of windows and doors to First Leaside in respect of the Orchard Valley Retirement Residence, the Cherry Park Retirement Residence, and The Shores Retirement Residence, as those terms are defined in the October 22 Order (collectively, "**Retirement Residences**"); and

ii. payment of the sum of $709,963.92 to Scuka Enterprises Ltd. ("**Scuka**") for providing construction manager services to First Leaside on account of the renovation of the Retirement Residences.

(c) an Order approving the sale of certain properties located in Uxbridge, Ontario (collectively, "**Uxbridge Properties**") by 2067171 Ontario Inc. (in its capacity as general partner of First Leaside Expansion Limited Partnership), 1132413 Ontario Inc. (in its capacity as general partner of First Leaside Entities Limited Partnership), and First Leaside Realty II Inc. (in its capacity as the sole shareholder of 1132413 Ontario Inc.) (collectively, the "**Lien Debtors**") to Structform International Limited both in its personal capacity and as assignee of certain claims of LaFarge Canada Inc. and Gilbert Steel Limited (collectively, "**Structform**") with respect to lien claims made under the *Construction Lien Act (Ontario)* (collectively, "**Structform Lien Claims**");

(d) an Order authorizing and directing the Applicants to take such additional steps and execute such additional documents as may be necessary to give effect to the sale of the Uxbridge Properties to Structform;

(e) an Order vesting all of the Applicants' right, title, and interest in and to the Uxbridge Properties absolutely in Structform, free and clear of and from any and all liens, charges and encumbrances, including, without limitation, construction liens, trust claims and other contract claims;

(f) an Order approving a transaction in which First Leaside Wealth Management Inc. ("**FLWM**") and First Leaside Visions I Limited Partnership and First Leaside Visions II Limited Partnership (collectively, "**Visions LP**") agree to settle intercompany advances made to each other, and to forgive the remaining amount of Visions LP's advances to FLWM in exchange for payment to FLWM of the cash on hand in the bank accounts of Visions LP, in accordance with a full and final release executed by G.S. MacLeod & Associates Inc. in its capacity as Chief Restructuring Officer ("**CRO**"), and authorizing the CRO to complete the transaction contemplated by such releases;

(g) an Order terminating these CCAA proceedings in respect of Visions LP and its general partner, 2085438 Ontario Inc. ("**General Partner**");

(h) an Order approving the conduct of the CRO and the Monitor as set out in the Affidavit of Gregory MacLeod sworn October 15, 2012 and the Fifth Report of the Monitor dated October 17, 2012 respectively; and

(i) such further and other relief as this Honourable Court may deem just.

THE GROUNDS FOR THE MOTION ARE

(a) Pursuant to the October 22 Order, the Court approved the terms of the BayBridge Agreement between BayBridge and First Leaside Ventures Limited Partnership, First Leaside Retirement Residences (Okanagan) Limited Partnership, Cherry Park Retirement Residence Limited Partnership, Orchard Valley Retirement Residence Limited Partnership, The Shores Retirement Residence Limited Partnership, and First Leaside Retirement Residences Limited Partnership by their general partner, First Leaside Realty II Inc. (collectively, "**Vendors**");

(b) The October 22 Order approves the BayBridge Agreement and grants a vesting order upon closing of the Transaction;

(c) The BayBridge Agreement gives BayBridge the right to direct that the transfers of all or any part of the Purchased Assets be made to an assignee or nominee designated by BayBridge.

(d) Subsequent to the granting of the October 22 Order, BayBridge has requested that the Vendors' right, interest, and title to the Purchased Assets vest in the Nominees in accordance with the terms of the BayBridge Agreement. Accordingly, the Applicants seek to have the October 22 Order amended to facilitate the vesting of the Purchased Assets in the Nominees. Apart from the proposed amendment, the terms of the BayBridge Agreement will remain the same;

6.

(e) The October 22 Order also permits the Vendors

(i) to pay, upon further motion to the Court, all or part of any unsecured liability of the Vendors or any liability evidenced by a builders lien registered pursuant to the *Builders' Lien Act* (British Columbia) (a "**B.C. Lien Claim**") to the extent that such liabilities are not assumed or paid by BayBridge in accordance with the working capital adjustment provided for in the BayBridge Agreement (previously defined herein as the Court Approved Debt);

(ii) to pay a B.C. Lien Claim if the Monitor determines that such B.C. Lien Claim is validly registered and perfected and the Vendors acknowledge that a corresponding amount (which may be all or part of the sum claimed by the party asserting the B.C. Lien Claim) is owing ("**Quantified Lien Debt**");

(f) Pursuant to the BayBridge Agreement, First Leaside is required to settle the claims of creditors who asserted B.C. Lien Claims in respect of the Purchased Assets;

(g) There are three parties with B.C. Lien Claims: Okanagan Sundeck Centre Ltd. ("**Sundeck**"), Scuka, and Gienow;

(h) Sundeck's B.C. Lien Claim has been made in respect of a claim for the supply of labour and materials in respect of the renovation of the Retirement Residences ("**Sundeck Lien Claim**"). The amount of the Sundeck Lien

Claim, as agreed to by the parties, is $16,278.64 (exclusive of interest, penalties and costs). The Monitor has reviewed the Sundeck Lien Claim is satisfied that it is validly registered and perfected. The Vendors have acknowledged that the amount specified under the Sundeck Lien Claim is due and owing and Sundeck has agreed to accept payment of this amount in full satisfaction of its lien claim. Accordingly, the Sundeck Lien Claim constitutes a Quantified Lien Debt that will be paid pursuant to the terms of the October 22 Order;

(i) Gienow has registered B.C. Lien Claims in respect of a claim for the supply of windows and doors for the Retirement Residences. The total amount acknowledged to be owing to Gienow is $154,481.43 (exclusive of interest, penalties and costs). However, Gienow has only registered liens sufficient to secure the amount of $108,823.91 (the "**Gienow Lien Claim**"). The Monitor has reviewed the Gienow Lien Claim and is satisfied that it is validly registered and perfected, and the Vendors have acknowledged that $108,823.91 is due and owing in respect of the Gienow Lien Claim. Accordingly, the sum of $108,823.91 constitutes a Qualified Lien Debt that will be paid pursuant to the terms of the October 22 Order;

(j) Gienow is owed a further balance of $45,657.52 for which no lien has been registered. The Applicants thus seek authorization from this Court to have the Vendors pay this amount acknowledged as owing to Gienow on closing of the Transaction in accordance with the terms of paragraph 8(a) of the October 22 Order as an unsecured claim;

(k) Scuka's B.C. Lien Claim is in respect of a claim for construction manager services provided to First Leaside relating to the renovation of the Retirement Residences ("**Scuka Lien Claim**"). The amount of the Scuka Lien Claim is $709,963.92 exclusive of interest and penalties. The Monitor has reviewed the Scuka Lien Claim and has determined that due to certain potential issues with the registration of the Scuka Lien Claim, the claim is potentially an unsecured liability and, consequently, Court authorization to pay the Scuka Lien Claim is required pursuant to paragraph 8(a) of the October 22 Order;

(l) The Vendors are prepared to pay the Court Approved Debt and Quantified Lien Debt of the Approved Creditors on closing of the Transaction. To the extent the Approved Creditors have Excess Claims remaining after payment of these debts, they are at liberty to advance such Excess Claims against the Proceeds;

Structform Transaction

(m) In relation to the work performed on the Uxbridge Properties, contractors have registered a total of approximately $3.43 million in construction liens against the Uxbridge Properties;

(n) Of these liens, Structform has asserted a lien claim of $1,723,755 which amount is inclusive of sub-contractor claims, which Structform has paid, of $281,795.50 by LaFarge Canada Inc. and $205,538.91 by Gilbert Steel Limited ("**Structform Lien Claim**");

(o) The other lien claimants who have filed construction liens against the Uxbridge Properties and who will be vested out of the Uxbridge Properties by the requested order, will continue to be able to assert their claims against the remaining assets of FLEX, including the funds held in the bank accounts of FLEX;

(p) For approximately six months, the CRO has marketed and attempted to sell the Uxbridge Properties that are subject to the Structform Lien Claim;

(q) Despite substantial efforts, First Leaside has been unable to sell the Uxbridge Properties or even obtain any meaningful offers;

(r) The main reason for the inability to sell the Uxbridge Properties is that the site contains a partially-constructed building, thereby making it unattractive to most purchasers other than those who have the ability to either complete construction of the building or, alternatively, remove the existing structures from the site;

(s) In late October 2012, Structform made an offer to First Leaside to purchase the Uxbridge Properties in consideration for the release of the Structform Lien Claim. Following negotiations, First Leaside entered into an Agreement of Purchase and Sale with Structform, under which the Lien Debtors agreed, subject to the approval of this Court, to sell the Uxbridge Properties to Structform in exchange for the total forgiveness of the Structform Lien Claim and a full and final release of all claims against the estate of First Leaside ("**Structform Agreement**");

(t) First Leaside has concluded that the Structform Agreement represents the best way of maximizing recoveries for First Leaside's creditors and minimizing costs given: (i) that the marketing of the Uxbridge Properties has not generated any other offers other than the Structform offer; (ii) there appears to be no value to the Uxbridge Properties to any party other than Structform; and, (iii) sale of the Uxbridge Properties is not likely to generate material proceeds, if any;

(u) In addition to maximizing recovery and minimizing costs in respect of the Uxbridge Properties, the Structform Agreement will resolve approximately $1.7 million worth of claims against FLEX.

Settlement of Visions LP Obligations to FLWM

(v) First Leaside has reached an agreement with unitholders of Visions LP, subject to Court approval, to settle the amounts owing between Visions LP and FLWM while, at the same time, allowing investors in Visions LP to maintain their interest in the potential upside from their investment over the long term;

(w) As at December 31, 2011, Visions LP owed approximately $1,991,760.00 to FLWM in respect of loans made by FLWM to Visions LP to invest in several start-up technology companies ("**Visions Debt**");

(x) Visions LP advanced approximately $577,000 to FLWM after the date of the Initial Order to fund the CCAA proceedings. This amount is subject to an

Inter-Company Charge, as defined in the Order of the Honourable Mr. Justice Colin L. Campbell dated June 28, 2012;

(y) The only material investment assets of Visions LP are units or shares of the start-up companies whose products have not yet reached the commercialization stage;

(z) Visions LP also holds certain cash balances in its bank accounts totalling $180,948.87 as at November 8, 2012 ("**Cash Balance**");

(aa) The settlement reached with the unitholders of Visions LP provides that: (i) the Visions LP unitholders would appoint a new nominee to purchase the shares of the General Partner for $1.00 per share and appoint new officers and directors of the General Partner; (ii) Visions LP and FLWM will set-off the debts owing to each other; and (iii) FLWM will forgive the balance owing under the Visions Debt and release any and all claims in Visions LP and the General Partner in exchange for payment of the Cash Balance to FLWM in full and final satisfaction of the Visions Debt;

(bb) With the settlement of the intercompany debt obligations, there is no basis for Visions LP or the General Partner to remain subject to these CCAA proceedings;

(cc) Apart from the Cash Balance held by Visions LP, there are no other assets of Visions LP which could realistically be realized upon to repay the intercompany debt owed to FLWM;

(dd) The proposed settlement is reasonable and fair as it will allow FLWM to receive at least as much as, or more than would be available in a liquidation proceeding in respect of these entities while, at the same time, allowing investors in Visions LP to maintain some potential upside from their investment over the long term, should any of the companies in which Visions LP has invested become commercially viable and generate profits;

(ee) Sections 11, 11.03, 32, and 56 of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36;

(ff) Rules 2.03, 3.02, 5.03, 14.05 and 37 of the *Rules of Civil Procedure*, R.R.O. 1990, reg. 194 as amended;

(gg) sections 11, 97, and 100 of the *Courts of Justice Act*, R.S.O. 1990, c. C-43, as amended;

(hh) Such further and other grounds as the lawyers may advise.

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

(a) Sixth Report of the Monitor dated November 15, 2012;

(b) The affidavit of Gregory MacLeod sworn November 13, 2012;

(c) Such further and other evidence as the lawyers may advise and this Honourable Court may permit.

November 13, 2012

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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.

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF

PROCEEDING COMMENCED AT TORONTO

NOTICE OF MOTION
(RETURNABLE NOVEMBER 20, 2012)

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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., 1031628 Ontario Inc., 1045516 Ontario Inc., 2004516 Ontario Inc., 2192341 Ontario Inc., and First Leaside Fund Management Inc. (collectively, "Applicants")

AFFIDAVIT OF GREGORY MACLEOD
(sworn November 13, 2012)

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

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

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

2. Capitalized terms not otherwise defined in this affidavit are defined in my affidavit sworn February 22, 2012 ("**Initial Affidavit**").

Background

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

4. Pursuant to the Initial Order, Grant Thornton Limited was appointed as monitor ("**Monitor**") of First Leaside, and Fraser Milner Casgrain LLP was appointed as representative counsel ("**Representative Counsel**") to represent the interests of the nearly 1,200 investors ("**Investors**") of First Leaside Securities Inc. ("**FLSI**") in these proceedings.

5. A Stay Period, as defined in paragraph 19 of the Initial Order, was granted on February 23, 2012, and was most recently extended by an order of this Court on

October 22, 2012. Attached hereto and marked as **Exhibit "D"** is a copy of the October 22, 2012 Stay Extension Order. The Stay Period currently expires on December 11, 2012.

6. This affidavit is sworn in support of a motion for:

(a) an Order pursuant to paragraph 8(a) of the Sale Approval and Vesting Order granted by the Honourable Mr. Justice Pattillo on October 22, 2012 ("**October 22 Order**") authorizing certain distributions from the proceeds of sale of the BayBridge Transaction (as defined below) to settle claims of two creditors who have asserted construction lien claims;

(b) an Order amending the October 22 Order to facilitate the vesting of the First Leaside Purchased Assets (as defined in the October 22 Order) to certain recently designated nominees of the Purchaser (as defined below);

(c) an Order approving the sale of lands in Uxbridge, Ontario by First Leaside Expansion Limited Partnership ("**FLEX**") to Structform International Limited ("**Structform**") in full and final satisfaction of certain construction lien claims;

(d) an Order approving a transaction to settle intercompany debts owed between FLWM and First Leaside Visions I Limited Partnership and First Leaside Visions II Limited Partnership (collectively, "**Visions LP**");

(e) an Order terminating the CCAA proceedings in respect of Visions LP and its general partner, 2085438 Ontario Inc.; and

(f) an Order approving the conduct of the CRO and the Monitor as set out in my affidavit sworn on October 15, 2012 and the Fifth Report of the Monitor dated October 17, 2012 in support of the October 22 Order.

BayBridge Transaction Closing

7. Pursuant to the October 22 Order, a copy of which is attached hereto and marked as **Exhibit "E"**, this Court approved the sale transaction ("**Transaction**") contemplated by the purchase agreement dated September 27, 2012, as amended ("**BayBridge Agreement**") between BayBridge Seniors Housing Trust ("**Purchaser"**) and First Leaside Retirement Residences Limited Partnership, First Leaside Ventures Limited Partnership, Cherry Park Retirement Residence Limited Partnership, Orchard Valley Retirement Residence Limited Partnership, and The Shores Retirement Residence Limited Partnership, by their general partner, First Leaside Realty II Inc. (collectively, "**Vendors**").

8. The October 22 Order vests absolutely in the Purchaser (or any assignee therefore as permitted by the BayBridge Agreement) all of the Vendors' right, title and interest in and to retirement residences located in Okanagan, British Columbia and the Vendors' interest in First Leaside Primetime Living Partnership (collectively, "**Purchased Assets**").

9. The details of the BayBridge Transaction are set out in my affidavit sworn on October 15, 2012 in support of the October 22 Order, a copy of which is attached hereto and marked as **Exhibit "F"** (without exhibits). The Transaction is scheduled to close on or November 30, 2012.

10. The BayBridge Agreement provides, among other things, that the Vendors are required to settle the claims of certain creditors who asserted construction liens pursuant to the *Builders Lien Act* (British Columbia) ("**B.C. Lien Claims**") on the

19.

retirement residences. The payment mechanism in the October 22 Order in respect of the B.C. Lien Claims is as follows:

(a) without approval of this Court, a B.C. Lien Claim that the Monitor determines is validly registered and perfected and the Vendors have acknowledged as owing either in all or in part of the sum claimed by the party asserting the B.C. Lien Claim (**"Quantified Lien Debt"**); and

(b) with approval of this Court, all or part of any unsecured liability of the Vendors or any liability evidenced by the B.C. Lien Claims which was either improperly registered or perfected against title to the Purchased Assets, in accordance with the working capital adjustment provided for in the BayBridge Agreement ("**Court Approved Debt**").

11. Three contractors have B.C. Lien Claims: Scuka Enterprises Ltd. ("**Scuka**"), Gienow Windoor Ltd. ("**Gienow**"), and Okanagan Sundeck Centre Ltd. ("**Sundeck**").

12. Sundeck and Gienow were engaged by Scuka to assist with the construction and development of the retirement facilities known as Orchard Valley Retirement Residence, Cherry Park Retirement Residence, and The Shores Retirement Residence (collectively, "**Retirement Residences**"). Attached hereto and marked as **Exhibits "G"** and **"H"** respectively, is a list of the particulars of the B.C. Lien Claims and the Claims of Lien for each Sundeck, Gienow, and Scuka.

13. Monitor's counsel has reviewed the B.C. Lien Claims and concluded that the following claims constitute Quantified Lien Debts pursuant to paragraph 8(b) of the October 22 Order and, as such, may be paid from the proceeds of the Transaction on closing:

(a) **<u>Sundeck Lien Claim.</u>** Sundeck claims payment for the supply of certain labour and materials in respect of the renovation of the Retirement Residences ("**Sundeck Lien Claim**"). The amount of the Sundeck Lien Claim, as agreed to by the parties, is $16,278.64, exclusive of interest, penalties, and costs. The Vendors have acknowledged the debt owing to Sundeck pursuant to its claim. Based on its review of the Sundeck Lien Claim, the Monitor is satisfied that the Sundeck Lien Claim constitutes a Quantified Lien Debt that will be paid on closing of the Transaction.

(b) **<u>Gienow Lien Claim.</u>** Gienow claims payment for the supply of windows and doors for the renovation of the Retirement Residences in the amount of $154,481.43, exclusive of interest, penalties, and costs ("**Gienow Lien Claim**"). The Monitor has reviewed the Gienow Lien Claim and is satisfied that a portion of the claim constitutes a Quantified Lien Debt. The portion of Gienow's Lien Claim that constitutes a Quantified Lien Debt is $108,8231.91. Accordingly, this amount will be paid on closing of the Transaction in accordance with paragraph 8(b) of the October 22 Order.

14. Monitor's counsel has identified certain issues with respect to the balance of Gienow's Lien Claim in the amount of $45,657.52, as well as the lien claim filed by Scuka in the amount of $893,935.72. These issues are as follows:

(a) **<u>Gienow Lien Claim.</u>** The Monitor's counsel has determined that Gienow did not register a builders lien in respect of its work on The Shores Retirement Residence, valued at $45,657.52. However, the Applicants acknowledge the amount owing, and as such, seek an order of this Court authorizing payment of this obligation as a Court Approved Debt pursuant to paragraph 8(a) of the October 22 Order, on closing of the Transaction, in the amount of $45,657.52.

(b) **Scuka Lien Claim.** Scuka's lien claim is on account of construction manager services provided to First Leaside in relation to the renovation of the Retirement Residences ("**Scuka Lien Claim**"). The amount of the Scuka Lien Claim, as agreed to and settled by the parties, is $709,963.92, exclusive of interest, penalties, and costs. The Monitor has identified possible issues with the validity of the liens registered by Scuka, and as such, the Applicants seek an order of this Court authorizing payment of this obligation as a Court Approved Debt to Scuka, on closing of the Transaction, in the total amount of $709,963.92.

15. To the extent that Sundeck, Gienow, or Scuka seek payment of amounts in excess of the Quantified Lien Debt and/or Court Approved Debt ("**Excess Claims**"), Sundeck, Gienow and/or Scuka are at liberty to assert the Excess Claims in a CCAA claims process.

16. Further details of the B.C. Lien Claims are set out in the Sixth Report of the Monitor.

Amendment to the October 22 Order

17. The October 22 Order provides that all of the Vendors' right, title, interest, estate and equity of redemption in and to the Purchased Assets are to be conveyed to and vested in the Purchaser or an assignee or designee permitted by the BayBridge Agreement. The BayBridge Agreement permits the Purchaser to nominate another entity to take title to the Purchased Assets.

18. At the time the October 22 Order was granted the Purchaser had not determined which entity would acquire the Purchased Assets. The Purchaser has now advised that it intends the Purchased Assets to be vested in the following entities:

22.

(a) Prime Time (Cherry Park) Inc. as to PID: 016-044-355 Lot A, District Lot 4, Group 7, Similkameen Division Yale (Formerly Yale-Lytton) District, Plan 43044;

(b) Prime Time (Orchard Valley) Inc. as to PID: 015-305-775 Lot A, District Lot 72, Osoyoos Division Yale District, Plan 42205; and

(c) Prime Time (Shores) Inc. as to PID: 017-700-892 Lot A, District Lot 256, Kamloops Division Yale District, Plan KAP46785 (collectively, "**Nominees**").

19. Accordingly, the Applicants seek to amend paragraphs 4 and 5 of the October 22 Order to permit the Purchased Assets to vest in the Nominees. A draft Amended Sale Approval and Vesting Order is attached hereto and marked as **Exhibit "I"**. The proposed amendments will not prejudice any party.

Uxbridge Properties – Ownership and Operations

20. FLEX is one of First Leaside's Canadian real estate limited partnerships. FLEX has a number of subsidiary limited partnerships and general partners.

21. FLEX owns a commercial property under development in Uxbridge, Ontario together with adjacent properties on Victoria Street and Brock Street (collectively, "**Uxbridge Properties**"). The Uxbridge Properties are described as follows:

Municipal Address	Legal Description
4 Victoria Street, Uxbridge, Ontario	Lt 307, Pt Lts 304, 305, 306, 308, 309, 311 & 312, Blk HH, Pl 83, Pt 1, 40R15228
144 Brock Street West, Uxbridge, Ontario	Pt Lts 303 & 304, Blk HH, Pl 83 & Pt Mary St., as in C075874
168 Brock Street West, Uxbridge, Ontario	Lts 294, 295 & Pt Lts 296, 297, 298, 299, 300, 301 & 302, Blk GG, Pl 83 in D527125

Municipal Address	Legal Description
0 Brock Street, Uxbridge, Ontario	Pt Lts. 296, 300, 301 & 302, Blk GG, Pl 83, PT 1, 40R18184

22. FLEX intended to develop the Brock Street and Victoria Street properties as First Leaside's new head office. However, FLEX stopped development of the property in mid to late December 2011, at the foundation stage, due to a lack of funds following First Leaside's voluntary cease trade.

23. Prior to filing for CCAA protection, construction liens had been filed against the Uxbridge Properties owned by several First Leaside entities, including FLEX and First Leaside Realty II Inc. The lien claims total $3,446,276.00. Additional details of these liens are attached hereto and marked as **Exhibit "J."**

24. Of the liens filed, Structform has asserted a lien claim in the amount of $1,723,755 on title to the Uxbridge Properties, which amount is inclusive of sub-contractor claims of $281,795.50 by LaFarge Canada Inc. and $205,538.91 by Gilbert Street Limited ("**Structform Lien Claim**"). Structform has paid the claims of both LaFarge Canada Inc. and Gilbert Street Limited.

25. The Structform Lien Claim arises from a contract entered into between Structform and FLEX in 2011 to supply and install forming on the high-rise commercial building that was to be FLEX's head office. Structform registered its lien against title to the Uxbridge Properties and perfected its lien by commencing an action and registering a Certificate of Action on title to the Uxbridge Properties.

26. The other claimants who have asserted construction liens against the Uxbridge Properties are as follows: (i) Janick Electric Limited; (ii) Aquanorth Contracting Ltd; (iii) 792873 Ontario Ltd.; (iv) Municipal Mechanical Contractors Limited; (v) Kenaidan Contracting Ltd; (vi) Rounthwaite Dick & Hadley Architects Inc.; and (vii) Peto MacCallum Ltd. ("**Other Claimants**"). Some of the Other Claimants have also asserted that the funds held in the bank accounts of FLEX are subject to a trust pursuant to section 7(2) of the *Construction Lien Act* ("**Trust Claims**").

27. As of the date that these CCAA proceedings began, the bank accounts of FLEX held a total balance of $647,555.14 on deposit ("**Bank Balance**"). In light of the Trust Claims which were asserted, FLEX agreed to an order dated June 28, 2012 (attached as **Exhibit "K"**) which required FLEX to notify Structform in advance if it intended to use the Bank Balance to pay expenses other than those secured by the Administration Charge or the Directors' Charge (as defined in the Initial Order).

28. The Bank Balance remains intact to date.

Marketing and Sales Process for the Uxbridge Properties

29. For upwards of six months, First Leaside has marketed and attempted to sell the Uxbridge Properties, and has requested proposals from qualified real estate brokers to solicit proposals for sale or development of the property. Colliers International Canada has listed the Uxbridge Properties for sale and has engaged in an active marketing process.

25

30. In addition, the Applicants and the Monitor have discussed and sought input from Structform, the single largest creditor of the Uxbridge Properties, as to an appropriate manner of realization of the properties.

31. Notwithstanding these efforts, First Leaside has been unable to sell the Uxbridge Properties or even obtain any meaningful offers. This is primarily because the Victoria Street site contains a partially-constructed building which makes it unattractive to most purchasers other than those who have the ability to either complete construction of the building or, alternatively, remove the existing structures from the site.

Structform Agreement to purchase the Uxbridge Properties

32. In late October 2012, Structform made a proposal to First Leaside to purchase the Uxbridge Properties in consideration for a full settlement and release of the Structform Lien Claim.

33. Following negotiations, First Leaside and Structform reached an agreement pursuant to which First Leaside has agreed, subject to court approval, to transfer its right, title, and interest in and to the Uxbridge Properties on an "as is, where is" basis to Structform or its nominee, in full and final satisfaction of any and all claims Structform has or may have against First Leaside, including a full and final release of the Structform Lien Claim ("**Structform Agreement**"). The Structform Agreement is made by and between Structform and 2067171 Ontario Inc. (in its capacity as general partner of First Leaside Expansion Limited Partnership), 1132413 Ontario Inc. (in its capacity as general partner of First Leaside Entities Limited Partnership), and First Leaside Realty II

26.

Inc. (in its capacity as the sole shareholder of 1132413 Ontario Inc.). A copy of the Structform Agreement is attached hereto and marked as **Exhibit "L"**,

34. First Leaside has concluded that the Structform Agreement represents the best way of maximizing recoveries for First Leaside's creditors and investors and minimizing costs, particularly in light of the following:

(a) the marketing of the Uxbridge Properties has not generated any other offers and it is unlikely that First Leaside would receive an offer price that would exceed $1.7 million;

(b) it provides the only current prospect for FLEX to realize upon its interest in the Uxbridge Properties;

(c) significant costs are required to be incurred in the short term in connection with winterizing the Uxbridge Properties, repairing wells located on the Uxbridge Properties, and carrying out other remedial repairs;

(d) the carrying costs for the vacant Uxbridge Properties, including property taxes, are significant;

(e) there appears to be no value in the Uxbridge Properties to any party other than Structform; and

(f) any other sale of the Uxbridge Properties, if they were to occur, are not likely to generate material proceeds, if any.

35. In addition to maximizing recovery and minimizing costs in respect of the Uxbridge Properties, the Structform Agreement will resolve approximately $1.7 million worth of claims against FLEX.

27.

36. For these reasons, the Applicants seek an Order of this Court approving the sale of the Uxbridge Properties to Structform, both in its personal capacity and as assignee of certain claims of La Farge Canada Inc. and Gilbert Steel Limited, with respect to the Structform Lien Claim, and vesting all of the Applicant's right, title, and interest in and to the Uxbridge Properties absolutely in Structform, free and clear of, and from, any and all liens, charges and encumbrances, including, without limitation, construction liens, trust claims and other contract claims.

37. The Other Claimants who have filed construction liens against the Uxbridge Properties, and who will be vested out of the Uxbridge Properties by the requested Order, will continue to be able to assert their claims against the remaining assets of FLEX, including the Bank Balance.

Settlement of Intercompany Obligations owed to FLWM

38. Visions LP was formed in November 2006 for the purpose of becoming a registered Ontario Commercialization Investment Fund partnership under the *Community Small Business Investment Funds Act*. The general partner of Visions LP is 2085438 Ontario Inc. ("**General Partner**"). The General Partner holds a 1% interest in each of First Leaside Visions I Limited Partnership ("**Visions I**") and First Leaside Visions II Limited Partnership ("**Visions II**"). Visions LP is managed by First Leaside Visions Management Inc., a member of the First Leaside group of companies.

39. Visions LP owns seven start-up technology companies in Ontario (collectively, "**Investees**").

40. Visions I raised $2,922,434.00 in an offering subscribed for by 48 investors who purchased units of Visions I at a price of $1.00 per unit. The proceeds of the offering (plus intercompany borrowing from FLWM) were used to invest $750,000 in the four Investees. The investments were made in November and December of 2008.

41. Visions II raised $1,229,703 in an offering subscribed for by 19 investors who each purchased units of Visions II at a price of $1.00 per unit. The proceeds of the offering (plus intercompany borrowing from FLWM) were used to invest $750,000 in three Investees. The investments were made in December 2009.

42. Visions LP obtained an inter-company loan from FLWM to complete these investments. As at December 31, 2011, Visions I owed FLWM $682,142 and Visions II owed FLWM $1,309,618 for a total of $1,991,760 ("**Visions Debt**"), which is comprised of cash advances and services provided by FLWM for accounting and business planning prior to the commencement of the CCAA proceedings, which were charged by way of intercompany charges to Visions LP.

43. The structure of the investments made by Visions LP in each Investee were identical, the key components of which are as follows:

(a) A management fee of $135,000 was to be paid in full by each Investee on closing of the investment in exchange for various services to be provided by First Leaside (i.e. accounting, business planning, etc.);

(b) All of Visions LP's investments in the Investees were made in accordance with the Ontario Commercialization Investment Fund Program, which entitles Visions LP to receive a government grant of 30% of the funds invested in each Investee to a maximum of $750,000 of investment or

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$225,000 per investment;

(c) Visions LP received the right to receive $311,250 from each Investee;

(d) Visions LP established subsidiary limited partnerships parallel to each Investee that was owned or controlled by Visions LP and shared the same general partners as Visions LP; and

(e) Visions LP received equity stakes in the Investees ranging from 6% to 49% with warrants designed to allow for participation in the growth of the Investees and to prevent over-dilution.

44. After the date of the Initial Order, Visions LP advanced approximately $577,000 to FLWM to help fund the CCAA proceedings ("**FLWM Debt**"). This amount is subject to an Inter-Company Charge as defined in the Order of the Honourable Mr. Justice Colin L. Campbell dated June 28, 2012, attached hereto and marked as **Exhibit "M**."

45. Visions LP also holds certain cash balances in its bank accounts. As at November 8, 2012, Visions I had a cash balance of $133,452.11 and Visions II had a cash balance of $47,496.76 for a total balance of $180,948.87 (the "**Cash Balance**"). The only other material investment assets of Visions LP are units or shares of the Investees whose products have not yet reached the commercialization stage.

46. First Leaside has reached an agreement with the unitholders of Visions LP, subject to Court approval, to settle the Visions Debt and FLWM Debt and allow investors in Visions LP to maintain their interest in the Investees ("**Visions Transaction**"). The Visions Transaction contemplates, among other things, the following:

(a) Visions LP and FLWM will set-off the amounts owing to each other under the FLWM Debt and Visions Debt;

(b) FLWM will forgive the net balance of the Visions Debt, a total of approximately $1,414,760 after set-off, in exchange for payment to FLWM of the Cash Balance on deposit with Visions LP as full and final settlement of the Visions Debt and all Inter-Company Charges relating to the CCAA proceedings; and

(c) FLWM will execute a full and final release providing for the release of any and all claims in Visions LP and its General Partner.

47. On behalf of the CRO, and subject to court approval, I propose to give effect to the Visions Transaction by executing full and final releases in respect of Visions I and Visions II, and transferring the Cash Balance to FLWM. The forms of releases are attached hereto and marked as **Exhibits "N"** and **"O"**, respectively.

48. With the settlement and release of the intercompany debt obligations, there will be no basis for Visions LP and the General Partner to remain subject to these CCAA proceedings. The Applicants therefore seek an order from this Court to terminate the CCAA proceedings in respect of Visions LP and the General Partner.

49. Subsequent to the termination of the CCAA proceedings, Visions LP proposes to appoint a nominee to purchase the shares of the General Partner for $1.00 and appoint new officers and directors of the General Partner. The General Partner consents to this proposal.

50. I am of the opinion that the Visions Transaction is beneficial as it will allow FLWM to receive at least as much as or more than would be available in a liquidation

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proceeding in respect of Visions LP, while at the same time allowing investors in Visions LP to maintain some potential upside from their investment over the long term, should any of the Investees become commercially viable and generate profits. In addition, the professional costs of trying to realize on the various Investees would be prohibitively disproportionately expensive and not likely to yield a greater net return to investors. I understand that the Monitor supports the Visions Transaction.

SWORN before me at the City of Burlington, In the Province of Ontario, this 13th day of November, 2012)
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)
)
)
)

Kelly Gena

A Commissioner, etc.

GREGORY MACLEOD

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)

Proceeding commenced at Toronto

AFFIDAVIT OF GREGORY MACLEOD
(sworn November 13, 2012)

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Lawyers for the Applicants

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This is Exhibit **"A"** referred to in the Affidavit of Gregory MacLeod, sworn November 13, 2012

Kelly Gerner

Commissioner for Taking Affidavits (or as may be)

EXHIBIT "A": LIMITED PARTNERSHIPS BENEFITING FROM INITIAL ORDER

B&W Limited Partnership
Cherry Park Retirement Residences Limited Partnership
Development Notes Limited Partnership
Dossierview Limited Partnership
eSight Limited Partnership
F.L. Beverages Group Limited Partnership*
First Leaside Acquisitions 2000 Limited Partnership
First Leaside Acquisitions Limited Partnership
First Leaside Advantage Limited Partnership
First Leaside Developments Limited Partnership
First Leaside Elite Limited Partnership
First Leaside Enterprises Limited Partnership
First Leaside Entities Limited Partnership
First Leaside Expansion Limited Partnership
First Leaside Global Limited Partnership
First Leaside Growth Limited Partnership
First Leaside Income Limited Partnership
First Leaside Investors Limited Partnership
First Leaside Operations Limited Partnership
First Leaside Opportunities Limited Partnership
First Leaside Optimal Limited Partnership
First Leaside Partners Limited Partnership
First Leaside Preferred Limited Partnership
First Leaside Premier Limited Partnership
First Leaside Progressive Limited Partnership
First Leaside Properties Limited Partnership
First Leaside Quality Limited Partnership
First Leaside Real Estate Limited Partnership
First Leaside Realty II Limited Partnership
First Leaside Realty Limited Partnership
First Leaside Retirement Residences (Okanagan) Limited Partnership
First Leaside Retirement Residences Limited Partnership
First Leaside Select Limited Partnership
F.L. Spring Valley Limited Partnership
First Leaside Superior Limited Partnership
First Leaside Technologies Limited Partnership

34.

First Leaside Ultimate Limited Partnership
First Leaside Unity Limited Partnership
First Leaside Universal Limited Partnership
First Leaside Venture Limited Partnership
First Leaside Visions I Limited Partnership
First Leaside Visions II Limited Partnership
First Leaside Visions III Limited Partnership
First Leaside Visions IV Limited Partnership
First Leaside Wealth Management Limited Partnership
F.L. Master Texas, Ltd.
F.L.W. Pond Master, Ltd.
F.L.W. Shores Master, Ltd.
FLWM Holdings Limited Partnership*
Greencore Limited Partnership
Marksman Celiject Limited Partnership
Metabacus Limited Partnership
Mill Street Limited Partnership*
Old Mill Pond Apartments Limited Partnership
OMISA Limited Partnership
Orchard Valley Retirement Residences Limited Partnership
Place Concorde East Limited Partnership
Place Concorde West Limited Partnership
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
Queenston Manor Limited Partnership
Special Notes Limited Partnership
Special U.S. Notes Limited Partnership
The Bluffs of Lakewood Limited Partnership
The Shores Limited Partnership
The Shores Retirement Residences Limited Partnership
Tyromer Limited Partnership
Uxbridge Development Limited Partnership
Wimberly Apartments Limited Partnership

This is Exhibit **"B"** referred to in the Affidavit of Gregory MacLeod, sworn November 13, 2012

Kelly Gerner.

Commissioner for Taking Affidavits (or as may be)

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

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

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

INITIAL ORDER

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

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

SERVICE

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

APPLICATION

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

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

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

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

(c) Cherry Park Retirement Residences Limited Partnership

(d) Orchard Valley Retirement Residences Limited Partnership

(e) The Shores Retirement Residences Limited Partnership

(f) Redwood Retirement Residences (Ottawa) Limited Partnership

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

(h) 480 Metcalfe Street (Ottawa) Limited Partnership

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

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

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

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

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

PLAN OF ARRANGEMENT

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

POSSESSION OF PROPERTY AND OPERATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RESTRUCTURING

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

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

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

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

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

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

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

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

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

NO PROCEEDINGS AGAINST FIRST LEASIDE OR THE PROPERTY

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

NO EXERCISE OF RIGHTS OR REMEDIES

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

NO INTERFERENCE WITH RIGHTS

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

CONTINUATION OF SERVICES

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

NON-DEROGATION OF RIGHTS

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

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

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

CHIEF RESTRUCTURING OFFICER

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

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

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

TRANSFER OF CLIENT ACCOUNTS

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

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

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

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

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

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

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

APPOINTMENT OF MONITOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

APPOINTMENT OF REPRESENTATIVE COUNSEL

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

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

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

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

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

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

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

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

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SERVICE AND NOTICE

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

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

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

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

GENERAL

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

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

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

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

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

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

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

FEB 24 2012
NB

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 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

This is Exhibit **"C"** referred to in the Affidavit of Gregory MacLeod, sworn November 13, 2012

Kelly Gena.

Commissioner for Taking Affidavits (or as may be)

SUPERIOR COURT OF JUSTICE
COUR SUPÉRIEURE DE JUSTICE
361 University Avenue
Toronto, ON M5G 1T3
Telephone: (416) 327-5284 Fax: (416) 327-5417

FAX COVER SHEET

Date: February 27, 2012

TO:	**FAX NO.:**
John Birch and David Ward	416-640-3067 / 416-360-3154
Pamela Huff and Chris Burr	416-863-2653
David Bish	416-865-7380
Brian Empey	416-979-1234
James H. Grout	416-304-1313
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Jane Dietrich	416-863-4592
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Nicholas Richter	1-905-523-6286
Megan Sanford	416-368-2599
Maria Konyukhova	416-222-8402
Clifton Prophet	416-863-3609

FROM: The Honourable Mr. Justice David M. Brown

TOTAL PAGES (INCLUDING COVER PAGE): 18

MESSAGE:

In the Matter of a Plan of Compromise or Arrangement of First Leaside Wealth Management Inc.

Please see Reasons for Decision in the above noted matter attached.

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

SUPERIOR COURT OF JUSTICE – ONTARIO

COMMERCIAL LIST

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

BEFORE: D. M. Brown J.

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

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

D. Bish, for the Independent Directors

B. Empey, for Investment Industry Regulatory Organization of Canada

J. Grout, for the Ontario Securities Commission

R. Oliver, for Kenaidan Contracting Limited

J. Dietrich, the proposed Representative Counsel for the investors

E. Garbe, for Structform International Limited

N. Richter, for Gilbert Steel Limited

M. Sanford, for Janick Electrick Limited

M. Konyukhova, for Midland Loan Services Inc.

C. Prophet, for the Canadian Imperial Bank of Commerce

HEARD: February 23, 2012

REASONS FOR DECISION

I. Overview: *CCAA* Initial Order

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

II. The applicant corporations

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

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

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

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

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

III. The material events leading to this application

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

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

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

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

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

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

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

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

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

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

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

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

Mr. MacLeod further deposed:

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

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

IV. Availability of *CCAA*

A. The financial condition of the applicants

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. Findings

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

C. "Liquidation" *CCAA*

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

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

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

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

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

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

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

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

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

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

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

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

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[8] *First Investors Corp. (Re)* (1987), 46 D.L.R. (4^{th}) 669 (Alta Q.B.), para. 36.
[9] Houlden, Morawetz & Sarra, *The 2012 Annotated Bankruptcy and Insolvency Act*, N§1, p. 1099.

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

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

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

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

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

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

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

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

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

V. Representative Counsel, CRO and Monitor

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

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

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

VI. Administration and D&O Charges and their priorities

A. Charges sought

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

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

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

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

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

B. Priority of charges

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VII. Other matters

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

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

VIII. Summary

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

D. M. Brown J.

Date: February 26, 2012

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

This is Exhibit **"D"** referred to in the Affidavit of Gregory MacLeod, sworn November 13, 2012

Kelly Gunn

Commissioner for Taking Affidavits (or as may be)

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

THE HONOURABLE MR.	)	MONDAY, THE 22nd
	)	
JUSTICE PATTILLO	)	DAY OF OCTOBER, 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., 1031628 Ontario Inc., 1045516 Ontario Inc., 2004516 Ontario Inc., 2192341 Ontario Inc., and First Leaside Fund Management Inc.

ORDER

(Stay Extension)

THIS MOTION, made by the Applicants and Included LPs (as defined in the Initial Order (defined below)) (collectively, "**First Leaside**") for an order extending the stay provided for in the Initial Order, approving the distribution of proceeds of sale in connection with certain properties in Canada owned by First Leaside, and other relief as described in the Notice of Motion was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Affidavit of Gregory MacLeod Affidavit sworn October 15, 2012 (the "**MacLeod Affidavit**"), the Fifth Report of Grant Thornton Limited, in its capacity as court appointed monitor (the "**Monitor**") dated October 17, 2012 (the "**Report**") and on hearing the submissions of counsel for the Applicants, the Monitor, IIROC, the Ontario Securities Commission Toronto-Dominion Bank, ~~First Leaside Mortgage Fund~~, ~~Brujion Real Estate Holdings Inc~~, Fraser Milner Casgrain LLP in its capacity as Court appointed Representative Counsel, no one appearing for any other person on the service list, although properly served as appears from the affidavits of service of Kelly Gerra sworn October 16, 2012, and Patricia Hoogenband sworn October 19, 2012, filed:

1. **THIS COURT ORDERS** that the time for service and filing of the notice of motion and the motion record is hereby abridged and validated so that the motion is properly returnable today and hereby dispenses with further service thereof.

2. **THIS COURT ORDERS** that the "Stay Period" as defined in paragraph 19 of the Initial Order of the Honourable Mr. Justice Brown dated February 23, 2012 (the "**Initial Order**") be and is hereby extended to December 11, 2012.

3. **THIS COURT ORDERS** that, effective at 12:01 a.m. on the date of closing of the Transaction (as defined in the MacLeod Affidavit), paragraph 3 of the Initial Order be and the same is hereby amended to delete the following limited partnerships from the "Excluded LPs" as defined in the Initial Order and to add such limited partnerships to Schedule "A" to the Initial Order as entities entitled to the benefit of the Initial Order (the "**Added LPs**"):

   i. First Leaside Retirement Residences (Okanagan) Limited Partnership;

   ii. Cherry Park Retirement Residence Limited Partnership;

   iii. Orchard Valley Retirement Residence Limited Partnership; and

77.

iv. The Shores Retirement Residence Limited Partnership.

4. **THIS COURT ORDERS** the Monitor shall not be required to provide notice pursuant to section 23 of the *Companies' Creditors Arrangement Act* to creditors of the Added LPs.

5. **THIS COURT ORDERS** that First Leaside is hereby authorized to withhold from any distribution of money or property which would otherwise be made to a First Leaside investor who is indebted to First Leaside (a "**Debtor Investor**"), such money or property (collectively, the "**Reserved Property**") with a value up to the total amount of any debt then owing to First Leaside by such Debtor Investor, pending the determination of set-off rights of First Leaside, if any, with respect to the Reserved Property, and subject to further Order of the Court.

6. **THIS COURT ORDERS AND DIRECTS** that, subject to the power to withhold Reserved Property as provided for in paragraph 4 herein, 2085306 Ontario Inc. in its capacity as general partner of First Leaside Growth Limited Partnership shall pay the sum of $3,597,672.50 plus per diem interest of $632.50 after September 24, 2012 less proper fees (collectively, the "**Mortgage Amount**") to Peoples Trust Company ("**Peoples**") or First Leaside Nominee Services Inc. ("**FL Nominee**"), from the proceeds of the sale of the property known municipally as 36 Bramtree Court, Brampton, Ontario (the "**Bramtree Property**"), which Mortgage Amount shall then be distributed by Peoples and/or FL Nominee to First Leaside investors who advanced the funds which were secured by the charge and assignment of rents over the Bramtree Property which were registered, respectively, as Instrument Numbers PR1959450 and PR1959451 (collectively, the "**Bramtree Mortgage**"). Upon completion of the payment of the Mortgage Amount, 2085306 Ontario Inc. and First Leaside Growth Limited Partnership shall have no further liability in respect of the Bramtree Mortgage.

7. **THIS COURT ORDERS AND DIRECTS** that, subject to the power to withhold Reserved Property as provided for paragraph 4 herein, First Leaside Wealth Management Inc. shall cause FL Nominee to distribute to investors in a syndicated mortgage in respect of the property known municipally as 90 King St. East, Thornbury,

Ontario (Parcel Identification Numbers 37140-0546 (LT) and 37140-0545(LT)) (the "**Thornbury Mortgage**") the current and future net proceeds on account of principal and interest received and held by FL Nominee in respect of the Thornbury Mortgage.

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

OCT 22 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. ET AL.

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceeding commenced at Toronto

ORDER
(Stay Extension)

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Lawyers for the Applicants

This is Exhibit **"E"** referred to in the Affidavit of Gregory MacLeod, sworn November 13, 2012

Kelly Gena

Commissioner for Taking Affidavits (or as may be)

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

THE HONOURABLE MR.	)	MONDAY, THE 22nd
	)	
JUSTICE PATTILLO	)	DAY OF OCTOBER, 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., 1031628 Ontario Inc., 1045516 Ontario Inc., 2004516 Ontario Inc., 2192341 Ontario Inc., and First Leaside Fund Management Inc.

SALE APPROVAL AND VESTING ORDER
(Re First Leaside Purchased Assets and Purchased Securities)

This motion (the "**Motion**") made by the Applicants and Included LPs (as defined in the Initial Order (defined below)) (collectively, "**First Leaside**") for an order approving the sale transaction (the "**Transaction**") contemplated by the Purchase Agreement dated September 27, 2012, as amended by an Amending Agreement dated October 4, 2012, and further amended by an Amending Agreement dated October 5, 2012 (as amended, and as may be further amended in accordance with such agreement, the

"**Sale Agreement**") between BayBridge Seniors Housing Trust (the "**Purchaser**") and the following limited partnerships by their general partner First Leaside Realty II Inc. (collectively, the "**Vendors**"):

(a) First Leaside Ventures Limited Partnership;

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

(c) Cherry Park Retirement Residence Limited Partnership;

(d) Orchard Valley Retirement Residence Limited Partnership;

(e) The Shores Retirement Residence Limited Partnership; and

(f) First Leaside Retirement Residences Limited Partnership

and attached as a confidential Exhibit to the Affidavit of Gregory MacLeod, sworn October 15, 2012 (the "**MacLeod Affidavit**") and filed under seal, and vesting in the Purchaser (or its permitted assigns or as it may otherwise direct) all of the Vendors' right, title and interest in and to the First Leaside Purchased Assets and the Purchased Securities (each as defined and set forth in the Sale Agreement, and together, the "**Purchased Assets**"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the MacLeod Affidavit, the Fifth Report of Grant Thornton Limited, in its capacity as court appointed monitor (the "**Monitor**") dated October 17, 2012, and on hearing the submissions of counsel for the Applicants, the Monitor, Toronto-Dominion Bank, IIROC, the Ontario Securities Commission, ~~First Leaside Mortgage Fund, Brujon Real Estate Holdings Inc.~~, and Fraser Milner Casgrain LLP in its capacity as Court appointed Representative Counsel, no one appearing for any other person on the service list, although properly served as appears from the affidavits of service of Kelly Gerra sworn October 16, 2012 and Patricia Hoogenband sworn October 19, 2012, filed:

1. **THIS COURT ORDERS** that the time for service and filing of the Applicants' notice of the Motion and the Motion record is hereby abridged and validated so that the Motion is properly returnable today and hereby dispenses with any further or other service thereof.

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2. **THIS COURT ORDERS AND DECLARES** that the Sale Agreement, the Vendors' entry into the Sale Agreement, and the Transaction contemplated thereunder are each hereby approved, and further that the execution of the Sale Agreement by G.S. MacLeod & Associates Inc. in its capacity as court-appointed chief restructuring officer of First Leaside (the "**CRO**") on behalf of the Vendors is hereby authorized and approved *nunc pro tunc* to September 27, 2012, with such minor amendments thereto as the CRO may deem appropriate. The CRO is hereby authorized and directed to take such additional steps and execute such additional documents on behalf of the Vendors as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser.

3. **THIS COURT ORDERS AND DECLARES** that the Sale Agreement is hereby sealed, kept confidential and shall not form part of the public record until such time as the CRO's Certificate (as defined below) is delivered to the Purchaser in accordance with paragraph 4 hereof.

4. **THIS COURT ORDERS AND DECLARES** that upon the delivery of a CRO's certificate to the Purchaser substantially in the form attached as **Schedule "A"** hereto (the "**CRO'S Certificate**"), all of the Vendors' right, title and interest in and to the Purchased Assets, including, without limitation, the lands and premises (collectively, the "**Lands**") described on **Schedule "B"** hereto, and First Leaside Realty II Inc.'s interest in the Purchased Assets, shall vest absolutely in the Purchaser or any assignee thereof as permitted by the Sale Agreement, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens (including construction liens), executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of Mr. Justice Brown dated February 23, 2012 (the "**Initial Order**"); (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario), *Personal Property Security Act* (British Columbia) or any other personal property registry system (all of which are collectively referred to as the

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"**Encumbrances**" and which term shall include the Encumbrances (as defined in the Sale Agreement)), but shall not include the Permitted Encumbrances on First Leaside Purchased Assets (as defined in the Sale Agreement and set forth on **Schedules "C" and "D"** hereto), and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

5. **THIS COURT ORDERS** that upon filing of a certified copy of this Order, together with a letter from the Vendors' solicitor, Cassels Brock & Blackwell LLP, authorizing its registration with the Registrar of Titles in the New Westminster Land Title Office and Kamloops Land Title Office, all right, title, interest, estate and equity of redemption of the Vendors in and to the Lands be conveyed to and do vest in the Purchaser (or assignee or designee permitted by the Sale Agreement) free and clear of all right, title, interest, estate and equity of redemption or land claim of all parties to this proceeding, and in particular of the Applicants and Vendors, their successors and assigns, and all persons claiming by, through or under them, subject only to the reservations and exceptions set out in the original Crown Grant or Grants thereof. For the purposes of issuing title to the Purchaser (or assignee or designee permitted by the Sale Agreement) the following charges, liens and interests (collectively, the "**Lien Claims**") shall be released from the titles to the Lands:

Lien Claims	*Registration No.*
As to Orchard Valley Retirement Residences: Legal Description: PID: 015-305-775 Lot A, District Lot 72, Osoyoos Division Yale District, Plan 42205	Claim of Builders Lien CA2390138 Claim of Builders Lien CA2394578 Claim of Builders Lien CA2433061
As to Cherry Park Retirement Residence: Legal Description: PID: 016-044-355	Claim of Builders Lien CA2394579 Claim of Builders Lien

84.

Lot A, District Lot 4, Group 7, Similkameen Division Yale (Formerly Yale-Lytton) District, Plan 43044	CA2433060
As to the Shores Retirement Residence: Legal Description: PID: 017-700-892 Lot A, District Lot 256, Kamloops Division Yale District, Plan KAP46785	Claim of Builders Lien CA2433059

6. **THIS COURT ORDERS** that for the purposes of determining the nature and priority of Claims, the net cash proceeds from the sale of the Purchased Assets including after effecting payment of the PTL Debt and Related Party Debt (as defined in the MacLeod Affidavit) (collectively, the "**Proceeds**") shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the CRO's Certificate in accordance with paragraph 4 hereof, all Claims and Encumbrances shall attach to the Proceeds with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale, provided, however, that to the extent that the Purchaser assumes liability for the accounts payable and accrued liabilities forming part of the First Leaside Current Liabilities (as defined in the Purchase Agreement) in accordance with the Purchase Agreement, no claim of such creditor for such accounts payable and accrued liabilities may be asserted against the Proceeds.

7. **THIS COURT ORDERS** that if the Purchaser does not reach agreement in writing with the Toronto-Dominion Bank ("**TD**") prior to the closing of the Transaction ("**Closing**") to assume the obligations of the Vendors to TD (the "**TD Debt**") which are secured by a security interest or charge on the First Leaside Purchased Assets including, without limitation, the security listed in Schedule "C" hereto (collectively, the "**TD Mortgages**"),

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(a) the cash portion of the Purchase Price (as defined in the Sale Agreement) for the First Leaside Purchased Assets (as defined in the Sale Agreement) shall not be reduced by the amount of the TD Debt;

(b) upon the Closing, the Purchaser shall pay the Purchase Price for the First Leaside Purchased Assets as follows:

(i) the Purchaser shall, and is hereby directed to, pay directly to TD, for and on behalf of the Vendors, an amount equal to the TD Debt, in repayment and full satisfaction of the TD Debt (the "**TD Loan Repayment**"); and

(ii) the Purchaser shall pay the balance of the Purchase Price, after subtracting the amount of the TD Loan Repayment, for the First Leaside Purchased Assets to the Vendors as provided for in the Sale Agreement; and

(c) upon receipt of the TD Loan Repayment, TD shall as soon as reasonably possible discharge all of its security over the Vendors and the First Leaside Purchased Assets including, without limitation, the encumbrances set forth on Schedule "C" hereto.

8. **THIS COURT ORDERS** that debts of the Vendors may be paid by the Vendors at Closing from the net proceeds after payment of the TD Loan Repayment, if applicable pursuant to paragraph 7 hereof, if one of the following two conditions is met:

(a) the Applicants, the Monitor, or the Purchaser, upon further motion, obtain authorization of the court to have the Vendors pay all or part of any unsecured liability of the Vendors or any liability evidenced by a Lien Claim (in either case, a "**Court Approved Debt**"), to the extent that such liabilities are not assumed or paid by the Purchaser in accordance with the working capital adjustment provided for in the Sale Agreement; or

(b) the Monitor determines that a Lien Claim is validly registered and perfected and the Vendors acknowledge that a corresponding specified amount (which may be all or part of the sum claimed by the party asserting the Lien Claim) is owing (a "**Quantified Lien Debt**").

9. **THIS COURT ORDERS** that if the Vendors pay a Court Approved Debt or Quantified Lien Debt at Closing from the Proceeds (in either case, a "**Paid Debt**") and if the Paid Debt was included as a current liability in the Estimated Closing Working Capital Statement (as defined in the Purchase Agreement), such Estimated Closing Working Capital Statement shall be deemed amended so as to remove as a current liability such Paid Debt.

10. **THIS COURT ORDERS AND DIRECTS** the Applicants to file with the Court a copy of the CRO's Certificate, forthwith after delivery thereof.

11. **THIS COURT ORDERS** that, notwithstanding:

(a) the pendency of these proceedings;

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

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

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

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

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

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Oct 22/12.

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

OCT 2 2 2012

MB

Schedule "A"
Form of CRO's Certificate

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

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

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

CRO's CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable Justice Brown of the Ontario Superior Court of Justice (the "Court") dated February 23, 2012, G.S. MacLeod & Associates Inc. was appointed as the chief restructuring officer (the "CRO") of the undertaking, property and assets of the Applicants.

B. Pursuant to an Order of the Court dated October 22, 2012 (the "**Approval Order**"), the Court approved the purchase agreement dated September 27, 2012 (the "**Sale Agreement**") between the Vendors and Purchaser (as defined in the Approval Order) and provided for the vesting in the Purchaser of the Vendors' right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the CRO to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the Purchased Assets; (ii) that the conditions to Closing as set out in the Sale Agreement have been satisfied or waived by the CRO and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the CRO.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Sale Agreement.

THE CRO CERTIFIES the following:

1. The Purchaser has paid and the Vendors have received the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the Sale Agreement;
2. All of the conditions to Closing as set out in the Sale Agreement have been satisfied or waived by the CRO and the Purchaser; and
3. The Transaction has been completed to the satisfaction of the CRO.
4. This Certificate was delivered by the CRO at ___________ on November ___, 2012.

G.S. MacLeod & Associates Inc., in its capacity as court appointed chief restricting officer of the Applicants, and not in its personal capacity

Per: ______________________________

Name: Greg MacLeod
Title: President

Schedule "B"
Lands

Cherry Park Retirement Residence

Land Title Office

Kamloops

Municipal Description:

317 Winnipeg Street, Penticton, BC V2A 8J9

Legal Description:

PID: 016-044-355
Lot A, District Lot 4, Group 7, Similkameen Division Yale (Formerly Yale-Lytton) District, Plan 43044

Orchard Valley Retirement Residences

Land Title Office

Kamloops

Municipal Description:

2829 34th Street, Vernon, BC V1T 9G4

Legal Description:

PID: 015-305-775
Lot A, District Lot 72, Osoyoos Division Yale District, Plan 42205

The Shores Retirement Residences (and the undeveloped portion of The Shores Land)

Land Title Office

Kamloops

Municipal Description:

870 Westminster Avenue, Kamloops, BC V2B 1N9

Legal Description:

PID: 017-700-892
Lot A, District Lot 256, Kamloops Division Yale District, Plan KAP46785

Schedule "C"

Permitted Encumbrances on Purchased Assets

I. Permitted Encumbrances on First Leaside Purchased Assets

(a) Permitted Encumbrances on Lands

1. Instrument CA2181507, registered September 8, 2011, is a mortgage with respect to Parcel Identifier 016-044-355, granted by First Leaside Realty II Inc. ("**FL Realty**") in favour of The Toronto-Dominion Bank ("**TD**") securing the original principal sum of $19,440,000.

2. Instrument CA2181508, registered September 8, 2011, is an assignment of rents with respect to Parcel Identifier 016-044-355, granted by FL Realty to TD as additional security for its mortgage registered as CA2181507

3. Instrument CA2181509, registered September 8, 2011, is a mortgage with respect to Parcel Identifier 015-305-775, granted by FL Realty in favour of TD securing the original principal sum of $19,440,000.

4. Instrument CA2181510, registered September 8, 2011, is an assignment of rents with respect to Parcel Identifier 015-305-775, granted by FL Realty to TD as additional security for its mortgage registered as CA2181509.

5. Instrument CA2181511, registered September 8, 2011, is a mortgage with respect to Parcel Identifier 017-700-892, granted by FL Realty in favour of TD securing the original principal sum of $19,440,000.

6. Instrument CA2181512, registered September 8, 2011, is an assignment of rents with respect to Parcel Identifier 017-700-892, granted by FL Realty to TD as additional security for its mortgage registered as CA2181511.

(b) Permitted Encumbrances on Personal Property

Ontario

1. File no. 672443073; PPSA Registration No. 20110825 1031 1862 6989, in favour of TD (First Leaside Retirement Residences (Okanagan) Limited Partnership)

2. File no. 672443127; PPSA Registration No. 20110825 1033 1862 6991, in favour of TD (First Leaside Venture Limited Partnership)

3. File No. 672443226; PPSA Registration No. 20110825 1037 1862 6994, in favour of TD (Cherry Park)

4. File no. 672443262; PPSA Registration No. 20110825 1038 1862 6996, in favour of TD (Orchard Valley)

5. File No. 672443235; PPSA Registration No. 20110825 1037 1862 6995, in favour of TD (the Shores)

6. File no. 672443217; PPSA Registration No. 20110825 1036 1862 6993 (First Leaside Realty II Inc.)

British Columbia

1. PPSA Base Registration No. 318113G, in favour of TD (Orchard Valley)

2. PPSA Base Registration No. 318115G, in favour of TD (the Shores)

3. PPSA Base Registration No. 318111G, in favour of TD (Cherry Park)

4. PPSA Base Registration No. 318116G, in favour of TD (First Leaside Realty II Inc.)

Schedule D

II. Other Permitted Encumbrances on First Leaside Purchased Assets

(ii) B.C. PPSA Registration No. 994133D, in favour of MCAP Leasing Inc.

(iii) B.C. PPSA Registration No. 655127F, in favour of National Leasing Group Inc.

III. Permitted Encumbrances on Purchased Securities

Nil.

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)

Proceeding commenced at Toronto

SALE APPROVAL AND VESTING ORDER (RE FIRST LEASIDE PURCHASED ASSETS AND PURCHASED SECURITIES)

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Lawyers for the Applicants

This is Exhibit **"F"** referred to in the Affidavit of Gregory MacLeod, sworn November 13, 2012

Kelly Gena.

Commissioner for Taking Affidavits (or as may be)

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., 1031628 Ontario Inc., 1045516 Ontario Inc., 2004516 Ontario Inc., 2192341 Ontario Inc., and First Leaside Fund Management Inc. (collectively, the "Applicants")

AFFIDAVIT OF GREGORY MACLEOD
(sworn October 15, 2012)

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

1. I am the President of G.S. MacLeod & Associates Inc., the Court-appointed restructuring officer ("**CRO**") of First Leaside Wealth Management Inc. ("**FLWM**"), and the other applicants (collectively, the "**Applicants**") as well as the limited partnerships

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

2. Capitalized terms not otherwise defined in this affidavit are defined in my affidavit sworn February 22, 2012 (the "**Initial Affidavit**").

A. Background

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

4. Pursuant to the Initial Order, Grant Thornton Limited was appointed as monitor ("**Monitor**") of First Leaside, and Fraser Milner Casgrain LLP was appointed as representative counsel ("**Representative Counsel**") to represent the interests of the nearly 1,200 investors (the "**Investors**") of First Leaside Securities Inc. ("**FLSI**") in these proceedings.

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5. A Stay Period, as defined in paragraph 19 of the Initial Order, was granted on February 23, 2012, and was most recently extended by an order of this Court on June 28, 2012. Attached hereto and marked as **Exhibit "D"** is a copy of the June 28, 2012 order (the "**June 28 Order**"). The Stay Period currently expires on October 26, 2012.

6. This affidavit is sworn in support of the motion for, *inter alia,* the extension of the Stay Period to December 11, 2012, the approval of the sale of certain property owned by First Leaside Retirement Residences Limited Partnership ("**Retirement Residences LP**") and First Leaside Venture Limited Partnership ("**Venture LP**"), amending the Initial Order to include the Okanagan Excluded LPs (as defined in paragraph 3 of the Initial Order) as Included LPs, and for other relief.

B. Restructuring Efforts to Date

7. Since the extension of the Stay Period on June 28, 2012, First Leaside has continued to work with the Monitor, Representative Counsel, mortgagees, investors, and other stakeholders to develop and implement a plan to effect the orderly wind-down of the Company's operations and portfolio of assets over a period of time and in a manner that will maximize recoveries to creditors and investors.

8. First Leaside has also been participating in a communications program that includes conference calls and meetings with the Monitor and Representative Counsel. First Leaside has held meetings with, and provided information to, an investor steering committee organized by Representative Counsel (the "**Steering Committee**"). In accordance with a communications protocol which was approved by the court on June 28, 2012 (the "**Communications Protocol**"), First Leaside has been providing regular

updates to Representative Counsel (and, in most cases, to the Steering Committee, as well) concerning the sale of First Leaside's various properties and the status of other matters in the CCAA administration.

9. On some matters, First Leaside has provided confidential information to a Transaction Sub-Committee, which is a subset of the Steering Committee. For example, I have participated in phone calls and meetings with the Transaction Sub-Committee during which I have reported about the current status of certain real property sales, including offers received and likely counter-offers to be made by First Leaside.

C. Remaining First Leaside Canadian Real Property Assets

10. Since August 20, 2012, the date of my last affidavit filed in these proceedings, First Leaside has continued to market the following properties in Canada:

(a) 4 Victoria Street, Uxbridge, Ontario ("**Victoria Street**"), the site of a partially-constructed 58,182 square foot head office for First Leaside, which is ultimately owned by First Leaside Expansion Limited Partnership ("**FLEX**") and in respect of which construction was suspended in November 2011;

(b) 168 Brock Street, Uxbridge, Ontario ("**Brock Street**"), two properties owned by First Leaside Entities Limited Partnership (in turn owned by FLEX) which are adjacent to Victoria Street and comprise a paved parking lot and a small commercial building;

(c) 123 Erie Street, Wheatley, Ontario ("**Erie Street**"), a development site

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owned by First Leaside Unity Limited Partnership ("**Unity LP**"), which is in turn owned by FLEX;

(d) 164 Cemetery Road, Uxbridge, Ontario ("**Cemetery Road**"), a 23 acre parcel of land (of which only 4 acres are developable) owned by Uxbridge Development Limited Partnership which limited partnership is owned by First Leaside Progressive Limited Partnership ("**Progressive LP**"); and

(e) 62 Mill Street, Uxbridge, Ontario ("**Mill Street**"), a 3.74 acre plot of land containing a small heritage home, which is owned by Mill Street Limited Partnership which, in turn, is owned by First Leaside Investors Limited Partnership ("**Investors LP**").

11. Attached hereto and marked as **Exhibit "E"** is a chart listing the properties for sale, the First Leaside entity that owns each of the respective properties, and the listing price of each property.

12. So far, First Leaside has not received any offers for Victoria Street and Brock Street. This lack of offers may not be unusual given that some of the properties are development land (or, in the case of Victoria Street, a partially constructed building).

13. In respect of Erie Street, First Leaside received an offer dated August 15, 2012 that was substantially below the appraised value. First Leaside made a counter offer on August 31, 2012 but has not yet received a response.

14. In respect of Cemetery Road, First Leaside received one offer on June 8, 2012 that was substantially below appraised value and negotiations did not result in an agreement.

15. In respect of Mill Street, First Leaside received an offer dated May 16, 2012 at a purchase price which exceeded the appraised value. The offer was conditional upon the purchaser conducting and being satisfied with due diligence. First Leaside accepted the offer. At the end of the conditional period, the purchaser informed First Leaside that it was not prepared to waive the due diligence condition and insisted that the price of the property be reduced by $250,000. This price reduction would have brought the sale price below the appraised value of the property. After consultation with the listing agent, First Leaside did not agree to the price reduction and the agreement of purchase and sale lapsed. No further offers have been received.

16. The listing agreement for the above First Leaside properties has expired. Accordingly, First Leaside and the Monitor have been engaged in discussions to determine other means of marketing these properties.

D. Sale of Assets of Certain Excluded LPs and Interest in PrimeTime Living

17. At the time that First Leaside sought CCAA protection and the Initial Order was granted, a number of Canadian limited partnerships with properties in Ottawa, Ontario and the Okanagan area of British Columbia (respectively, the "**Ottawa Excluded LPs**" and the "**Okanagan Excluded LPs**") were excluded from the scope of proceedings.

18. The Ottawa Excluded LPs are as follows:

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

(b) The Redwood Retirement Residences Limited Partnership;

(c) 100 Isabella St. (Ottawa) Limited Partnership; and

(d) 480 Metcalfe St. (Ottawa) Limited Partnership ("**480 Metcalfe**").

19. The Okanagan Excluded LPs are as follows:

(a) First Leaside Retirement Residences (Okanagan) Limited Partnership ("**First Leaside Okanagan LP**");

(b) Cherry Park Retirement Residences Limited Partnership ("**Cherry Park LP**");

(c) Orchard Valley Retirement Residences Limited Partnership ("**Orchard Valley LP**"); and

(d) The Shores Retirement Residences Limited Partnership ("**The Shores LP**")

20. The limited partnership units of the Okanagan Excluded LPs and the Ottawa Excluded LPs (collectively, the "**Excluded LPs**") are ultimately owned by Venture LP which is an Included LP and therefore subject to the CCAA proceedings.

21. Attached hereto and marked as **Exhibit "F"** is a copy of an organization chart outlining the organizational structure of the Okanagan Excluded LPs.

22. The Excluded LPs own property which comprises retirement residences (the "**Retirement Residences**"). The Retirement Residences are managed by PrimeTime

Living Limited Partnership ("**PrimeTime Living**"), in which First Leaside, through Retirement Residences LP, owns a 50.1% partnership interest (the "**PTL Interest**") with the remaining 49.9% being held by Brujjon Real Estate Holdings Inc. ("**Brujjon**"), a company not related to First Leaside.

23. In addition to its management responsibilities in relation to the Retirement Residences, PrimeTime Living owns four properties in Ontario and B.C. (the "**PrimeTime Properties**"):

(a) the Abby Lane retirement residence and Whiterock Medical Centre in Surrey, B.C.;

(b) a 50% ownership interest in the Birkhall property in Vernon, B.C. (the other 50% is owned by Venture LP);

(c) the Heatherwood retirement residence in St. Catharines, Ontario; and

(d) the St. Catharines Place retirement residence in St. Catharines, Ontario.

24. Attached hereto and marked as **Exhibit "G"** is a copy of a diagram outlining the ownership structure of PrimeTime Living.

25. As of the date of the Initial Order, Venture LP had hoped to refinance the Excluded LPs. However, such refinancing efforts were unsuccessful and Venture LP, with the consent of the relevant mortgage lenders, decided to sell the properties and related assets that are held by the Ottawa Excluded LPs and the Okanagan Excluded LPs.

26. Since the date of the Initial Order, Venture LP has worked cooperatively with the mortgagees of the properties owned by both the Ottawa Excluded LPs and the Okanagan Excluded LPs to market these properties for sale.

27. First, the mortgagees of the Ottawa Excluded LPs are: (i) Canadian Imperial Bank of Commerce ("**CIBC**") who held a first and second mortgage, and (ii) KingSett Real Estate Growth Limited Partnership No. 2. ("**KingSett**") who held third mortgages and was a guarantor of the CIBC obligation. As discussed more fully below, the properties owned by the Ottawa Excluded LPs have been sold, in accordance with a transaction that was described to the court in my earlier affidavit dated August 20, 2012.

28. Second, the Toronto-Dominion Bank ("**TD**") holds the first mortgages on each of the three limited partnership properties owned by the Okanagan Excluded LPs. The mortgage debt owed to TD and registered against the properties owned by the Okanagan Excluded LPs (the "**Okanagan Properties**") as of October 4, 2012, was $17,332,061 in aggregate (the "**Okanagan LP Debt**").

29. The Okanagan Excluded LPs are not meeting all of their obligations as they come due. For example, substantial renovation costs on the Okanagan Properties are unpaid and therefore multiple trade creditors have registered construction liens. Attached hereto and marked as **Exhibit "H"** is a list of the construction and building liens for the Okanagan Properties.

30. With the support of TD, CIBC, and KingSett, the assets of the Excluded LPs have been marketed in order to allow creditors (primarily those three mortgagees) to be paid. However, since the operations of PrimeTime Living are so closely connected with the

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Retirement Residences (given PrimeTime Living's role as manager), First Leaside concurrently marketed for sale its ownership interest in PrimeTime Living.

E. Marketing and Sales Process of the Okanagan Excluded LPs

31. Retirement Residences LP, First Leaside Realty II Inc. ("**Realty II**"), FLWM, First Leaside Universal Limited Partnership, Progressive LP, F.L. PrimeTime Living and FLWM Holdings Limited Partnership engaged Grant Thornton Corporate Finance Inc. ("**GTCFI**") to act as a financial advisor in connection with the proposed divestiture of two parcels of assets:

(a) The Retirement Residences owned by the Okanagan Excluded LPs (being "**Parcel A**"); and

(b) The PTL Interest (or "**Parcel B**").

32. Pursuant to the June 28 Order, the court approved the retention of GTCFI as financial advisor.

33. GTCFI prepared confidential information memoranda (the "**CIMs**") for each of Parcel A and Parcel B and circulated them to potential purchasers that executed confidentiality agreements.

34. Parcel A and Parcel B were marketed separately because they represent different sets of assets in respect of which there are different stakeholder interests. Parcel A consists of assets of the Okanagan Excluded LPs which were not brought into these CCAA proceedings at the time of the Initial Order. In contrast, Parcel B represents an asset which has been subject to the CCAA proceedings since the time of the Initial Order. Furthermore, Parcel B carried with it the added complication of

requiring the consent of Brujjon under the terms of the limited partnership agreement. As I have noted above, as mortgagee of all of the real property related to the Retirement Residences, TD is the major secured creditor of the Okanagan Excluded LPs.

35. In contrast to the assets in Parcel A, those in Parcel B are not subject to the same third party encumbrances. However, as I have noted above, Retirement Residences LP is only a 50.1% owner of PrimeTime Living, with the remaining 49.9% being owned by Brujjon.

36. The sales process run by GTCFI was successful. By July 19, 2012, GTCFI had received a number of letters of interest ("**LOIs**") for the purchase of both Parcel A and Parcel B. The bidding group was made up of several Canadian industry participants and one financial investor. First Leaside then began negotiations with BayBridge Seniors Housing Inc., (a subsidiary of Ontario Teachers' Pension Plan Board), the bidder which provided the most promising LOI. BayBridge Seniors Housing Inc. proposed to acquire Parcel A and Parcel B in the name of BayBridge Seniors Housing Trust (the "**Purchaser**"). The Purchaser also had the support of Brujjon whose consent was required to sell Parcel B.

37. As a result of such negotiations, GTCFI was able to obtain an increase in the proposed purchase price on terms to the satisfaction of First Leaside. On August 1, 2012, First Leaside entered into a revised, confidential LOI with the Purchaser, which was non-binding and subject to a number of conditions, including due diligence and court approval. The extensive due diligence process concluded in late September 2012 after two short-term extensions.

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38. First Leaside also worked with Brujjon to provide it with information about the sale of the PTL Interest.

F. Sale of the Okanagan Excluded LPs' Retirement Residences and the PTL Interest

39. After extensive and good faith discussions and negotiations, Venture LP, the Okanagan Excluded LPs (collectively, the "**BC Vendors**") and Retirement Residences LP (the "**LP Vendor**", and together with the BC Vendors, the "**Vendors**") entered into an Purchase Agreement dated September 27, 2012, as amended by and Amending Agreement dated October 4, 2012, and further amended by an Amending Agreement dated October 5, 2012, and as may be further amended from time to time (the "**BayBridge Agreement**"), with the Purchaser, pursuant to which the Purchaser agreed to acquire a whole or controlling interest in all of Parcel A and Parcel B (the "**Transaction**"). To protect the integrity of the sales process in the event the Transaction does not close, the details of the Transaction and underlying negotiations must be kept strictly confidential. Accordingly, the BayBridge Agreement will be made available to the Court at the hearing of the Applicant's motion and I request that it otherwise remain under seal to the public until further order of this Court.

40. The BayBridge Agreement provides for the purchase and sale of the following property and assets, subject to a working capital adjustment (collectively, referred to as the "**Purchased Assets**") and a hold back to secure certain indemnity obligations of the Vendors:

(a) The sale by the BC Vendors to the Purchaser, of the assets used in the business of Cherry Park LP, Orchard Valley LP and The Shores LP and

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the 50.1% undivided interest in the lands, premises, building and improvements and all appurtenant interests thereto known municipally as 3211 Alexis Park Drive, Vernon, British Columbia (the "**Vernon Lands**");

(b) The sale by the LP Vendor of: (i) the limited partnership units of PrimeTime Living and PrimeTime Living Management Limited Partnership ("**PrimeTime Management**") held by the LP Vendor (representing 50.1% of the total issued and outstanding limited partnership units) (the "**PrimeTime LP Units**"), and (ii) the shares of PrimeTime Living GP Inc. ("**PrimeTime GP**"), the sole general partner of PrimeTime Living and PrimeTime Management (collectively, the "**PrimeTime Entities**"), held by the LP Vendor (representing 50.1% of the total issued and outstanding shares) (the "**PrimeTime Shares**"); and

(c) The sale of the shares of 0742962 B.C. Ltd., a British Columbia company (the "**Vernon Nominee**") held by Venture LP (representing 50% of the total issued and outstanding shares) (the "**First Leaside Shares**"), which represent the means by which the LP Vendor holds its 50% interest in the Vernon Lands.

41. The Purchased Assets comprise all of the property and assets used in connection with or otherwise relating to the Retirement Residences carried on by the Vendors. Certain assets such as any cash on hand are excluded from the Transaction.

42. The sale and purchase of the Purchased Assets is subject to a number of terms and conditions, which terms and conditions must be performed or fulfilled prior to closing. The key transaction terms and conditions under the BayBridge Agreement are as follows:

(a) The BayBridge Agreement requires the Purchaser to obtain the consent of Brujjon to the transfer all of the First Leaside Shares, PrimeTime Shares and PrimeTime LP Units. Such consent has already been obtained;

(b) The BayBridge Agreement provides for the delivery of two deposits which deposits have already been paid;

(c) The Transaction is conditional upon the Vendors obtaining an order of the court: (i) authorizing and approving the purchase and sale of the Purchased Assets pursuant to the BayBridge Agreement; (ii) vesting all of the Vendors' right, title, and interest in and to the Purchased Assets in the Purchaser free and clear of all encumbrances other than the encumbrances permitted under the BayBridge Agreement, which includes the assumption of certain mortgage obligations discussed more fully below; and (iii) exempting the transaction from the application of the *Bulk Sales Act* (Ontario); and

(d) Subject to court approval, the Transaction is anticipated to close on or about November 26, 2012.

43. The BayBridge Agreement includes an exclusivity clause that restricts the Vendors from soliciting any offers for the sale of the Purchased Assets or participating in any discussions or negotiations regarding the sale of the Purchased Assets. There are also provisions requiring, in limited circumstances, the reimbursement of the Purchaser's out-of-pocket expenses in the event that the BayBridge Agreement is terminated through no fault of the Purchaser <u>and</u> First Leaside enters into and completes an alternative transaction within a specified period.

G. Assumption of Mortgages, Related Party Debt & Capital Gains Adjustment

44. There are two key sets of mortgages over the properties owned by the Okanagan Excluded LPs and Primetime Living (collectively, the "**Mortgages**"). Each of these sets of mortgages will be dealt with differently in the Bayrbidge Transaction.

45. First, the Okanagan Excluded LPs have given mortgages to TD to secure indebtedness amounting to $17,332,061 as of October 4, 2012 (the "**TD Mortgages**"). The Purchaser intends to seek the consent of TD to assume the TD Mortgages upon closing of the BayBridge Transaction. If the TD Mortgages are assumed, they will be listed as Permitted Encumbrances in the sale approval and vesting order and will thus not be affected by such order. In the event that the TD Mortgages are not being assumed by the Purchaser, they will be paid on closing.

46. Second, Primetime Living's various properties are subject to the following mortgages (the "**PrimeTime Continuing Mortgages**"):

(a) Charge from St. Catharines Place Inc. registered on September 15, 2008 in favour of FirstOntario Credit Union Limited ("**FOCUL**") securing the original principal sum of $26,000,000;

(b) Charge from St. Catharines Place Inc. registered on December 22, 2011 in favour of Henry E. Hildebrand and Grace Hildebrand securing the original principal sum of $3,000,000, which amount was increased to $5,500,000 on May 15, 2012 by notice of agreement; and

(c) Charge registered on August 10, 2011 with respect to certain parcels of land from 0714500 B.C. Ltd. and from Abby Lane, PrimeTime Living and PrimeTime GP in favour of Fisgard Capital Corporation securing the original principal sum of $5,400,000.

47. Since the BayBridge Transaction represents a change of control of PrimeTime Living, the Purchaser will seek the consent of the mortgagees of the PrimeTime Continuing Mortgages with respect to the Transaction. However, since the property being transferred to the Purchaser in relation to the PrimeTime Living portion of the

BayBridge Transaction (i.e., Parcel B) consists of shares and limited partnership units—rather than the properties subject to the PrimeTime Continuing Mortgages, there is no need or intention to vest out the PrimeTime Continuing Mortgages. Such mortgages will remain in place and PrimeTime Living will continue to make payments after closing. However, claims and security relating to the PTL Interest (i.e., the shares and limited partnership units) will be vested out of such assets and the proceeds will stand in the place and stead.

48. The Monitor is currently reviewing the Mortgages to be assumed and/or discharged in order to satisfy itself that the security is valid and enforceable.

49. The Purchase Agreement provides that all other claims, encumbrances or liens which are not otherwise being assumed or discharged on closing of the BayBridge Transaction shall vest in the Purchaser. Accordingly, First Leaside is seeking an order as part of its motion that all of the Vendors' rights, title and interest in and to the Purchased Assets vest in the Purchaser free and clear of all encumbrances, other than the Mortgages and the permitted encumbrances under the Purchase Agreement.

50. First Leaside Mortgage Fund holds a pledge of the shares of the Vernon Nominee to secure a loan made to the Vendor LP to partially finance the purchase of its interest in the Vernon Lands. First Leaside intends to have this security vested out upon closing and to have the proceeds stand in the place and stead of such security. The Monitor will have to review the validity of this security and then determine whether proceeds should be paid out.

51. In addition to the Mortgages, there are two other relevant debts which will be satisfied upon the closing of the Transaction. First, there is a related party debt owing by Primetime Living to the LP Vendor in the outstanding principal amount of approximately $1.7 million plus accrued interest as of September 27, 2012 ("**Related Party Debt**"). Second, the Okanagan LPs owe the remaining amount of approximately $9.2 million (inclusive of accrued interest) to PrimeTime Living in connection with a promissory note dated September 8, 2011 given as part of the BC Vendors' acquisition of the Retirement Residences ("**PTL Debt**"). (The original principal amount of the note was $12,106,032).

52. As part of the closing of the Transaction, both the Related Party Debt and the PTL Debt will be paid in full through the following mechanism. First, the Related Party Debt will be set off against the PTL Debt, leaving a net debt of approximately $7.5 million which is owing to PrimeTime Living, which amount will be directed by the LP Vendor to be paid from the purchase price payable on closing to PrimeTime Living, in satisfaction of the PTL Debt. Second, since the LP Vendor has a 50.1% interest in PrimeTime Living, the Purchaser will pay to the LP Vendor an amount representing 50.1% of the net $7.5 million debt repayment amount.

53. The properties owned by the Okanagan Excluded LPs were acquired by Venture LP from Primetime Living on September 8, 2011. That transaction resulted in a capital gain in PrimeTime Living in its 2011 taxation year. After the commencement of the CCAA proceedings, the full capital gain in the amount of $3,540,397 (the "**Capital Gain**") was mistakenly allocated by PrimeTime Living to Brujjon, and the 2011 tax filings for PrimeTime Living were completed on this basis (the "**Capital Gain Allocation**").

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The partnership agreement between Brujjon and Retirement Residences LP in respect of PrimeTime Living called for a *pro rata* allocation based on the partners' proportionate interests.

54. The Vendors have provided a proposal to Brujjon to re-allocate the Capital Gain between Brujjon and the LP Vendor (and other limited partners of PrimeTime Living) in proportion to their ownership interests (i.e. 49.9% and 50.1% respectively) in accordance with the existing partnership agreement. The Purchaser has agreed to pay to Brujjon the amount of $409,439 in satisfaction of any tax liability Brujjon may incur in connection with the Capital Gain Allocation (the "**BayBridge Payment**"), which amount has been reflected in the purchase price. The effect of this adjustment on First Leaside investors will be the same as if the Capital Gain had originally been allocated *pro rata* as provided for in the partnership agreement.

H. BayBridge Agreement Conclusion

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

(a) First Leaside and GTCFI have extensively and diligently canvassed the market to identify and solicit parties that would be interested in purchasing the Retirement Residences owned by the Okanagan Excluded LPs and the Purchased Securities it is my belief that the BayBridge Agreement represents the only commercially reasonable method to obtain the maximum realizable value for the Vendors' interests in the circumstances;

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

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(c) The purchase price negotiated under the BayBridge Agreement is in excess of the appraised value of each of the Purchased Assets; and

(d) I have had discussions with the Monitor with respect to the BayBridge Agreement and understand that the Monitor supports the transaction.

I. Expanding Scope of CCAA Proceeding to Cover Okanagan Excluded LPs

56. Since the Vendors (with the exception of Venture LP) are also Excluded LPs, they are currently not subject to the CCAA proceedings and do not have the benefit of the Initial Order. Thus, as part of the motion to approve the Transaction and the above distribution of proceeds, the Applicants seek an order amending paragraph 3 of the Initial Order to delete the Okanagan Excluded LPs from the scope of the definition of "Excluded LPs" as defined in the Initial Order and to add the Okanagan Excluded LPs to Schedule "A" to the Initial Order as the "**Okanagan LPs**" entitled to the benefit of the Initial Order. Paragraph 7 of the Initial Order permits the Applicants at any time, on seven days' notice to CIBC, KingSett and TD to seek an order extending the scope of the CCAA proceedings and the provisions of the Initial Order to include the Excluded LPs.

57. At the time of the Initial Order, First Leaside made the decision not to bring the Excluded LPs within the scope of the Initial Order because of concerns raised by CIBC, KingSett and TD that the proposed Administrative Charge and Directors' and Officers' Charge would take priority over the lenders' mortgages. These concerns are no longer applicable in relation to the Okanagan Excluded LPs in that the consideration to be received in respect of Parcel A is sufficient to ensure that TD will not experience a deficiency on its mortgage, even after taking into account expenses secured by the

Administrative Charge and the Directors' and Officers' Charge. Further, as I have stated above, the Okanagan Excluded LPs are not meeting all of their obligations as they come due, as evidenced by the fact that substantial construction liens have been filed.

J. Extension of the Stay Period

58. Since the granting of the Initial Order, as further detailed in this Affidavit, First Leaside has acted and continues to act in good faith and with due diligence.

59. I believe that an extension of the Stay Period (as defined in the Initial Order) to December 11, 2012, is necessary in order to provide stability to First Leaside's business while the company, with the assistance of its advisors and the Monitor, continues to work diligently on preparing and executing a liquidation strategy that will maximize the recoveries for all stakeholders.

60. During the extension of the Stay Period, First Leaside intends to complete the transaction contemplated by the BayBridge Agreement, finalize a proposed plan for the allocation of administration costs as amongst the Applicants and the Included LPs, and determine whether the CCAA Stay should be further continued beyond December 11, 2012 for some or all of the Applicants and Included LPs.

61. These CCAA proceedings have now been ongoing for approximately 7½ months. During that time, First Leaside has made significant progress in winding down operations and realizing on its assets. In particular, including the transaction contemplated by the BayBridge Agreement, First Leaside has achieved gross proceeds from property sales totalling approximately $125 million. Where appropriate (based on

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a security review by the Monitor's counsel and court authorization), First Leaside has distributed proceeds to mortgagees of real property that has been sold.

62. Upon the closing of the transaction contemplated by the BayBridge Agreement (assuming that court approval is obtained), a significant proportion of First Leaside's assets will have been sold and there will be only a much smaller number of remaining realizations to be achieved. During the contemplated period of extension of the CCAA stay, First Leaside intends to pursue the sale of the remaining five properties it has listed for sale. During this period, First Leaside will also give serious consideration to the method and timing of completion of CCAA proceedings and the potential use of other insolvency regimes such as bankruptcy or receivership to complete the realization of assets and the acceptance and adjudication of creditors' claims. It is entirely possible that First Leaside will not seek any further stay extensions beyond December 11, 2012 for a majority of the Applicants and the Included LPs.

63. I do not believe that any creditor will face significant prejudice if the Stay Period is extended to December 11, 2012.

K. The Applicants' August Motions

64. On August 23, 2012, the Court issued an Order (the "**August 23 Order**"), a copy of which is attached hereto as **Exhibit "I"**, granting the relief requested by First Leaside with respect to, among other things, the approval of the sale of certain businesses carried on by First Leaside and the sale of First Leaside's interests in certain businesses, including the following:

(a) **Bramtree Property.** The Court approved the proposed sale of the property located at 36 Bramtree Court, Brampton, Ontario ("**Bramtree**"), a 70,000 square foot industrial building which is owned by First Leaside Growth LP ("**Growth LP**"), which is in turn owned by FLEX, to Outset Media Corporation ("**Outset**").

(b) **Harmony Townhomes.** The Court approved the proposed sale of the property located at 65 Fort Street, Tilbury, Ontario ("**Harmony Townhomes**"), a 50-unit townhome complex which is owned by Harmony Town Homes Limited Partnership ("**Harmony LP**"), which is in turn owned by Investors LP to Skyline Real Estate Acquisitions Inc. ("**Skyline**") for the purchase price of $2,600,000.

(c) **First Leaside Accounting and Tax Services Inc.** The Court approved the proposed settlement of the interest of First Leaside Account and Tax Services Inc. ("**FLAT**") in certain accounting practices in western Canada, pursuant to two term sheets.

(i) **Hampton Term Sheet.** The first sale of FLAT's interest is pursuant to a term sheet entered into between FLAT, Joanna Hampton, TD Canada Trust ("**TD**") and Jim Brander ("**Brander**"), by which Hampton Holdings Inc. ("**Hampton Inc.**") will acquire FLAT's interest in McMillan Thorn & Co. Ltd., a B.C. accounting firm; D. McCormack & Company Inc., a B.C. accounting firm; and Allan Welsh & Company, an Alberta accounting firm, for $734,000. This amount is composed of: (a) a cash payment to FLAT in the amount of $150,000, and (ii) an assumption of approximately $584,000 of the amount owing by FLAT to TD, in return for FLAT agreeing to the sale and surrendering its interest in the aforementioned firms, TD has agreed that FLAT is released from liability under a loan made by TD to FLAT in the amount of $1,173,500.

(ii) **Brander Term Sheet.** The second sale of FLAT's interest is pursuant to a term sheet entered into between FLAT, Brander, Jim

Brander Professional Corporation ("**JBPC**"), Brander Professional Corporation ("**BPC**"), TD Hampton Inc., Smart Books Accounting Services Inc. ("**SBAS**") and Matthew E. Bakker Professional Corporation ("**MEB**") by which FLAT will provide Brander, JPC, BPC and SBAS a release of its interests in the Rodney M. Coppcock Professional Corporation accounting practice. As consideration for the release of FLAT's interest, Brander, JBPC, and SBAS agree to compensate FLAT for $374,000. This amount is comprised of: (a) a cash payment of $150,000 by Brander to FLAT; and (b) an assumption of approximately $224,000 of the amount owing by FLAT to TD.

(d) **Sale of Ottawa Excluded LPs to Amica Acquisitions Inc.** The Court authorized and directed myself, as CRO, to execute on behalf of Realty II, as general partner of an Asset Purchase Agreement dated August 23, 2012 between the Ottawa Excluded LPs and Amica Acquisitions Inc., and authorizing and directing First Leaside Finance Inc. (**"FL Finance"**) to discharge a mortgage in respect of the 480 Metcalfe property.

(e) **Lifting of Stay to File Claim Against Davis and Phillips.** The Court permitted the lifting of the Stay Period provided for in paragraph 24 of the Initial Order to permit First Leaside to commence actions against David C. Phillips ("**Phillips**") and Margaret Davis ("**Davis**"), directors of certain of the Applicants.

(f) **No Further Action Regarding U.S. Entities.** As part of the August 23 motion, the Court heard, in part, the Applicants' request to be relieved from taking any steps with respect to the wind-down of the First Leaside entities located in the United States. This matter was subsequently adjourned and on August 31, 2012 (the "**August 31 Order**") the Court authorized and directed First Leaside not to take any steps to manage, administer or maintain any limited partnerships, corporations, trusts, or properties located or subsisting in the United States ("**U.S. Entities**") in which First Leaside has a direct or indirect equity or other interest (collectively, the "**U.S. Entities Wind-down**"). The Court also authorized First Leaside to take additional prescribed steps in furtherance of the U.S. Entities Wind-Down which are described in the August 31 Order attached hereto as **Exhibit "J."**

L. Update on Matters Arising From August Orders

Sale of Bramtree Property

65. In connection with the August 23 Order, the Court issued a sale approval and vesting order in respect of the sale of Bramtree (the "**Bramtree Vesting Order**"). A copy of the Bramtree Vesting Order is attached hereto as **Exhibit "K."**

66. At the time of the Bramtree Vesting Order, the Agreement and Purchase of Sale dated July 23, 2012 (the "**Outset APS**") between Outset and Growth LP by its general partner 2085306 Ontario Inc., remained conditional until August 23, 2012, giving Outset the right to terminate the offer up to that date. Subsequent to the Bramtree Vesting Order, Outset agreed to waive all remaining conditions under the Outset APS and informed the Applicants of its intention to complete the transactions.

67. On or about August 31, 2012, Outset executed an Assignment of the Outset APS in favour of a related company, 0947907 B.C. Ltd. ("**New Outset**") under which Outset assigned its right, title and interest in the Outset APS to New Outset (the "**Assignment**"). A copy of the Assignment is attached hereto as **Exhibit "L."** The Assignment was made in accordance with section 21 of the Outset APS, which gave Outset the right, at any time up to five (5) days before the date of closing, to assign the Outset APS to a corporation(s) and/or person(s).

68. On September 19, 2012, First Leaside brought a motion to amend the definition of "Purchaser" in the Bramtree Vesting Order to properly reflect the Assignment of the Outset APS to New Outset. Apart from this minor amendment the terms of the Outset APS remained the same. The Court granted First Leaside's motion to amend the Bramtree Vesting Order on September 19, 2012. A copy of the Amended Bramtree Vesting Order is attached hereto as **Exhibit "M."**

69. The Bramtree sale was completed on September 20, 2012. On closing, I delivered a CRO's Certificate (as defined in paragraph 3 of Amended Vesting Order) to the purchaser of the property, New Outset. A copy of the CRO's certificate is attached hereto as **Exhibit "N."**

70. The closing of the sale of Bramtree resulted in the receipt of net proceeds of approximately $5,322,914 (the "**Bramtree Sale Proceeds**"). This amount has been paid to the account of Growth LP, the owner of Bramtree, which account is managed by me, as CRO for the Applicants.

71. On January 24, 2011, Growth LP, as borrower and First Leaside Nominee Services Inc. ("**FLNS**"), as servicing agent on behalf of the mortgagee entered into a mortgage in the principal amount of $3,450,000 plus interest at a rate of 6.6% per annum. The mortgage was registered against the Bramtree property on or about February 7, 2011 (the "**Bramtree Mortgage**"). As servicing agent, FLNS is authorized under the Mortgage to act for and on behalf of the mortgagee. The Mortgage provides that all payments of principal and interest in connection with the Mortgage are to be made payable to Peoples Trust Company ("**Peoples**"), who has been retained as sub-

servicer for the purposes of overseeing the collection and remittance of payments made by the mortgagor.

72. The Bramtree Mortgage, which had a outstanding balance of $3,598,305 as of September 24, 2012, is a syndicated mortgage. In particular, numerous First Leaside investors advanced funds to fund such mortgage and (subject to confirmation of the validity of the mortgage and the set-off issues described below) they are entitled to receive payment of their investment.

73. First Leaside has asked the Monitor to review the security over the property, including the Bramtree Mortgage. I understand that the Monitor has satisfied itself concerning the enforceability of the Bramtree Mortgage.

Sale of Harmony Townhomes

74. Pursuant to a sale approval and vesting order issued by the Court on August 23, 2012 (the "**Harmony Vesting Order**"), First Leaside completed the sale of the Company's interest in Harmony Townhomes. The Harmony Vesting Order approved the sale transaction contemplated by the Agreement of Purchase and Sale dated July 23, 2012 (the "**Harmony APS**") between Harmony LP, by its general partner F.L. Securities Inc. ("**FL Securities**") and Skyline. A copy of the Harmony Vesting Order is attached as **Exhibit "O"**.

75. At the time the Harmony Vesting Order was granted, the Harmony APS remained conditional on due diligence. The conditional period expired on August 28, 2012 and Skyline subsequently waived all remaining conditions.

76. On August 29, 2012, General Counsel for Skyline advised counsel for the Applicants, Cassels Brock & Blackwell LLP, that it would be assigning the Harmony APS to a related company, Skyline Real Estate Holdings Inc. (the "**New Skyline**") in accordance with section 11.2 of the Harmony APS. Attached as **Exhibit "P"** is a copy of the letter from General Counsel for Skyline to Cassels Brock & Blackwell LLP dated August 29, 2012.

77. Since the Harmony Vesting Order defined the "Purchaser" as Skyline, on September 19, 2012, the Applicants brought a motion to amend the Harmony Vesting Order to reflect the assignment of the Harmony APS to New Skyline. Apart from the amendment to the definition of "Purchaser" in the Harmony Vesting Order, the terms of the Harmony APS remained the same. The Court granted the Applicants' motion and issued an Amended Vesting Order on September 19, 2012, a copy of which is attached hereto as **Exhibit "Q."**

78. The sale of Harmony Townhomes was completed on September 20, 2012. On closing, I delivered a CRO's Certificate (as defined in paragraph 3 of Amended Vesting Order) to the purchaser of the property, New Skyline. A copy of the CRO's certificate is attached hereto as **Exhibit "R."**

79. The closing of the sale of Harmony Townhomes resulted in net sale proceeds of $2,600,000, of which $1,378,615.01 has been paid to TD, the only secured creditor and first mortgagee of Harmony Townhomes. The Monitor's counsel has independently reviewed TD's security and has concluded, subject to the usual assumptions and qualifications, that the security is valid, enforceable and first registered.

Marketing and Sale of the Ottawa Excluded LPs to Amica Acquisitions Inc.

80. Since approximately March 2012, First Leaside has cooperated with KingSett and CIBC, who have overseen a sales process for the assets of the Ottawa Excluded LPs. With the consent of KingSett and CIBC, TD Securities Inc. ("**TDSI**") was retained as broker to conduct a sales process and solicit offers for the assets of the Ottawa Excluded LP's.

81. As a result of the sales process, an offer was received from Amica Acquisitions Inc. ("**Amica**") for the assets held by the Ottawa Excluded LPs. The offer was in an amount sufficient to pay CIBC in full, but was not sufficient to pay KingSett in full. However, KingSett advised that it was prepared to permit the sale notwithstanding that this deficiency.

82. Since the Ottawa Excluded LPs were not subject to the CCAA proceedings at the time of the August 23 Order, First Leaside sought and obtained court authorization on August 23, 2012 to execute the Amica APA on behalf of Realty II, the general partner of the Ottawa Excluded LPs.

83. As part of the August 23 Order, the Court also authorized and directed FL Finance to discharge a fourth mortgage in the amount of $7,500,000 (the "**FL Finance Mortgage**") which it holds over the property owned by 480 Metcalfe.

Assignment of Amica APA to KingSett

84. Shortly after the August 23 Order was granted to approve the discharge of the mortgage and authorize the CRO to execute the Amica APA, Amica advised KingSett

that it would not waive the inspection condition in section 7.02 of the Amica APA, but that it was prepared to assign the Amica APA to KingSett as permitted under the terms of the Amica APA.

85. On September 5, 2012, Amica executed an Assignment of Asset Purchase Agreement in favour of KingSett wherein it assigned absolutely all of its right, title and interest in the Amica APA (the "**Amica Assignment**"). KingSett subsequently executed a notice waiving the inspection conditions under the Amica APA (the "**Amica Waiver**"). Attached hereto as **Exhibits "S"** and **"T"**, is a copy of the Amica Assignment and Amica Waiver, respectively.

86. The transaction ultimately closed, with KingSett as purchaser, around October 5, 2012. KingSett has agreed to provide funding of up to $10,000 plus HST and disbursements on account of the legal fees that First Leaside incurred in reviewing closing documents and completing the transaction.

M. Meetings of Unitholders of First Leaside Funds

87. As noted above, on August 31, 2012, the Court authorized First Leaside not to take any steps to manage the U.S. Entities. A recital to the August 31 Order stated that the trustees for each of the First Leaside-affiliated investment funds, namely First Leaside Fund, Wimberly Fund, First Leaside Mortgage Fund and First Leaside Properties Fund (collectively, the "**Funds**") had agreed to call and hold a meeting of their respective trust unitholders within 60 days of August 31, 2012. The purpose of the meetings was, among other things, to provide a report to the trust unitholders and to elect trustees.

88. The trustees subsequently sought and were granted two court authorized extensions of the time to hold the unitholder meetings. The unitholder meetings are now required to take place by no later than January 4, 2013. A copy of the extension endorsement of Justice Morawetz dated September 26, 2012 is attached as **Exhibit "U"**. A copy of the extension endorsement of Justice Campbell dated October 5, 2012 is attached as **Exhibit "V"**.

N. Reserve of Proceeds Re: Investor Loans from First Leaside

89. As I described in my August 20, 2012 affidavit, several First Leaside entities (most notably FLWM) made loans to various investors to allow them to acquire equity and debt instruments issued by First Leaside ("**Investment Loans**"). At the time that the CCAA proceedings began, and to this date, the Investment Loans have not been repaid. In the course of reviewing the list of syndicated investors who advanced funds for the Bramtree Mortgage, First Leaside has determined that four of those investors have unpaid Investment Loans due to First Leaside entities in the total amount of $45,899.03. In respect of the Thornbury Mortgage, there are two investors with unpaid Investment Loans.

90. I am concerned that persons with outstanding Investment Loans may receive proceeds from realizations on certain First Leaside assets but then fail to repay the other First Leaside entity which granted the Investment Loans. Such failure to repay the Investment Loan would prejudice creditors of the entity which made the loan.

91. Accordingly, First Leaside seeks the court's authorization, on an interim basis, to withhold all First Leaside distributions of money or property to any investor which has an

outstanding Investment Loan (the "**Reserved Property**"). The maximum aggregate amount that would be withheld is the amount of the Investment Loan. At this point, First Leaside is not seeking court authorization to set-off distributions against Investment Loans but such authorization may be sought in the future, after due consideration by the Company and the Monitor as to First Leaside's set-off rights, if any, and further Order of the Court.

O. Request to Distribute Certain Proceeds of Thornbury Mortgage

92. At this motion, First Leaside is seeking authorization to distribute certain proceeds received from a syndicated mortgage held beneficially by First Leaside investors over a property located at 90 King St. East, Thornbury, Ontario (Parcel Identification Number 37140-0546 (LT)) (the "**Thornbury Property**").

93. The Thornbury Property is the operating premises for the Thornbury Cidery, a cider manufacturer which was, at relevant times, one of the businesses owned by First Leaside Beverages Limited Partnership ("**Beverages LP**"). First Leaside held a majority interest in Beverages LP, as follows:

(a) 10.9% was held by First Leaside Wealth Management Holdings Limited Partnership;

(b) 8.3% was held by First Leaside Progressive Limited Partnership; and

(c) 34.9% was held by FLWM.

94. The remaining 45.9% interest in Beverages LP was held by third party investors.

95. Pursuant to a court order dated May 3, 2012, First Leaside obtained approval to sell the above-noted 54.1% interest in Beverages LP to Provincial Beverages of Canada Inc. ("**Provincial Beverages**").

96. As part of the sale, Provincial Beverages agreed to assume the existing syndicated mortgage over the Thornbury Property and to continue to make monthly payments of principal and interest. Since this was a syndicated mortgage made by First Leaside investors and administered by First Leaside, FLNS has continued to collect monthly mortgage payments from Provincial Beverages since the time that the transaction closed. The total amount on hand is now $38,500. First Leaside seeks authorization to distribute the current money on hand as well as future receipts from the mortgage on the Thornbury Property (collectively, "**Thornbury Mortgage Proceeds**") to investors. The Monitor is in the process of reviewing the validity and enforceability of the mortgage over the Thornbury Property and the entitlement of individual investors to receive proceeds.

97. There will be no prejudice to First Leaside associated with the distribution of the Thornbury Mortgage Proceeds, since this represents proceeds of a portfolio investment where First Leaside no longer owns or operates the underlying property or business. Any distributions will be subject to the right of First Leaside (if the court grants such authority) to withhold the Reserved Property in respect of investors with Investment Loans. The Company and the Monitor continue to investigate ways on administering the Thornbury Mortgage on a going forward basis.

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P. First Leaside's Claim Against Phillips and Davis

98. As I deposed in my August 20, 2012 affidavit, I have concluded that Phillips and Davis received certain monetary and other benefits from First Leaside which were not properly approved and that Phillips and Davis also obtained a number of loans which have not been repaid. Pursuant to the August 23 Order, First Leaside was granted leave, despite the CCAA stay preventing claims against directors, to commence an action against Phillips and Davis to seek repayment of these benefits and Investor Loans. In that regard, First Leaside issued a Statement of Claim against Philips and Davis on August 28, 2012, a copy of which is attached hereto as **Exhibit "W."**

99. Among other things, the Statement of Claim alleges as a result of fraudulent misrepresentation, breach of contract, breach of fiduciary duty, oppression, conversion, conspiracy and unjust enrichment by Phillips and Davis the following sums (among others) are owed to First Leaside:

(a) $202,420 for loans made by FLWM to Phillips;

(b) $160,000 for loans made by FLWM to Davis;

(c) $3,843,549.92 for funds allegedly diverted from First Leaside by Phillips to himself and Davis; and

(d) $2,541,419.50 for funds allegedly diverted from FL Securities and FLSI by Phillips and Davis directly, or to benefit and improve the personal residence of Phillips and Davis located at 430 Regional Road #8 in Uxbridge, Ontario (the "**Uxbridge Property**").

100. The Statement of Claim also requests, among other things, the following relief from the Court:

(a) An interim, interlocutory and permanent injunction enjoining Davis and any corporations controlled or owned by her, or anyone acting on her behalf or at her direction from dissipating, depleting or otherwise interfering with any funds resulting from the sale of the Uxbridge Property or any of its related assets;

(b) An order permitting a Certificate of Pending Litigation to be issued and registered against the Uxbridge Property;

(c) A declaration that Davis holds the Uxbridge Property in trust and on behalf of First Leaside; and

(d) An order to preserve, trace, locate and account for all funds which Phillips and Davis have taken from First Leaside.

Q. First Leaside Obtains a Certificate of Pending Litigation

101. FLWM, FL Finance, FLSI and FL Securities (the "**FL Plaintiffs**") brought a motion against Phillips and Davis pursuant to section 103 of the *Courts of Justice Act* for leave to file a Certificate of Pending Litigation ("**CPL**") against the Uxbridge Property. Davis brought a cross-motion to strike out certain paragraphs of my affidavit sworn on September 14, 2012 in support of the FL Plaintiffs' motion. The matter was heard by Justice Cumming on September 27, 2012.

102. On June 20, 2102, Davis had listed the Uxbridge Property for sale and an Agreement of Purchase and Sale was entered into on August 7, 2012 with a closing date of October 1, 2012. The motion brought by the FL Plaintiffs sought to preserve their claimed rights in the Uxbridge Property as set out in the Statement of Claim and

claimed a tracing order and a constructive trust in respect of the alleged improper payments made in respect of the Uxbridge Property. On the motion, Davis and Phillips claimed that they were impecunious and required the sale of the Uxbridge Property for ongoing living expenses.

103. By endorsement dated October 1, 2012 Justice Cumming dismissed Davis's cross-motion as lacking in merit and granted the FL Plaintiffs' request for leave to file a CPL. Justice Cumming found that there was an interest in the Uxbridge Property on the part of the FL Plaintiffs such as to support their request for a CPL. Justice Cumming noted that the FL Plaintiffs had established that there were triable issues, as asserted in the Statement of Claim, including, among other things, that there has been a misappropriation of the FL Plaintiffs' monies through unauthorized payments in respect of rent, maintenance and improvements relating to the Uxbridge Property so as to constitute an unjust enrichment and subject to a constructive trust. Attached hereto as **Exhibit "X"** is a copy of the Endorsement of Justice Cumming's dated October 1, 2012.

R. Update on Other Activities and Proceedings

The Ontario Securities Commission Proceedings

104. On June 4, 2012 the Ontario Securities Commission ("**OSC**") commenced proceedings against Phillips and John Wilson ("**Wilson**"), a former officer of First Leaside. The OSC asserts in its Statement of Allegations that Phillips and Wilson engaged or participated in an act, practice or course of conduct relating to securities which they knew, or reasonably ought to have known, would perpetrate a fraud on investors, contrary to the *Securities Act*, R.S.O. 1990, c. S.5. The OSC also alleges that they made statements a reasonable investor would consider relevant in deciding

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whether to enter into or maintain a trading or advising relationship, which statements were untrue, false, or misleading contrary to the *Securities Act.*

105. The hearing in this matter was scheduled to be held on August 28, 2012 but has since been adjourned to February 11, 2013.

106. Phillips is also subject to a temporary order issued by the OSC on May 30, 2012, which prevents him from trading in securities (the "**Cease Trade Order**"). Attached hereto as **Exhibit "Y"** is a copy of the Cease Trade Order. The Cease Trade Order could effectively prevent Phillips from taking certain steps on behalf of the Funds, including the raising of additional capital.

107. On June 6, 2012, the OSC extended the Cease Trade Order until September 28, 2012, and on September 26, 2012 it was extended further until the conclusion of the OSC's hearing into the allegations against Phillips and Wilson (the "**Extended Cease Trade Order**"). A copy of the Extended Cease Trade Order is attached hereto as **Exhibit "Z."** During this time, Phillips is prohibited from trading in all securities.

108. First Leaside Properties Fund was also directed by the OSC and the Alberta Securities Commission to cease trading in all securities as of May 18, 2012 (collectively, the "**First Leaside Cease Trade Orders**"). Attached hereto as **Exhibit "AA"** is a copy of the First Leaside Cease Trade Orders.

The Investment Industry Regulatory Organization of Canada Proceedings

109. In November 2011, the Investment Industry Regulatory Organization of Canada ("**IIROC**") initiated a formal investigation into Phillips and Wilson's conduct in respect of

alleged violations that occurred when both Phillips and Wilson were Registered Representatives with FLSI, a regulated member of IIROC.

110. On October 2, 2012 IIROC issued a Notice of Hearing alleging that Phillips and Wilson

(a) misrepresented the risk level of certain securities;

(b) issued and distributed misleading marketing materials;

(c) failed to ensure that recommendations were made and orders accepted in accordance with their clients' risk tolerances; and

(d) preferred their own interests ahead of their clients' interests in soliciting sales of certain securities.

111. The Notice of Hearing also concerns allegations that Phillips failed to address a conflict of interest with his clients in a fair and equitable manner and in a manner in the best interest of his clients. The hearing is scheduled to be heard before IIROC's Hearing Panel on October 17, 2012. Attached hereto and marked as **Exhibit "BB"** is a copy of the Notice of Hearing.

Phillips' Claim for Legal Fees of Collection Action and the OSC Proceeding

112. On September 6, 2012, Phillips counsel advised the Company that he was seeking to be reimbursed for legal fees associated with: (a) the Collection Action; and (b) the regulatory proceedings brought by Staff of the OSC. In response, counsel for the Company advised Phillips that any claims against the Company for indemnification were unsecured pre-filing claims which are stayed by the Initial Order as both the OSC proceedings and the Collection Action relate to events which occurred prior to the

granting of the Initial Order. A copy of the correspondence between counsel for Phillips dated September 6, 2012 and counsel for the Company dated September 11, 2012 are attached hereto as **Exhibits "CC"** and **"DD"**, respectively.

113. The directors' and officers' indemnification provisions and the Directors' Charge which are provided for in the Initial Order only deal with liability arising out of the conduct occurring after the date of the Initial Order. As such, I believe that those provisions are not applicable to Phillips's request for indemnification.

SWORN before me at the City of Burlington, In the Province of Ontario, this 15th day of October, 2012	))))))	
A Commissioner, etc.		Gregory MacLeod

Patrick Joseph MacDonald, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires April 6, 2014.

This is Exhibit **"G"** referred to in the Affidavit of Gregory MacLeod, sworn November 13, 2012

Kelly Gema

Commissioner for Taking Affidavits (or as may be)

CONSTRUCTION AND BUILDING LIENS

B.C. Lien Claims	Registration No.	Construction Lien Claimant(s)
As to Orchard Valley Retirement Residences: Legal Description: PID: 015-305-775 Lot A, District Lot 72, Osoyoos Division Yale District, Plan 42205	Claim of Builders Lien CA2390138 Claim of Builders Lien CA2394578 Claim of Builders Lien CA2433061	Okanagan Sundeck Centre Ltd. Gienow Windoor Ltd. Scuka Enterprises Ltd.
As to Cherry Park Retirement Residence: Legal Description: PID: 016-044-355 Lot A, District Lot 4, Group 7, Similkameen Division Yale (Formerly Yale-Lytton) District, Plan 43044	Claim of Builders Lien CA2394579 Claim of Builders Lien CA2433060	Gienow Windoor Ltd. Scuka Enterprises Ltd.
As to the Shores Retirement Residence: Legal Description: PID: 017-700-892 Lot A, District Lot 256, Kamloops Division Yale District, Plan KAP46785	Claim of Builders Lien CA2433059	Scuka Enterprises Ltd.

This is Exhibit **"H"** referred to in the Affidavit of Gregory MacLeod, sworn November 13, 2012

Kelly Gerra

Commissioner for Taking Affidavits (or as may be)

Status: Registered   Doc #: CA2390138   RCVD: 12-02-13 RQST: 2012-10-18 12.34.00

FORM_CBL_V17

KAMLOOPS LAND TITLE OFFICE
Feb-13-2012 14:44:45.001

BUILDERS LIEN ACT
FORM 5 (Sections 15, 16, 18)

CA2390138

CLAIM OF LIEN Province of British Columbia

PAGE 1 OF 1 PAGES

Your electronic signature is a representation that you are a subscriber as defined by the Land Title Act, RSBC 1996 c.250, and that you have applied your electronic signature in accordance with Section 168.3, and a true copy, or a copy of that true copy, is in your possession.

Kent Greene Burnham 816B35   Digitally signed by Kent Greene Burnham 816B35 DN: c=CA, cn=Kent Greene Burnham 816B35, o=Lawyer, ou=Verify ID at www.juricert.com/LKUP.cfm?id=816B35 Date: 2012.02.13 11:54:45 -08'00'

APPLICATION: (Name, address, phone number of applicant, applicant's solicitor or agent)

NIXON WENGER LLP
Barristers & Solicitors
301, 2706 - 30th Avenue
Vernon   BC   V1T 2B6
Document Fees: $5.45

LTO No.: 10560
Phone: (250) 542-5353
File No.: 17978KGB/ck

I, KENT G. BURNHAM, Barrister and Solicitor of 301, 2706 - 30th Avenue Vernon, BC , agent of the lien claimant state that:

1. OKANAGAN SUNDECK CENTRE LTD.   Incorporation No. 0515578

of 9570 Bottom Wood Lake Road, Lake Country, BC V4V 1S7
claims a lien against the following land:

[PID]	[legal description]
015-305-775	**LOT A DISTRICT LOT 72 ODYD PLAN 42205**

STC? YES ☐

2. A general description of the work done or material supplied, or to be done or supplied, or both, is as follows:

labour and materials for installation of decking and railings

3. The person who engaged the lien claimant, or to whom the lien claimant supplied material, and who is or will become indebted to the lien claimant is:

SCUKA ENTERPRISES LTD.
881 highway 33 East
Kelowna, BC V1X 6V1

4. The sum of $ 16,278.64 is or will become due and owing to OKANAGAN SUNDECK CENTRE LTD. on February 13, 2012 .

5. The lien claimant's address for service is:

c/o Nixon Wenger LLP, Barristers and Solicitors
301, 2706 - 30th Avenue, Vernon, BC V1T 2C6

Signed: ____________________
Date: February 13, 2012

Note: Section 45 of the Builders Lien Act provides as follows:

45 (1) A person who knowingly files or causes an agent to file claim of lien containing a false statement commits an offence.

(2) A person who commits an offence under subsection (1) is liable to a fine not exceeding the greater of $2,000 and the amount by which the stated claim exceeds the actual claim.

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FORM_CBL_V17

KAMLOOPS LAND TITLE OFFICE
Feb-15-2012 16:20:28.001

BUILDERS LIEN ACT
FORM 5 (Sections 15, 16, 18)

CA2394578

CLAIM OF LIEN Province of British Columbia

Your electronic signature is a representation that you are a subscriber as defined by the Land Title Act, RSBC 1996 c.250, and that you have applied your electronic signature in accordance with Section 168.3, and a true copy, or a copy of that true copy, is in your possession.

Daniel Christian Richardson JU3TLD

Digitally signed by Daniel Christian Richardson JU3TLD
DN: cn=Daniel Christian Richardson JU3TLD, c=CA, o=Lawyer, ou=Verify ID at www.juricert.com/LKUP.cfm?id=JU3TLD
Date: 2012.02.15 16:14:57 -08'00'

APPLICATION: (Name, address, phone number of applicant, applicant's solicitor or agent)

BTM LAWYERS LLP, Attn: Daniel C. Richardson
#301 - 2502 St. Johns Street
Port Moody, BC V3H 2B4
File No. 1078-041 604-937-1166
Document Fees: $5.45

I, Barry Keating of c/o #301 - 2502 St. Johns Street, , agent of the lien claimant state that:

1. GIENOW WINDOOR LTD. Incorporation No. A0077078

of #178 - 21300 Gordon Way, Richmond, BC V6W 1M2
claims a lien against the following land:

[PID] [legal description]

015-305-775 **LOT A DISTRICT LOT 72 OSOYOOS DIVISION YALE DISTRICT PLAN 42205**

STC? YES ☐

2. A general description of the work done or material supplied, or to be done or supplied, or both, is as follows:

Supply of windows and doors.

3. The person who engaged the lien claimant, or to whom the lien claimant supplied material, and who is or will become indebted to the lien claimant is:

Scuka Enterprises Ltd. (BC Incorporation No. BC0290164)

4. The sum of $ 57,123.70 is or will become due and owing to GIENOW WINDOOR LTD. on December 21, 2011 .

5. The lien claimant's address for service is:

c/o BTM LAWYERS LLP, #301 - 2502 St. Johns Street, Port Moody, BC V3H 2B4
Attention: Daniel C. Richardson

Signed: ____________________

Date: Feb. 15, 2012

Note: Section 45 of the Builders Lien Act provides as follows:

45 (1) A person who knowingly files or causes an agent to file claim of lien containing a false statement commits an offence.

(2) A person who commits an offence under subsection (1) is liable to a fine not exceeding the greater of $2,000 and the amount by which the stated claim exceeds the actual claim.

136.

FORM_CBL_V17

BUILDERS LIEN ACT
FORM 5 (Sections 15, 16, 18)

CLAIM OF LIEN Province of British Columbia

APPLICATION: (Name, address, phone number of applicant, applicant's solicitor or agent)

BTM LAWYERS LLP, Attn: Daniel C. Richardson
#301 - 2502 St. Johns Street
Port Moody, BC V3H 2B4
File No. 1078-041 604-937-1166

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[PID]	[legal description]
015-305-775	**LOT A DISTRICT LOT 72 OSOYOOS DIVISION YALE DISTRICT PLAN 42205**

STC? YES ☐

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c/o BTM LAWYERS LLP, #301 - 2502 St. Johns Street, Port Moody, BC V3H 2B4
Attention: Daniel C. Richardson

Signed: B Keating

Date: Feb 15, 2012

Note: Section 45 of the Builders Lien Act provides as follows:

45 (1) A person who knowingly files or causes an agent to file claim of lien containing a false statement commits an offence.

(2) A person who commits an offence under subsection (1) is liable to a fine not exceeding the greater of $2,000 and the amount by which the stated claim exceeds the actual claim.

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FORM_CBL_V17

KAMLOOPS LAND TITLE OFFICE

BUILDERS LIEN ACT
FORM 5 (Sections 15, 16, 18)

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CA2433061

CLAIM OF LIEN Province of British Columbia

PAGE 1 OF 1 PAGES

Your electronic signature is a representation that you are a subscriber as defined by the Land Title Act, RSBC 1996 c.250, and that you have applied your electronic signature in accordance with Section 168.3, and a true copy, or a copy of that true copy, is in your possession.

Laura Jean Myles EK39CJ
Digitally signed by Laura Jean Myles EK39CJ
DN: c=CA, cn=Laura Jean Myles EK39CJ, o=Lawyer, ou=Verify ID at www.juricert.com/LKUP.cfm?id=EK39CJ
Date: 2012.03.13 08:41:19 -07'00'

APPLICATION: (Name, address, phone number of applicant, applicant's solicitor or agent)

Farris, Vaughan, Wills & Murphy LLP
800 - 1708 Dolphin Avenue
Kelowna BC V1Y 9S4

Telephone: (250) 861-5332
File No. 28166-0010-0000
LTO Client No. 10576

Document Fees: $5.45 STC Fees: $10.20

I, Dan Scuka of 881 Highway 33 East Kelowna, BC V1X 6V1, agent of the lien claimant state that:

1. Scuka Enterprises Ltd. Incorporation No. BC0290164

of 881 Highway 33 East, Kelowna, BC V1X 6V1
claims a lien against the following land:

[PID]	[legal description]
015-305-775	**LOT A DISTRICT LOT 72 OSOYOOS DIVISION YALE DISTRICT PLAN 42205**

STC? YES ☑

2. A general description of the work done or material supplied, or to be done or supplied, or both, is as follows:

Provide construction manager services for renovation project which includes, but is not limited to, supply and installation of windows, doors, countertops, flooring and electrical.

3. The person who engaged the lien claimant, or to whom the lien claimant supplied material, and who is or will become indebted to the lien claimant is:

Primetime Living Limited Partnership

4. The sum of $ 327,407.15 is or will become due and owing to Scuka Enterprises Ltd. on February 29, 2012.

5. The lien claimant's address for service is:

c/o 800-1708 Dolphin Avenue
Kelowna, BC V1Y 9S4

Signed: ______________________

Date: March 12, 2012

Note: Section 45 of the Builders Lien Act provides as follows:

45 (1) A person who knowingly files or causes an agent to file claim of lien containing a false statement commits an offence.

(2) A person who commits an offence under subsection (1) is liable to a fine not exceeding the greater of $2,000 and the amount by which the stated claim exceeds the actual claim.

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FORM_CBL_V17

KAMLOOPS LAND TITLE OFFICE

BUILDERS LIEN ACT
FORM 5 (Sections 15, 16, 18)

Feb-15-2012 16:20:28.002

CA2394579

CLAIM OF LIEN Province of British Columbia

Your electronic signature is a representation that you are a subscriber as defined by the Land Title Act, RSBC 1996 c.250, and that you have applied your electronic signature in accordance with Section 168.3, and a true copy, or a copy of that true copy, is in your possession.

Daniel Christian Richardson JU3TLD

Digitally signed by Daniel Christian Richardson JU3TLD
DN: cn=Daniel Christian Richardson JU3TLD, c=CA, o=Lawyer, ou=Verify ID at www.juricert.com/LKUP.cfm?id=JU3TLD
Date: 2012.02.15 16:13:27 -08'00'

APPLICATION: (Name, address, phone number of applicant, applicant's solicitor or agent)

BTM LAWYERS LLP, Attn: Daniel C. Richardson
#301 - 2502 St. Johns Street
Port Moody, BC V3H 2B4
File No. 1078-041 604-937-1166
Document Fees: $5.45

I, Barry Keating of c/o #301 - 2502 St. Johns Street, , agent of the lien claimant state that:

1. GIENOW WINDOOR LTD. Incorporation No. A0077078

of #178 - 21300 Gordon Way, Richmond, BC V6W 1M2
claims a lien against the following land:

[PID]	[legal description]
016-044-355	LOT A DISTRICT LOT 4 GROUP 7 SIMILKAMEEN DIVISION YALE (FORMERLY YALE-LYTTON) DISTRICT PLAN 43044

STC? YES ☐

2. A general description of the work done or material supplied, or to be done or supplied, or both, is as follows:

Supply of windows and doors.

3. The person who engaged the lien claimant, or to whom the lien claimant supplied material, and who is or will become indebted to the lien claimant is:

Scuka Enterprises Ltd. (BC Incorporation No. BC0290164)

4. The sum of $ 51,700.23 is or will become due and owing to GIENOW WINDOOR LTD. on December 21, 2011 .

5. The lien claimant's address for service is:

c/o BTM LAWYERS LLP, #301 - 2502 St. Johns Street, Port Moody, BC V3H 2B4
Attention: Daniel C. Richardson

Signed: ____________________

Date: Feb. 15, 2012

Note: Section 45 of the Builders Lien Act provides as follows:

45 (1) A person who knowingly files or causes an agent to file claim of lien containing a false statement commits an offence.

(2) A person who commits an offence under subsection (1) is liable to a fine not exceeding the greater of $2,000 and the amount by which the stated claim exceeds the actual claim.

BUILDERS LIEN ACT
FORM 5 (Sections 15, 16, 18)

CLAIM OF LIEN Province of British Columbia

Your electronic signature is a representation that you are a subscriber as defined by the Land Title Act, RSBC 1996 c.250, and that you have applied your electronic signature in accordance with Section 168.3, and a true copy, or a copy of that true copy, is in your possession.

APPLICATION: (Name, address, phone number of applicant, applicant's solicitor or agent)

BTM LAWYERS LLP, Attn: Daniel C. Richardson
#301 - 2502 St. Johns Street
Port Moody, BC V3H 2B4
File No. 1078-041 604-937-1166

I, Barry Keating of c/o #301 - 2502 St. Johns Street, agent of the lien claimant state that:

1. GIENOW WINDOOR LTD. Incorporation No. A0077078

of #178 - 21300 Gordon Way, Richmond, BC V6W 1M2
claims a lien against the following land:

[PID]	[legal description]
016-044-355	LOT A DISTRICT LOT 4 GROUP 7 SIMILKAMEEN DIVISION YALE (FORMERLY YALE-LYTTON) DISTRICT PLAN 43044

STC? YES ☐

2. A general description of the work done or material supplied, or to be done or supplied, or both, is as follows:

Supply of windows and doors.

3. The person who engaged the lien claimant, or to whom the lien claimant supplied material, and who is or will become indebted to the lien claimant is:

Scuka Enterprises Ltd. (BC Incorporation No. BC0290164)

4. The sum of $ 51,700.23 is or will become due and owing to GIENOW WINDOOR LTD. on December 21, 2011.

5. The lien claimant's address for service is:

c/o BTM LAWYERS LLP, #301 - 2502 St. Johns Street, Port Moody, BC V3H 2B4
Attention: Daniel C. Richardson

Signed: B Keating

Date: Feb 15, 2012

Note: Section 45 of the Builders Lien Act provides as follows:

45 (1) A person who knowingly files or causes an agent to file claim of lien containing a false statement commits an offence.

(2) A person who commits an offence under subsection (1) is liable to a fine not exceeding the greater of $2,000 and the amount by which the stated claim exceeds the actual claim.

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FORM_CBL_V17

BUILDERS LIEN ACT
FORM 5 (Sections 15, 16, 18)

KAMLOOPS LAND TITLE OFFICE
Mar-13-2012 09:56:41.002

CA2433060

CLAIM OF LIEN Province of British Columbia

Your electronic signature is a representation that you are a subscriber as defined by the Land Title Act, RSBC 1996 c.250, and that you have applied your electronic signature in accordance with Section 168.3, and a true copy, or a copy of that true copy, is in your possession.

Laura Jean Myles EK39CJ
Digitally signed by Laura Jean Myles EK39CJ
DN: c=CA, cn=Laura Jean Myles EK39CJ, o=Lawyer, ou=Verify ID at www.juricert.com/LKUP.cfm?id=EK39CJ
Date: 2012.03.13 08:43:29 -07'00'

APPLICATION: (Name, address, phone number of applicant, applicant's solicitor or agent)

Farris, Vaughan, Wills & Murphy LLP
800 - 1708 Dolphin Avenue
Kelowna BC V1Y 9S4

Telephone: (250) 861-5332
File No. 28166-0010-0000
LTO Client No. 10576

Document Fees: $5.45 STC Fees: $10.20

I, Dan Scuka of 881 Highway 33 East Kelowna, BC V1X 6V1, agent of the lien claimant state that:

1. Scuka Enterprises Ltd. — Incorporation No. BC0290164

of 881 Highway 33 East, Kelowna, BC V1X 6V1
claims a lien against the following land:

[PID]	[legal description]
016-044-355	**LOT A DISTRICT LOT 4 GROUP 7 SIMILKAMEEN DIVISION YALE (FORMERLY YALE-LYTTON) DISTRICT PLAN 43044**

STC? YES ☑

2. A general description of the work done or material supplied, or to be done or supplied, or both, is as follows:

Provide construction manager services for renovation project which includes, but is not limited to, supply and installation of windows, doors, countertops, flooring and electrical.

3. The person who engaged the lien claimant, or to whom the lien claimant supplied material, and who is or will become indebted to the lien claimant is:

Primetime Living Limited Partnership

4. The sum of $ 311,321.85 is or will become due and owing to Scuka Enterprises Ltd. on February 29, 2012 .

5. The lien claimant's address for service is:

c/o 800-1708 Dolphin Avenue
Kelowna, BC V1Y 9S4

Signed: ____________________

Date: March 12, 2012

Note: Section 45 of the Builders Lien Act provides as follows:

45 (1) A person who knowingly files or causes an agent to file claim of lien containing a false statement commits an offence.

(2) A person who commits an offence under subsection (1) is liable to a fine not exceeding the greater of $2,000 and the amount by which the stated claim exceeds the actual claim.

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FORM_CBL_V17

KAMLOOPS LAND TITLE OFFICE

BUILDERS LIEN ACT
FORM 5 (Sections 15, 16, 18)

Mar-13-2012 09:56:41.001

CA2433059

CLAIM OF LIEN Province of British Columbia

Your electronic signature is a representation that you are a subscriber as defined by the Land Title Act, RSBC 1996 c.250, and that you have applied your electronic signature in accordance with Section 168.3, and a true copy, or a copy of that true copy, is in your possession.

Laura Jean Myles EK39CJ

Digitally signed by Laura Jean Myles EK39CJ
DN: c=CA, cn=Laura Jean Myles EK39CJ, o=Lawyer, ou=Verify ID at www.juricert.com/LKUP.cfm?id=EK39CJ
Date: 2012.03.13 08:42:27 -07'00'

APPLICATION: (Name, address, phone number of applicant, applicant's solicitor or agent)

Farris, Vaughan, Wills & Murphy LLP
800 - 1708 Dolphin Avenue
Kelowna BC V1Y 9S4

Telephone: (250) 861-5332
Client No. 28166-0010-0000
LTO Client No. 10576

Document Fees: $5.45 STC Fees: $10.20

I, Dan Scuka of 881 Highway 33 East Kelowna, BC V1X 6V1, agent of the lien claimant state that:

1. Scuka Enterprises Ltd. Incorporation No. BC0290164

of 881 Highway 33 East, Kelowna, BC V1X 6V1
claims a lien against the following land:

[PID]	[legal description]
017-700-892	**LOT A DISTRICT LOT 256 KAMLOOPS DIVISION YALE DISTRICT PLAN KAP46785**

STC? YES ☑

2. A general description of the work done or material supplied, or to be done or supplied, or both, is as follows:

Provide construction manager services for renovation project which includes, but is not limited to, supply and installation of windows, doors, countertops, flooring and electrical.

3. The person who engaged the lien claimant, or to whom the lien claimant supplied material, and who is or will become indebted to the lien claimant is:

Primetime Living Limited Partnership

4. The sum of $ 255,206.72 is or will become due and owing to Scuka Enterprises Ltd. on February 29, 2012.

5. The lien claimant's address for service is:

c/o 800-1708 Dolphin Avenue
Kelowna, BC V1Y 9S4

Signed: ____________________

Date: March 12, 2012

Note: Section 45 of the Builders Lien Act provides as follows:

45 (1) A person who knowingly files or causes an agent to file claim of lien containing a false statement commits an offence.

(2) A person who commits an offence under subsection (1) is liable to a fine not exceeding the greater of $2,000 and the amount by which the stated claim exceeds the actual claim.

This is Exhibit **"I"** referred to in the Affidavit of Gregory MacLeod, sworn November 13, 2012

Kelly Gerra

Commissioner for Taking Affidavits (or as may be)

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

THE HONOURABLE MR.	)	MONDAY, THE 22nd
	)	
JUSTICE PATTILLO	)	DAY OF OCTOBER, 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., 1031628 Ontario Inc., 1045516 Ontario Inc., 2004516 Ontario Inc., 2192341 Ontario Inc., and First Leaside Fund Management Inc.

AMENDED SALE APPROVAL AND VESTING ORDER
(Re First Leaside Purchased Assets and Purchased Securities)

This motion (the "**Motion**") made by the Applicants and Included LPs (as defined in the Initial Order (defined below)) (collectively, "**First Leaside**") for an order approving the sale transaction (the "**Transaction**") contemplated by the Purchase Agreement dated September 27, 2012, as amended by an Amending Agreement dated October 4, 2012, and further amended by an Amending Agreement dated October 5, 2012 (as amended, and as may be further amended in accordance with such agreement, the

 143.

"**Sale Agreement**") between BayBridge Seniors Housing Trust (the "**Purchaser**") and the following limited partnerships by their general partner First Leaside Realty II Inc. (collectively, the "**Vendors**"):

(a) First Leaside Ventures Limited Partnership;

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

(c) Cherry Park Retirement Residence Limited Partnership;

(d) Orchard Valley Retirement Residence Limited Partnership;

(e) The Shores Retirement Residence Limited Partnership; and

(f) First Leaside Retirement Residences Limited Partnership

and attached as a confidential Exhibit to the Affidavit of Gregory MacLeod, sworn October 15, 2012 (the "**MacLeod Affidavit**") and filed under seal, and vesting in the Purchaser (or its permitted assigns or as it may otherwise direct) all of the Vendors' right, title and interest in and to the First Leaside Purchased Assets and the Purchased Securities (each as defined and set forth in the Sale Agreement, and together, the "**Purchased Assets**"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the MacLeod Affidavit, the Fifth Report of Grant Thornton Limited, in its capacity as court appointed monitor (the "**Monitor**") dated October 17, 2012, and on hearing the submissions of counsel for the Applicants, the Monitor, Toronto-Dominion Bank, IIROC, the Ontario Securities Commission, and Fraser Milner Casgrain LLP in its capacity as Court appointed Representative Counsel, no one appearing for any other person on the service list, although properly served as appears from the affidavits of service of Kelly Gerra sworn October 16, 2012 and Patricia Hoogenband sworn October 19, 2012, filed;

AND UPON the Applicants and Included LPs reappearing before the Court on November 20, 2012 to seek an amendment to the form of this Order as set forth in paragraphs 4 and 5 below:

1. **THIS COURT ORDERS** that the time for service and filing of the Applicants' notice of the Motion and the Motion record is hereby abridged and validated so that the

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Motion is properly returnable today and hereby dispenses with any further or other service thereof.

2. **THIS COURT ORDERS AND DECLARES** that the Sale Agreement, the Vendors' entry into the Sale Agreement, and the Transaction contemplated thereunder are each hereby approved, and further that the execution of the Sale Agreement by G.S. MacLeod & Associates Inc. in its capacity as court-appointed chief restructuring officer of First Leaside (the "**CRO**") on behalf of the Vendors is hereby authorized and approved *nunc pro tunc* to September 27, 2012, with such minor amendments thereto as the CRO may deem appropriate. The CRO is hereby authorized and directed to take such additional steps and execute such additional documents on behalf of the Vendors as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser.

3. **THIS COURT ORDERS AND DECLARES** that the Sale Agreement is hereby sealed, kept confidential and shall not form part of the public record until such time as the CRO's Certificate (as defined below) is delivered to the Purchaser in accordance with paragraph 4 hereof.

4. **THIS COURT ORDERS AND DECLARES** that upon the delivery of a CRO's certificate to the Purchaser substantially in the form attached as **Schedule "A"** hereto (the "**CRO'S Certificate**"): (i) all of the Vendors' right, title and interest in and to the Purchased Assets, including, without limitation, their beneficial interest in and to the lands and premises (collectively, the "**Lands**") described on **Schedule "B"** hereto, shall vest absolutely in the Purchaser or any assignee or designee thereof as permitted by the Sale Agreement; and (ii) all of First Leaside Realty II Inc.'s right, title and interest in and to the Lands, shall vest absolutely as follows:

(a) in Prime Time (Cherry Park) Inc. as to PID: 016-044-355 Lot A, District Lot 4, Group 7, Similkameen Division Yale (Formerly Yale-Lytton) District, Plan 43044;

(b) in Prime Time (Orchard Valley) Inc. as to PID: 015-305-775 Lot A, District Lot 72, Osoyoos Division Yale District, Plan 42205; and

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(c) in Prime Time (Shores) Inc. as to PID: 017-700-892
Lot A, District Lot 256, Kamloops Division Yale District, Plan KAP46785

(the Purchaser and any permitted assignee or designee thereof, Prime Time (Cherry Park) Inc., Prime Time (Orchard Valley) Inc., and Prime Time (Shores) Inc., hereinafter referred to for the purposes of this Order as the "**Purchaser**"), free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens (including construction liens), executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of Mr. Justice Brown dated February 23, 2012 (the "**Initial Order**"); (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario), *Personal Property Security Act* (British Columbia) or any other personal property registry system (all of which are collectively referred to as the "**Encumbrances**" and which term shall include the Encumbrances (as defined in the Sale Agreement)), but shall not include the Permitted Encumbrances on First Leaside Purchased Assets (as defined in the Sale Agreement and set forth on **Schedules "C" and "D"** hereto), and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

5. **THIS COURT ORDERS** that upon filing of a certified copy of this Order, together with a letter from the Vendors' solicitor, Cassels Brock & Blackwell LLP, authorizing its registration with the Registrar of Titles in the New Westminster Land Title Office and Kamloops Land Title Office, all right, title, interest, estate and equity of redemption of the Vendors and First Leaside Realty II Inc. in and to the Lands be conveyed to and do vest in the Purchaser in accordance with paragraph 4 above free and clear of all right, title, interest, estate and equity of redemption or land claim of all parties to this proceeding, and in particular of the Applicants and Vendors, their successors and assigns, and all persons claiming by, through or under them, subject only to the reservations and exceptions set out in the original Crown Grant or Grants thereof. For

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the purposes of issuing title to the Purchaser the following charges, liens and interests (collectively, the "**Lien Claims**") shall be released from the titles to the Lands:

Lien Claims	*Registration No.*
As to Orchard Valley Retirement Residences: Legal Description: PID: 015-305-775 Lot A, District Lot 72, Osoyoos Division Yale District, Plan 42205 which property shall vest absolutely in Prime Time (Cherry Park) Inc., in accordance with paragraph 4 above	Claim of Builders Lien CA2390138 Claim of Builders Lien CA2394578 Claim of Builders Lien CA2433061
As to Cherry Park Retirement Residence: Legal Description: PID: 016-044-355 Lot A, District Lot 4, Group 7, Similkameen Division Yale (Formerly Yale-Lytton) District, Plan 43044 which property shall vest absolutely in Prime Time (Orchard Valley) Inc., in accordance with paragraph 4 above	Claim of Builders Lien CA2394579 Claim of Builders Lien CA2433060
As to the Shores Retirement Residence: Legal Description: PID: 017-700-892 Lot A, District Lot 256, Kamloops Division Yale District, Plan KAP46785 which property shall vest absolutely in Prime Time (Shores) Inc., in accordance with paragraph 4 above	Claim of Builders Lien CA2433059

6. **THIS COURT ORDERS** that for the purposes of determining the nature and priority of Claims, the net cash proceeds from the sale of the Purchased Assets including after effecting payment of the PTL Debt and Related Party Debt (as defined in the MacLeod Affidavit) (collectively, the "**Proceeds**") shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the CRO's Certificate in accordance with paragraph 4 hereof, all Claims and Encumbrances shall attach to the Proceeds with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale, provided, however, that to the extent that the Purchaser assumes liability for the accounts payable and accrued liabilities forming part of the First Leaside Current Liabilities (as defined in the Purchase Agreement) in accordance with the Purchase Agreement, no claim of such creditor for such accounts payable and accrued liabilities may be asserted against the Proceeds.

7. **THIS COURT ORDERS** that if the Purchaser does not reach agreement in writing with the Toronto-Dominion Bank ("**TD**") prior to the closing of the Transaction ("**Closing**") to assume the obligations of the Vendors to TD (the "**TD Debt**") which are secured by a security interest or charge on the First Leaside Purchased Assets including, without limitation, the security listed in Schedule "C" hereto (collectively, the "**TD Mortgages**"),

(a) the cash portion of the Purchase Price (as defined in the Sale Agreement) for the First Leaside Purchased Assets (as defined in the Sale Agreement) shall not be reduced by the amount of the TD Debt;

(b) upon the Closing, the Purchaser shall pay the Purchase Price for the First Leaside Purchased Assets as follows:

(i) the Purchaser shall, and is hereby directed to, pay directly to TD, for and on behalf of the Vendors, an amount equal to the TD Debt, in repayment and full satisfaction of the TD Debt (the "**TD Loan Repayment**"); and

(ii) the Purchaser shall pay the balance of the Purchase Price, after subtracting the amount of the TD Loan Repayment, for the First Leaside Purchased Assets to the Vendors as provided for in the Sale Agreement; and

(c) upon receipt of the TD Loan Repayment, TD shall as soon as reasonably possible discharge all of its security over the Vendors and the First Leaside Purchased Assets including, without limitation, the encumbrances set forth on Schedule "C" hereto.

8. **THIS COURT ORDERS** that debts of the Vendors may be paid by the Vendors at Closing from the net proceeds after payment of the TD Loan Repayment, if applicable pursuant to paragraph 7 hereof, if one of the following two conditions is met:

(a) the Applicants, the Monitor, or the Purchaser, upon further motion, obtain authorization of the court to have the Vendors pay all or part of any unsecured liability of the Vendors or any liability evidenced by a Lien Claim (in either case, a "**Court Approved Debt**"), to the extent that such liabilities are not assumed or paid by the Purchaser in accordance with the working capital adjustment provided for in the Sale Agreement; or

(b) the Monitor determines that a Lien Claim is validly registered and perfected and the Vendors acknowledge that a corresponding specified amount (which may be all or part of the sum claimed by the party asserting the Lien Claim) is owing (a "**Quantified Lien Debt**").

9. **THIS COURT ORDERS** that if the Vendors pay a Court Approved Debt or Quantified Lien Debt at Closing from the Proceeds (in either case, a "**Paid Debt**") and if the Paid Debt was included as a current liability in the Estimated Closing Working Capital Statement (as defined in the Purchase Agreement), such Estimated Closing Working Capital Statement shall be deemed amended so as to remove as a current liability such Paid Debt.

10. **THIS COURT ORDERS AND DIRECTS** the Applicants to file with the Court a copy of the CRO's Certificate, forthwith after delivery thereof.

11. **THIS COURT ORDERS** that, notwithstanding:

(a) the pendency of these proceedings;

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

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

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

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

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

____

Schedule "A"
Form of CRO's Certificate

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

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

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

CRO's CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable Justice Brown of the Ontario Superior Court of Justice (the "Court") dated February 23, 2012, G.S. MacLeod & Associates Inc. was appointed as the chief restructuring officer (the "CRO") of the undertaking, property and assets of the Applicants.

B. Pursuant to an Order of the Court dated October 22, 2012 as amended (the "**Approval Order**"), the Court approved the purchase agreement dated September 27, 2012 (the "**Sale Agreement**") between the Vendors and Purchaser (as defined in the Approval Order) and provided for the vesting in the Purchaser of the Vendors' right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the CRO to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the Purchased Assets; (ii) that the conditions to Closing as set out in the Sale Agreement have been satisfied or waived by the CRO and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the CRO.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Sale Agreement.

THE CRO CERTIFIES the following:

1. The Purchaser has paid and the Vendors have received the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the Sale Agreement;
2. All of the conditions to Closing as set out in the Sale Agreement have been satisfied or waived by the CRO and the Purchaser; and
3. The Transaction has been completed to the satisfaction of the CRO.
4. This Certificate was delivered by the CRO at ___________ on November ___, 2012.

G.S. MacLeod & Associates Inc., in its capacity as court appointed chief restricting officer of the Applicants, and not in its personal capacity

Per: ________________________________

Name: Greg MacLeod
Title: President

Schedule "B"
Lands

Cherry Park Retirement Residence

Land Title Office

Kamloops

Municipal Description:

317 Winnipeg Street, Penticton, BC V2A 8J9

Legal Description:

PID: 016-044-355
Lot A, District Lot 4, Group 7, Similkameen Division Yale (Formerly Yale-Lytton) District, Plan 43044

Orchard Valley Retirement Residences

Land Title Office

Kamloops

Municipal Description:

2829 34th Street, Vernon, BC V1T 9G4

Legal Description:

PID: 015-305-775
Lot A, District Lot 72, Osoyoos Division Yale District, Plan 42205

The Shores Retirement Residences (and the undeveloped portion of The Shores Land)

Land Title Office

Kamloops

Municipal Description:

870 Westminster Avenue, Kamloops, BC V2B 1N9

Legal Description:

PID: 017-700-892
Lot A, District Lot 256, Kamloops Division Yale District, Plan KAP46785

Schedule "C"

Permitted Encumbrances on Purchased Assets

I. Permitted Encumbrances on First Leaside Purchased Assets

(a) Permitted Encumbrances on Lands

1. Instrument CA2181507, registered September 8, 2011, is a mortgage with respect to Parcel Identifier 016-044-355, granted by First Leaside Realty II Inc. ("**FL Realty**") in favour of The Toronto-Dominion Bank ("**TD**") securing the original principal sum of $19,440,000.

2. Instrument CA2181508, registered September 8, 2011, is an assignment of rents with respect to Parcel Identifier 016-044-355, granted by FL Realty to TD as additional security for its mortgage registered as CA2181507

3. Instrument CA2181509, registered September 8, 2011, is a mortgage with respect to Parcel Identifier 015-305-775, granted by FL Realty in favour of TD securing the original principal sum of $19,440,000.

4. Instrument CA2181510, registered September 8, 2011, is an assignment of rents with respect to Parcel Identifier 015-305-775, granted by FL Realty to TD as additional security for its mortgage registered as CA2181509.

5. Instrument CA2181511, registered September 8, 2011, is a mortgage with respect to Parcel Identifier 017-700-892, granted by FL Realty in favour of TD securing the original principal sum of $19,440,000.

6. Instrument CA2181512, registered September 8, 2011, is an assignment of rents with respect to Parcel Identifier 017-700-892, granted by FL Realty to TD as additional security for its mortgage registered as CA2181511.

(b) Permitted Encumbrances on Personal Property

Ontario

1. File no. 672443073; PPSA Registration No. 20110825 1031 1862 6989, in favour of TD (First Leaside Retirement Residences (Okanagan) Limited Partnership)

2. File no. 672443127; PPSA Registration No. 20110825 1033 1862 6991, in favour of TD (First Leaside Venture Limited Partnership)

3. File No. 672443226; PPSA Registration No. 20110825 1037 1862 6994, in favour of TD (Cherry Park)

4. File no. 672443262; PPSA Registration No. 20110825 1038 1862 6996, in favour of TD (Orchard Valley)

5. File No. 672443235; PPSA Registration No. 20110825 1037 1862 6995, in favour of TD (the Shores)

6. File no. 672443217; PPSA Registration No. 20110825 1036 1862 6993 (First Leaside Realty II Inc.)

British Columbia

1. PPSA Base Registration No. 318113G, in favour of TD (Orchard Valley)

2. PPSA Base Registration No. 318115G, in favour of TD (the Shores)

3. PPSA Base Registration No. 318111G, in favour of TD (Cherry Park)

4. PPSA Base Registration No. 318116G, in favour of TD (First Leaside Realty II Inc.)

Schedule D

II. Other Permitted Encumbrances on First Leaside Purchased Assets

(ii) B.C. PPSA Registration No. 994133D, in favour of MCAP Leasing Inc.

(iii) B.C. PPSA Registration No. 655127F, in favour of National Leasing Group Inc.

III. Permitted Encumbrances on Purchased Securities

Nil.

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

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF FIRST LEASIDE WEALTH MANAGEMENT INC. ET AL

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceeding commenced at Toronto

AMENDED SALE APPROVAL AND VESTING ORDER (RE FIRST LEASIDE PURCHASED ASSETS AND PURCHASED SECURITIES)

CASSELS BROCK & BLACKWELL LLP
2100 Scotia Plaza
40 King Street West
Toronto, Ontario M5H 3C2

John N. Birch LSUC #: 38968U
Tel: 416.860.5225
Fax: 416.640.3057
jbirch@casselsbrock.com
David S. Ward LSUC#: 33541W
Tel: 416.869.5960
Fax: 416.360.3154
dward@casselsbrock.com

Lawyers for the Applicants

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This is Exhibit **"J"** referred to in the Affidavit of Gregory MacLeod, sworn November 13, 2012

Kelly Gena

Commissioner for Taking Affidavits (or as may be)

Liens Claimed against 4 Victoria Street, 144 Brock St., and 168 Brock St.

First Leaside Entities Lien Claim Asserts as Owner of Property	Amount of Lien	Claimant	Work Alleged to Have Been Performed
FLEX 2067171 Ontario Inc. 1132413 Ontario Inc. First Leaside Realty II Inc.	$92,695.03	Janick Electric Limited	Installation and supply of electrical services and materials.
1132413 Ontario Inc. First Leaside Realty II Inc. 2067171 Ontario Inc.	$281,795.50	LaFarge Canada Inc.	Supply of ready-mix concrete.
FLEX 1132413 Ontario Inc. First Leaside Realty II Inc. 2067171 Ontario Inc.	$99,440.01	Aquanorth Contracting Ltd.	Provision of waterproofing, drainage, and insulation.
First Leaside Realty II Inc. FLEX 2067171 Ontario Inc. 1132413 Ontario Inc.	$364,028.23	792873 Ontario Ltd. (carrying on business as H&S Equipment)	Provision of erosion and sedimentation control, soil remediation, site services, and excavation work.
FLEX 1132413 Ontario Inc. First Leaside Realty II Inc. 2067171 Ontario Inc.	$94,827.36	Municipal Mechanical Contractors Limited	Provision of HVAC services.

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2067171 Ontario Inc. First Leaside Realty II Inc. FLEX 1132413 Ontario Inc.	$205,538.91	Gilbert Steel Limited	Supply and installation of reinforcing steel.
1132413 Ontario Inc. First Leaside Realty II Inc. 2067171 Ontario Inc.	$418,752.12	Kenaidan Contracting Ltd.	Construction management services.
First Leaside Realty II Inc.	$13,034.00	Peto Mac Callum Ltd.	Site inspection services.
2067171 Ontario Inc. FLEX First Leaside Realty II Inc. 1132413 Ontario Inc.	$1,723,754.66	Structform International Limited	Form, place, and finish concrete.
First Leaside Realty II Inc. 2067171 Ontario Inc. 1132413 Ontario Inc.	$139,376.47	Rounthwaite Dick & Hadley Architects Inc.	Architectural and engineering consulting services.
First Leaside Realty II Inc.	$13,034*	Peto Mac Callum Ltd.	Site inspection services for 4 Victoria Drive, 144 Brock Street, and 168 Brock Street West.
Total:	**$3,4463,276.29**		

* Lien is registered against 144 Brock St. property only.

This is Exhibit **"K"** referred to in the Affidavit of Gregory MacLeod, sworn November 13, 2012

Kelly Gima

Commissioner for Taking Affidavits (or as may be)

SUPERIOR COURT OF JUSTICE
COUR SUPÉRIEURE DE JUSTICE

Court File No. CV-12-9627-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE MR.	)	**THURSDAY, THE 28th DAY**
	)	
JUSTICE COLIN L. CAMPBELL	)	**OF JUNE, 2012**

IN THE MATTER OF THE *COMPANIES' CREDITOR ARRANGEMENT ACT,* R.S.C. 1995, 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., 1418361Ontario Ltd., 2128054 Ontario Inc., 2069212 Ontario Inc., 1132413 Ontario Inc., 2067171Ontario Inc., 2085306 Ontario Inc., 2059035 Ontario Inc., 2086218 Ontario Inc., 2085438 Ontario Inc., First Leaside Visions Management Inc., 1049015 Ontario Inc., 1048016 Ontario Inc., 2007804 Ontario Inc., 2019418 Ontario Inc., FL Research Management Inc., 970877 Ontario Inc., 1031628 Ontario Inc., 1045516 Ontario Inc., 2004516 Inc.

ORDER

THIS MOTION made by Structform International Limited ("Structform"), lien claimant, for an order to *inter alia* amend the Initial Order, was heard this day at the Courthouse, 8th Floor, 330 University Avenue, Toronto, Ontario.

ON READING the Structform Motion Record, the Structform Supplementary

Motion Record, the Responding Motion Record of the Applicants (together with the Included LPs, as defined in the Order of Mr. Justice Brown (the "**Initial Order**") dated February 23, 2012, "**First Leaside**"), and upon counsel for Structform, First Leaside, and Grant Thornton Limited, in its capacity as Court-appointed monitor (the "**Monitor**") advising the court that they consent to the relief herein,

1. **THIS COURT ORDERS** and directs that the monies in the bank accounts of First Leaside Expansion Limited Partnership ("**FLEX**") not form part of the Central Cash Management System as defined in paragraph 10 of the Initial Order.

2. **THIS COURT ORDERS** that any of FLEX's monies that are used to pay expenses that are the subject matter of the Administration Charge and/or Directors' Charge shall be subject to the Inter-Company Charge established pursuant to the Initial Order as amended by order dated June 28, 2012.

3. **THIS COURT ORDERS** that if First Leaside intends to use any of the funds in bank accounts in the name of FLEX ("**FLEX Accounts**") for any purpose other than to pay expenses that are secured by the Administration Charge and/or the Directors' Charge (an "**Intended Payment**"), First Leaside shall give Structform ~~14~~ 17 days' prior written notice of the Intended Payment, including details of the purpose and amount of the Intended Payment and the date on which the First Leaside intends to make the Intended Payment (the "**Deadline**"). If Structform intends to object to the Intended Payment, it shall give written notice of such objection (the "**Notice**") to First Leaside and the Monitor no less than three days prior to the Deadline (the "**Objection Deadline**"). In the event that a Notice is served, First Leaside shall not make the corresponding Intended Payment without court order or the consent of Structform. Whether or not a Notice has been served, First Leaside, the Monitor, and Structform shall be at liberty at any time to bring a motion for directions as to whether any Intended Payment may be made. In the event that a Notice is not delivered on or before the Objection Deadline, Structform shall be deemed to have

consented to the Intended Payment and the Intended Payment made be made on or after the Deadline.

4. **THIS COURT ORDERS** that paragraph 56 of the Initial Order be amended *nunc pro tunc* to state the following:

> 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, and amounts secured by the Directors' Charge, 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

5. **THIS COURT ORDERS** that there be no costs of this Motion.

C.h.Campbell J.

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

JUN 2 8 2012

NB

162.

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

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF First Leaside Wealth Management Inc. et al

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceeding commenced at Toronto

ORDER
(STRUCTFORM MOTION)
(RETURNABLE JUNE 28, 2012)

Cassels Brock & Blackwell LLP
2100 Scotia Plaza
40 King Street West
Toronto, Ontario M5H 3C2

John N. Birch LSUC #: 38968U
Tel: 416.860.5225
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David S. Ward LSUC#: 33541W
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Solicitors for the Applicant

This is Exhibit **"L"** referred to in the Affidavit of Gregory MacLeod, sworn November 13, 2012

Kelly Gena

Commissioner for Taking Affidavits (or as may be)

AGREEMENT OF PURCHASE AND SALE

PROPERTIES IN UXBRIDGE, ONTARIO

THIS AGREEMENT is dated as of the 13th day of November, 2012,

BETWEEN:

FIRST LEASIDE REALTY II INC. and 1132413 ONTARIO INC. and 2067171 ONTARIO INC.

(collectively, the "**Vendor**")

- and -

STRUCTFORM INTERNATIONAL LIMITED

(the "**Purchaser**")

WHEREAS:

A. 1132413 Ontario Inc. is the owner of those parts of the Lands described as the "Firstly" and "Secondly" lands in ***Schedule "A"*** attached hereto;

B. First Leaside Realty II Inc. is the owner of those parts of the Lands described as the "Thirdly" lands in ***Schedule "A"*** attached hereto;

C. 2067171 Ontario Inc. is the owner of those parts of the Lands described as the "Fourthly" lands in ***Schedule "A"*** attached hereto;

D. The Purchaser has registered on title to each parcel of land forming part of the Lands a construction lien in the amount of $1,723,755, which construction lien was registered on January 16, 2012 as Instrument No. DR1056472 (together with the certificate of action registered on title to the Lands on February 22, 2012 as Instrument No. DR1065269, the "**Construction Lien**");

E. The Purchaser has agreed to accept a transfer of all the Vendor's right, title and interest in and to the Lands in full and final satisfaction of any Claims the Purchaser has or may have against each of the Persons comprising the Vendor and certain affiliates of the Vendor and/or Persons related to the Vendor, including, without limitation, a release of any and all Claims relating to the Construction Lien;

F. Pursuant to an order of the Court dated February 23, 2012, in Court File No. CV-12-9617-00CL, each of the Persons comprising the Vendor commenced proceedings (the "**Proceedings**") under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") and obtained the protection of, *inter alia*, a stay of proceedings pursuant to the CCAA (such order, as further amended from time to time, the "**Initial Order**"), and Grant Thornton Limited was appointed as the court-appointed monitor pursuant to the Initial Order;

G. The transactions contemplated by this Agreement are subject to the approval of the Court and will be consummated only pursuant to the Approval and Vesting Order to be issued by the Court in the Proceedings; and

H. The Vendor has agreed, subject to obtaining the requisite approvals of the Court, to sell, transfer and assign the Lands to the Purchaser and the Purchaser has agreed to purchase, acquire and assume the Lands from the Vendor on the terms and subject to the conditions contained in this Agreement;

NOW THEREFORE, in consideration of the sum of Ten Dollars ($10.00) now paid by each party to the other, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto covenant and agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions. In this Agreement, the following terms shall have the meanings set out below unless the context otherwise requires:

"**Agreement**" means this Agreement and the attached Schedules, as amended from time to time, and "Article", "Section" and "Schedule" mean the specified article, section or schedule, as the case may be, of this Agreement.

"**Applicable Laws**" means, with respect to any Person, property, transaction, event or other matter, any law, rule, statute, regulation, order, judgment, decree, treaty or other requirement having the force of law relating or applicable to such Person, property, transaction, event or other matter.

"**Approval and Vesting Order**" means an order of the Court in a form acceptable to the Vendor and the Purchaser, each acting reasonably, pursuant to which title to the Lands will be vested in the name of the Purchaser free and clear of all Encumbrances other than Permitted Encumbrances.

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

"**Claim**" means any claim, demand, action, cause of action, damage, loss, cost, liability or expense including, without limitation, reasonable professional fees and all costs incurred in investigating or pursuing any of the foregoing or any proceeding relating to any of the foregoing.

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"Closing" means the closing and consummation of the transactions contemplated by this Agreement, including, without limitation, the delivery of the Closing Documents on the Closing Date.

"Closing Date" means the date that is ten (10) days following the date of issuance of the Approval and Vesting Order.

"Closing Documents" means the agreements, instruments and other documents to be delivered by the Vendor to the Purchaser or the Purchaser's Solicitors pursuant to Section 6.2 of this Agreement and the agreements, instruments and other documents to be delivered by the Purchaser to the Vendor or the Vendor's Solicitors pursuant to Section 6.3 of this Agreement.

"Court" means the Ontario Superior Court of Justice.

"Encumbrance" means any mortgage, lien, charge, or other financial encumbrance.

"HST" means the harmonized sales tax payable pursuant to the provisions of the *Excise Tax Act* (Canada);

"Interim Period" means the period between the date of this Agreement and the Closing Date.

"Lands" means the lands and premises legally described in ***Schedule "A"*** attached hereto, together with all easements, rights-of-way and interests appurtenant thereto.

"Notice" has the meaning set out in Section 7.3(1) of this Agreement.

"Permitted Encumbrances" means those Encumbrances listed in ***Schedule "B"*** attached hereto.

"Person" means an individual, a partnership, a corporation, a trust, an unincorporated organization, a government or any department or agency thereof and the heirs, executors, administrators or other legal representatives of an individual.

"Purchaser's Solicitors" means E. Alan Garbe, Barrister and Solicitor.

"Release" means the release contemplated by Section 6.3(b) of this Agreement.

"Vendor's Solicitors" means Cassels Brock & Blackwell LLP.

1.2 Extended Meanings. Words importing the singular include the plural and vice versa. Words importing the masculine gender include the feminine and neuter genders.

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1.3 Headings. The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.4 Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter of this Agreement and, except as stated in this Agreement and in the instruments and documents to be executed and delivered pursuant to this Agreement, contains all of the representations, undertakings and agreements of the parties. This Agreement supersedes all prior negotiations or agreements between the parties, whether written or verbal, with respect to the subject matter of this Agreement.

1.5 Currency. Unless otherwise expressly stated in this Agreement, all references to money shall refer to Canadian funds.

1.6 Severability. If any provision contained in this Agreement or its application to any Person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement or the application of such provision to Persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected, and each provision of this Agreement shall be separately valid and enforceable to the fullest extent permitted by law.

1.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. References to statutes shall be deemed to be references to such statutes as they exist on the date of this Agreement, unless otherwise provided.

1.8 Time. Time shall be of the essence in all respects of this Agreement. Except as expressly set out in this Agreement, the computation of any period of time referred to in this Agreement shall exclude the first day and include the last day of such period. If the time limited for the performance or completion of any matter under this Agreement expires or falls on a day that is not a Business Day, the time so limited shall extend to the next following Business Day. The time limited for performing or completing any matter under this Agreement may be extended or abridged by an agreement in writing by the parties or by their respective solicitors.

ARTICLE 2
PURCHASE AND SALE

2.1 Purchase and Sale. Subject to obtaining the requisite approval of the Court, the Vendor hereby agrees to sell, transfer, assign, set over and convey the Lands to the Purchaser, and the Purchaser hereby agrees to purchase, acquire and assume the Lands from the Vendor, in full satisfaction of all liabilities and obligations of the Vendor under the Construction Lien, and otherwise on the terms and subject to the conditions contained in this Agreement.

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2.2 Adjustments.

(1) General. Adjustments shall be made as of the Closing Date for: (i) realty taxes, local improvement rates and charges; and (ii) if applicable, water and assessment rates, utilities and fuel.

(2) Statement of Adjustments. A draft statement of adjustments shall be delivered to the Purchaser by the Vendor not less than two (2) Business Days prior to the Closing Date.

(3) Day of Closing. The Purchaser shall pay all expenses in respect of the Lands for the day of Closing itself.

(4) Insurance. Insurance premiums shall not be adjusted as of the Closing Date, but insurance shall remain the responsibility of the Vendor until the Closing Date, and thereafter the Purchaser shall be responsible for placing its own insurance.

2.3 No Re-adjustment. The Vendor and the Purchaser agree that any adjustments made as of the Closing Date pursuant to the provisions of this Agreement shall be final and binding and neither the Vendor nor the Purchaser shall have any right to request or claim any readjustments from the other following the Closing Date.

ARTICLE 3
COVENANTS, REPRESENTATIONS AND WARRANTIES

3.1 Representations of the Vendor. The Vendor covenants, represents and warrants to and in favour of the Purchaser that, as of the date of this Agreement and as of the Closing Date:

(a) Authority. Subject to the approval of the Court, each of the Persons comprising the Vendor has the power, authority and capacity to enter into this Agreement and to carry out the transactions contemplated by this Agreement; and

(b) Residence. Each of the Persons comprising the Vendor is not a non-resident of Canada within the meaning of Section 116 of the *Income Tax Act* (Canada).

3.2 Representations of the Purchaser. The Purchaser covenants, represents and warrants to and in favour of the Vendor that, as of the date of this Agreement and as of the Closing Date:

(a) Corporate Status. The Purchaser is a corporation duly incorporated and subsisting under the laws of the Province of Ontario and has all necessary corporate power, authority and capacity to enter this Agreement and all other agreements contemplated by this Agreement and to perform its obligations under this Agreement and all other agreements contemplated by this Agreement;

(b) Authorization. The Purchaser's execution and delivery of this Agreement and all other agreements contemplated by this Agreement, and its consummation of the transactions contemplated by this Agreement, have been duly authorized by all necessary corporate action;

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(c) HST. The Purchaser will, on Closing, be an HST registrant under the *Excise Tax Act* (Canada) and be the sole "recipient" of a supply as defined thereunder and will provide its registration number to the Vendor on or before the Closing Date; and

(d) Payment to Subtrades. The Purchaser has paid to: (i) Lafarge Canada Inc. ("**Lafarge**") any and all amounts owed to or claimed by Lafarge relating to the construction lien in favour of Lafarge registered on title to the Lands on December 13, 2011 as Instrument No. DR1049224; and (ii) Gilbert Steel Limited ("**Gilbert**") any and all amounts owed to or claimed by Gilbert relating to the construction lien in favour of Gilbert registered on title to the Lands on December 30, 2011 as Instrument No. DR1053322.

3.3 No Survival of Representations. The covenants, representations and warranties contained in Sections 3.1 and 3.2 of this Agreement shall merge on Closing.

3.4 As Is, Where Is. The Purchaser shall accept the Lands on Closing on an entirely "as is, where is" basis as they exist as of the Closing Date without regard to the state of repair, condition, use or occupation of the Lands, location of fences, wires, lines, underground wells, pipes or conduits, in, on or outside of the Lands, if any, including, without limitation, the condition of the soil, subsoil, surface or other physical condition of the Lands; the existence or non-existence of hazardous or toxic materials, wastes, substances or mould, including without limitation, access rights; the fitness or suitability of the Lands for any particular use or purpose; applicable restrictive covenants, governmental laws, rules, regulations, and limitations; the zoning, subdivision, use, density, location or development of the Lands; the necessity or availability of any rezoning, zoning variances, conditional use permits, special management area permits, building permits, environmental impact statements and other governmental permits, approvals or acts; the physical condition of the Lands; the Lands' compliance with any Applicable Laws; the size, dimension, or topography of the Lands; any surface, soil, geologic, drainage, flooding or groundwater conditions or other physical conditions and characteristics of or affecting the Lands or adjoining land, such as drainage, flooding, air, conservation restrictions and its investment value or resale value and with all faults, limitations and defects (latent and apparent). The Purchaser agrees to accept the Lands without representation and/or warranty and without recourse to the Vendor with respect to the condition thereof. The Purchaser acknowledges that the Vendor makes no representation, warranty or declaration of any kind with respect to any aspect of the Lands (including, without limitation, any representation or warranty, express or implied, with respect to description, physical or environmental condition, size, marketability, zoning, development potential, compliance with Applicable Laws, fitness for any particular purpose) and that the Purchaser has carried out and relies on the results of its own examinations, investigations and searches with respect to the Lands. Without limiting the foregoing, the Purchaser hereby releases the Vendor with respect to any Claims the Purchaser may have arising out of or in respect of the condition (including, without limitation, the environmental condition) of the Lands. The provisions of this Section 3.4 shall survive the closing of the transactions contemplated by this Agreement.

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ARTICLE 4
CONDITIONS

4.1 Conditions of the Vendor. The Vendor's obligation to carry out the transactions contemplated by this Agreement is subject to the fulfilment of each of the following conditions on or before the Closing Date, which conditions are for the sole benefit of the Vendor:

(a) Representations and Warranties. The covenants, representations and warranties set out in Section 3.2 of this Agreement shall be true and accurate with the same effect as if made on and as of the Closing Date;

(b) Delivery of Documents. All documents or copies of documents required to be executed and delivered to the Vendor pursuant to the provisions of this Agreement shall have been so executed and delivered;

(c) Performance of Terms, Conditions and Covenants. All of the terms, covenants and conditions of this Agreement to be complied with or performed by the Purchaser on or before the Closing Date shall have been complied with or performed in all material respects; and

(d) Approval and Vesting Order. The Vendor shall have obtained the Approval and Vesting Order.

4.2 Conditions of the Purchaser. The Purchaser's obligation to carry out the transactions contemplated by this Agreement is subject to fulfilment of each of the following conditions on or before the Closing Date, which conditions are for the sole benefit of the Purchaser:

(a) Representations and Warranties. The covenants, representations and warranties set out in Section 3.1 of this Agreement shall be true and accurate with the same effect as if made on and as of the Closing Date;

(b) Delivery of Documents. All documents or copies of documents required to be executed and delivered to the Purchaser pursuant to this Agreement shall have been so executed and delivered;

(c) Performance of Terms, Covenants and Conditions. All of the terms, covenants and conditions of this Agreement to be complied with or performed by the Vendor on or before the Closing Date shall have been complied with or performed in all material respects; and

(d) Approval and Vesting Order. The Vendor shall have obtained the Approval and Vesting Order.

4.3 Satisfaction of Conditions. Each party agrees to proceed in good faith and with promptness and diligence to attempt to satisfy those conditions in Sections 4.1 and 4.2 of this Agreement that are within its reasonable control.

 170.

4.4 Waiver of Conditions.

(1) Non-Satisfaction or Waiver of Conditions. If any of the conditions set out in Section 4.1 or Section 4.2 is not satisfied or performed on or before the Closing Date, the Purchaser, in the case of the conditions in Section 4.2, or the Vendor, in the case of the conditions in Section 4.1, may either: (i) terminate this Agreement by Notice to the other party hereto delivered on or before the Closing Date, in which case no party shall be under any further obligation to the other to complete the transactions contemplated by this Agreement; or (ii) except in the case of the conditions contained in Section 4.1(d) and Section 4.2(d), waive compliance with any such condition without prejudice to its right of termination of this Agreement in respect of the non-satisfaction or performance of any other condition.

(2) Closing Conditions. All conditions to be satisfied on Closing shall be deemed to be satisfied if Closing occurs.

4.5 Not Conditions Precedent. The conditions set out in Sections 4.1 and 4.2 of this Agreement are conditions to the obligations of the parties hereto and are not conditions precedent to the existence or enforceability of this Agreement.

4.6 Planning Act. This Agreement shall be effective to create an interest in the Lands only if the provisions of the *Planning Act* (Ontario) are complied with.

4.7 Court Matters.

(1) Application for Approval and Vesting Order. The Vendor shall diligently apply to the Court for the Approval and Vesting Order as soon as reasonably possible following the date of this Agreement. The Vendor shall advise the Purchaser prior to such application of the parties to whom notice of such application is to be sent and shall provide notice in accordance with the Rules of Civil Procedure or as determined by Court order.

(2) Assistance by Purchaser. The Purchaser shall promptly provide to the Vendor all such information and assistance within the Purchaser's power as the Vendor may reasonably require to obtain the Approval and Vesting Order.

(3) Outside Date. This Agreement may be terminated by the Vendor or the Purchaser if the Approval and Vesting Order is not obtained by January 31, 2012

ARTICLE 5
INTERIM PERIOD

5.1 Confidentiality. The Purchaser, its representatives and advisors shall keep in strict confidence, and shall not disclose, any information obtained with respect to the Lands pursuant to this Agreement until such time as the transactions contemplated by this Agreement are completed. Notwithstanding the foregoing, the Purchaser may disclose any information obtained with respect to the Lands: (i) to its directors, shareholders, advisors, bankers and solicitors (provided such directors, shareholders, advisors, bankers and solicitors are also bound by the provisions of this Section 5.1); (ii) to the extent such information is in the public domain or is obtained from third parties other than the Vendor and its consultants; (iii) if such disclosure is required by Applicable Laws; and (iv) to any construction lien claimants that, as of the date of this Agreement, have a construction lien registered on title to the Lands.

5.2 Risk. The Lands shall be at the risk of the Vendor until completion of the transactions contemplated by this Agreement. The Purchaser shall be obligated to complete the transactions contemplated by this Agreement notwithstanding any damage that may occur to the Lands during the Interim Period.

ARTICLE 6
CLOSING ARRANGEMENTS

6.1 Electronic Registration. The Purchaser's Solicitors and the Vendor's Solicitors shall each be obliged to be authorized electronic registration (**"E-Reg"**) users and in good standing with the Law Society of Upper Canada, and are hereby authorized by the parties hereto to enter into a document registration agreement in the form adopted by the Joint LSUC-CBAO Committee on Electronic Registration of Title Documents on March 29, 2004 or any replacement thereof, with such amendments as are required to incorporate any agreement between the parties as to the co-ordination of the Closing and/or as the Vendor's Solicitors and the Purchaser's Solicitors may agree, acting reasonably (the **"DRA"**), establishing the procedures and timing for completing the transactions contemplated by this Agreement, which DRA shall be exchanged between the Vendor's Solicitors and the Purchaser's Solicitors prior to the Closing Date. The delivery and exchange of all Closing Documents and other deliverables hereunder and the release hereof to the parties hereto shall be governed by the DRA, pursuant to which the solicitor receiving any Closing Documents or other deliverables will be required to hold same in escrow, and will not be entitled to release same except in strict accordance with the provisions of the DRA. Notwithstanding Section 4 of the Joint LSUC-CBAO form of DRA, the release of deliveries shall not happen until all of the real property registrations (i.e. registration of the Approval and Vesting Order) have been completed.

6.2 Documents of the Vendor. The Vendor shall deliver to the Purchaser the following documents and other items on the Closing Date:

(a) Certificate of the Vendor. A certificate of the Vendor certifying that each of the Persons comprising the Vendor are not a non-resident within the meaning of Section 116 of the *Income Tax Act* (Canada); and

(b) Adjustment Amounts. If the statement of adjustments shows an amount owing to the Purchaser, a certified cheque payable to the Purchaser for such amount.

6.3 Documents of the Purchaser. The Purchaser shall deliver to the Vendor the following documents on the Closing Date:

(a) HST. The declaration and undertaking described in Section 6.4 of this Agreement, duly executed by the Purchaser;

(b) Release. A release in favour of: (1) each of the Persons comprising the Vendor; (2) First Leaside Expansion Limited Partnership; (3) First Leaside Entities Limited Partnership; (4) all Persons affiliated and/or related to the Persons referenced in (1), (2) and (3) of this Section 6.3(b); and (5) the officers, directors and shareholders of the Persons referenced in (1), (2), (3) and (4) of this Section 6.3(b), pursuant to which the Purchaser releases such Persons from and against any and all Claims the Purchaser has or may have against such Persons in respect of any matter or thing whatsoever, including, without limitation, any and all Claims relating to the Construction Lien and any and all Claims the Purchaser may have filed in connection with any proceedings commenced under the CCAA; and

(c) Adjustment Amounts. If the statement of adjustments shows an amount owing to the Vendor, a certified cheque payable to the Vendor (or as the Vendor may in writing direct) for such amount.

6.4 Taxes and Fees.

(1) General. The Purchaser shall be responsible for any land transfer tax, harmonized sales tax and registration fees payable in connection with registration of the Approval and Vesting Order. Each party shall pay its own legal fees with respect to the transactions contemplated by this Agreement.

(2) HST. With respect to the purchase by the Purchaser of the Lands, the Purchaser hereby represents and warrants to the Vendor that:

(a) it is or will on the Closing Date be registered for the purposes of the HST imposed under the *Excise Tax Act* (Canada);

(b) the Purchaser shall be liable for, shall self-assess and, if applicable, remit directly to the Receiver General of Canada, all HST that is payable under the *Excise Tax Act* (Canada) in connection with the purchase of the Lands described in this Agreement; and

(c) the representations and warranties contained in this Section 6.4(2) shall survive the Closing and be embodied in a declaration and undertaking of the Purchaser to be delivered to the Vendor on Closing specifying the Purchaser's HST registration number.

ARTICLE 7
MISCELLANEOUS

7.1 Tender. Any tender of documents or money may be made upon the party being tendered or upon its solicitors and money may be tendered by certified cheque, bank draft or wire transfer of immediately available funds.

7.2 Relationship of the Parties. Nothing in this Agreement shall be construed so as to make the Purchaser a partner of the Vendor and nothing in this Agreement shall be construed so as to make the Purchaser an owner of the Lands for any purpose until the Closing Date.

7.3 Notices.

(1) Addresses for Notice. Any notice, request, consent, acceptance, waiver or other communication required or permitted to be given under this Agreement (a "**Notice**") shall be in writing and shall be deemed to have been sufficiently given or served for all purposes on the date of delivery if it is delivered by a recognized courier service or sent by facsimile to the parties at the applicable address set forth below:

(a) in the case of the Vendor addressed to it at:

First Leaside Realty II Inc.
c/o Cassels Brock & Blackwell LLP
Suite 2100, Scotia Plaza
40 King Street West
Toronto, Ontario M5H 3C2

Attention: David Ward
Facsimile: (416) 640-3154

(b) in the case of the Purchaser addressed to it at:

Structform International Limited
84 Passmore Avenue
Toronto, Ontario M1V 4S9

Attention: Jim Greig
Facsimile: (416) 291 1267

(2) Change of Address for Notice. By giving to the other party at least three (3) days' Notice, any party may, at any time and from time to time, change its address for delivery or communication for the purposes of this Section 7.3.

7.4 Lawyers as Agents. Notices, approvals, waivers and other documents permitted, required or contemplated by this Agreement may be given or delivered by the parties or by their respective solicitors on their behalf.

7.5 Assignment. This Agreement and the benefit of all covenants contained herein and any documents delivered or interests created pursuant to the terms hereof shall not be assigned by the Purchaser without the consent of the Vendor, which consent may be granted or withheld in the sole and absolute discretion of the Vendor. Notwithstanding the foregoing, the Purchaser shall have the right to direct that title to the Lands be taken in the name of a nominee of the Purchaser, which nominee shall be an affiliate (as defined in the *Business Corporations Act* (Ontario)) of the Purchaser.

7.6 Successors and Assigns. This Agreement shall enure to the benefit of and shall be binding upon the parties and their respective successors and permitted assigns.

7.7 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument. Counterparts may be executed either in original, faxed or other form of electronic communication reproducing an original and the parties adopt any signatures received by such electronic communication as original signatures of the parties; provided, however, that any party providing its signature in such manner shall promptly forward to the other party an original of the executed copy of this Agreement which was so electronically communicated.

[Signature page follows.]

IN WITNESS WHEREOF the parties have executed this Agreement.

FIRST LEASIDE REALTY II INC.

By:______________________________
Name:
Title:

By:______________________________
Name:
Title:

I/We have authority to bind the corporation

1132413 ONTARIO INC.

By:______________________________
Name:
Title:

By:______________________________
Name:
Title:

I/We have authority to bind the corporation

2067171 ONTARIO INC.

By:______________________________
Name:
Title:

By:______________________________
Name:
Title:

I/We have authority to bind the corporation

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STRUCTFORM INTERNATIONAL LIMITED

By:________________________________
Name: James Greig
Title: President

By:________________________________
Name:
Title:

I/We have authority to bind the corporation

SCHEDULE "A"

LANDS

Firstly Lands:

PIN 26850-0058 (LT): Lots 294, 295 and part of Lots 296, 297, 298, 299, 300, 301 and 302, Block GG on Plan 83, Township of Uxbridge, Regional Municipality of Durham.

Municipal Address: 170 Brock Street West, Uxbridge

Secondly Lands:

PIN 26850-0059 (LT): Part of Lots 296, 300, 301 and 302, Block GG on Plan 83, designated as Part 1 on Plan 40R-18184, Township of Uxbridge, Regional Municipality of Durham.

Municipal Address: Not Assigned, Uxbridge

Thirdly Lands:

PIN 26850-0060 (LT): Part of Lots 303 and 304, Block HH on Plan 83 and part of Mary Street, as in Instrument No. CO75874, Township of Uxbridge, Regional Municipality of Durham.

Municipal Address: 144 Brock Street West, Uxbridge

Fourthly Lands:

PIN 26850-0062 (LT): Lot 307, part of Lots 304, 305, 306, 308, 309, 311 and 312, Block HH on Plan 83, designated as Part 1 on Reference Plan 40R-15228, Township of Uxbridge, Regional Municipality of Durham

Municipal Address: 4 Victoria Street, Uxbridge

SCHEDULE "B"

PERMITTED ENCUMBRANCES

General

1. The reservations, limitations, exceptions, provisos and conditions, if any, expressed in any original grants from the Crown including, without limitation, the reservation of any mines and minerals in the Crown or in any other person.
2. Subdivision agreements, site plan control agreements, servicing or industrial agreements, utility agreements, airport zoning regulations and other similar agreements with government authorities or private or public utilities affecting the development or use of the Lands.
3. Encumbrances respecting minor encroachments by the Lands over neighbouring lands or by improvements on neighbouring lands and/or permitted under agreements with the owners of such other lands.
4. Title defects or irregularities which are of a minor nature and in the aggregate will not materially impair the use or marketability of the Lands for the purposes for which it is presently used.
5. Any easements or rights of way in favour of any governmental authority, any private or public utility, any railway company or any adjoining owner.
6. The exceptions and qualifications contained in Section 44(1) of the *Land Titles Act* (Ontario), except paragraphs 1, 2, 3, 5, 6, 8, 9, 11 and 14, provincial succession duties and escheats and forfeiture to the Crown.
7. Liens for taxes, rates, assessments or governmental charges or levies not yet due and payable.
8. Any unregistered easements, rights-of-way or other unregistered interests or claims not disclosed by registered title in respect of the provision of utilities to the Lands.
9. Any rights of expropriation, access or use or any other similar rights conferred or reserved by or in any statutes of Canada or the Province of Ontario.

Specific

Firstly Lands

1. Instrument No. CO192201, registered on December 12, 1969 is a by-law.

2. Instrument No. DR942839, registered on October 18, 2010, is a notice between The Corporation of the Township of Uxbridge (the "**Township**"), First Leaside Realty II Inc. ("**First Leaside**"), 1132413 Ontario Inc. ("**1132413**") and 2067171 Ontario Inc. ("**2067171**").

3. Instrument No. DR951602, registered on November 19, 2010, is a notice between the Township and First Leaside, 1132413 and 2067171.

4. Instrument No. DR958212, registered on December 15, 2010, is a notice with The Regional Municipality of Durham (the "**Region**").

5. Instrument No. DR988999, registered on May 6, 2011, is a notice between the Township, First Leaside, 1132413 and 2067171, with respect to notice No. DR951602.

6. Instrument No. DR1049224, registered on December 13, 2011, is a construction lien in favour of Lafarge Canada Inc. ("**Lafarge**").

7. Instrument No. DR1053322, registered on December 30, 2011, is a construction lien in favour of Gilbert Steel Limited ("**Gilbert**").

8. Instrument No. DR1056472, registered on January 16, 2012, is a construction lien in favour of Structform International Limited ("**Structform**").

9. Instrument No. DR1059717, registered on January 27, 2012, is a certificate of action in favour of Lafarge with respect to construction lien No. DR1049224.

10. Instrument No. DR1061121, registered on February 2, 2012, is a certificate of action in favour of Gilbert with respect to construction lien No. DR1053322.

11. Instrument No. DR1065269, registered on February 22, 2012, is a certificate of action in favour of Structform with respect to construction lien No. DR1056472.

Secondly Lands

1. Instrument No. CO192201, registered on December 12, 1969 is a by-law.

2. Instrument No. DR447892, registered on February 14, 1995 is a notice.

3. Instrument No. DR942838, registered on October 18, 2010, is a notice of option to purchase in favour of the Township.

4. Instrument No. DR942839, registered on October 18, 2010, is a notice between the Township, First Leaside, 1132413 and 2067171.

5. Instrument No. DR951602, registered on November 19, 2010, is a notice between the Township and First Leaside, 1132413 and 2067171.

6. Instrument No. DR958212, registered on December 15, 2010, is a notice with the Region.

7. Instrument No. DR988999, registered on May 6, 2011, is a notice between the Township, First Leaside, 1132413 and 2067171, with respect to notice No. DR951602.

8. Instrument No. DR1049224, registered on December 13, 2011, is a construction lien in favour of Lafarge.

9. Instrument No. DR1053322, registered on December 30, 2011, is a construction lien in favour of Gilbert.

10. Instrument No. DR1056472, registered on January 16, 2012, is a construction lien in favour of Structform.

11. Instrument No. DR1059717, registered on January 27, 2012, is a certificate of action in favour of Lafarge with respect to construction lien No. DR1049224.

12. Instrument No. DR1061121, registered on February 2, 2012, is a certificate of action in favour of Gilbert with respect to construction lien No. DR1053322.

13. Instrument No. DR1065269, registered on February 22, 2012, is a certificate of action in favour of Structform with respect to construction lien No. DR1056472.

Thirdly Lands

1. Instrument No. CO192201, registered on December 12, 1969 is a by-law.

2. Instrument No. DR942839, registered on October 18, 2010, is a notice between the Township, First Leaside, 1132413 and 2067171.

3. Instrument No. DR951602, registered on November 19, 2010, is a notice between the Township and First Leaside, 1132413 and 2067171.

4. Instrument No. DR958212, registered on December 15, 2010, is a notice with the Region.

5. Instrument No. DR988999, registered on May 6, 2011, is a notice between the Township, First Leaside, 1132413 and 2067171, with respect to notice No. DR951602.

6. Instrument No. DR1049224, registered on December 13, 2011, is a construction lien in favour of Lafarge.

7. Instrument No. DR1053322, registered on December 30, 2011, is a construction lien in favour of Gilbert.

8. Instrument No. DR1056472, registered on January 16, 2012, is a construction lien in favour of Structform.

9. Instrument No. DR1059717, registered on January 27, 2012, is a certificate of action in favour of Lafarge with respect to construction lien No. DR1049224.

10. Instrument No. DR1061121, registered on February 2, 2012, is a certificate of action in favour of Gilbert with respect to construction lien No. DR1053322.

11. Instrument No. DR1065269, registered on February 22, 2012, is a certificate of action in favour of Structform with respect to construction lien No. DR1056472.

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Fourthly Lands

1. Instrument No. CO192201, registered on December 12, 1969 is a by-law.

2. Instrument No. DR942839, registered on October 18, 2010, is a notice between the Township, First Leaside, 1132413 and 2067171.

3. Instrument No. DR951602, registered on November 19, 2010, is a notice between the Township and First Leaside, 1132413 and 2067171.

4. Instrument No. DR958212, registered on December 15, 2010, is a notice with the Region.

5. Instrument No. DR988999, registered on May 6, 2011, is a notice between the Township, First Leaside, 1132413 and 2067171, with respect to notice No. DR951602.

6. Instrument No. DR1049224, registered on December 13, 2011, is a construction lien in favour of Lafarge.

7. Instrument No. DR1053322, registered on December 30, 2011, is a construction lien in favour of Gilbert.

8. Instrument No. DR1056472, registered on January 16, 2012, is a construction lien in favour of Structform.

9. Instrument No. DR1059717, registered on January 27, 2012, is a certificate of action in favour of Lafarge with respect to construction lien No. DR1049224.

10. Instrument No. DR1061121, registered on February 2, 2012, is a certificate of action in favour of Gilbert with respect to construction lien No. DR1053322.

11. Instrument No. DR1065269, registered on February 22, 2012, is a certificate of action in favour of Structform with respect to construction lien No. DR1056472.

This is Exhibit **"M"** referred to in the Affidavit of Gregory MacLeod, sworn November 13, 2012

Kelly Gerra

Commissioner for Taking Affidavits (or as may be)

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE MR.	)	THURSDAY, THE 28th
JUSTICE COLIN L. CAMPBELL	)	DAY OF JUNE, 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.

ORDER
(Second Extension of Stay Period)

THIS MOTION, made by the Applicants for an order, among other things, extending the Stay Period to October 26, 2012, was heard this day at the Court House, 330 University Avenue, Toronto, Ontario.

ON READING the notice of motion dated June 19, 2012, the affidavit of Gregory MacLeod sworn June 19, 2012 ("**MacLeod Affidavit**"), and the third report to the court of Grant Thornton Limited dated June 22, 2012 (the "**Third Report**"), in its capacity as court appointed monitor ("**Monitor**") of the Applicants and the limited partnerships listed on Schedule "A" hereto (the "**Included LPs**") (collectively, "**First Leaside**"), and upon hearing the submissions of counsel for First Leaside, the Monitor, Fraser Milner Casgrain LLP, in its capacity as Court-appointed representative counsel for the clients of Applicant First Leaside Securities Inc. ("**Representative Counsel**"), and counsel for Wimberly Fund, and The First Leaside Fund, no one else appearing, although served as indicated by the Affidavits of Service of Patricia Hoogenband sworn June 22, 2012 and John N. Birch sworn June 27, 2012.

SERVICE

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

EXTENSION OF STAY PERIOD

2. **THIS COURT ORDERS** that the "Stay Period" as defined at paragraph 19 of the order of the Honourable Mr. Justice David M. Brown dated February 23, 2012 (the "**Initial Order**") be and is hereby extended to October 26, 2012.

THIRD-RANKING INTER-COMPANY CHARGE

3. **THIS COURT ORDERS** that the Initial Order is hereby amended, *nunc pro tunc*, to add a new paragraph 49A that states as follows:

> 49A. **THIS COURT ORDERS** that to the extent that (i) an Applicant or Included LP (a "**Borrower**") receives an inter-company loan or other transfer (a "**Transfer**") from another Applicant or Included LP (a "**Lender**") on or after February 23, 2012, or (ii) on a final allocation by the Court of administration costs, certain of the administration costs of an Applicant or Included LP (also a "Borrower" for the purposes of this paragraph) secured by the Administration Charge have been paid by another Applicant or Included LP (also a "Lender" for the purposes of this paragraph) (a "**Reallocated Cost**"), then, subject to the limitations set forth in this paragraph:
>
> (a) the Lender shall have a proven and valid claim against such Borrower for the amount of such Transfer or Reallocated Cost (each, an "**Inter-Company Claim**"); and
>
> (b) the Lender shall be entitled to the benefit of and is hereby granted a charge (collectively, the "**Inter-Company Charge**") on the Property, which charge shall not exceed the aggregate amount of such Lender's Inter-Company Claim, as security for the Inter-Company Claim.
>
> The Inter-Company Charge shall have the priority set out in paragraphs 50 and 52 hereof.

4. **THIS COURT ORDERS** that the Initial Order is hereby amended, *nunc pro tunc*, to add a new paragraph 49B that states as follows:

> 49B. **THIS COURT ORDERS** that pending further order of this Court, a Lender shall not exercise any right or remedy relating to any Inter-Company Claim held by such Lender.

5. **THIS COURT ORDERS** that paragraph 50 of the Initial Order is hereby replaced, *nunc pro tunc*, with the following:

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> 50. **THIS COURT ORDERS** that the priorities of the Directors' Charge, the Administration Charge and the Inter-Company Charge, as between them, shall be as follows:
>
> Fist – Administration Charge (to the maximum amount of $1,000,000);
>
> Second – Directors' Charge (to the maximum amount of $250,000); and
>
> Third – Inter-Company Charge (to the maximum amount of aggregate Inter-Company Claims).

6. **THIS COURT ORDERS** that the first clause in paragraph 51 of the Initial Order is hereby replaced, *nunc pro tunc*, with the following:

> 51. **THIS COURT ORDERS** that the filing, registration or perfection of the Directors' Charge, Administration Charge or Inter-Company Charge (collectively, the "**Charges**") shall not be required...

7. **THIS COURT ORDERS** that the first clause in paragraph 52 of the Initial Order is hereby replaced, *nunc pro tunc*, with the following:

> 52. **THIS COURT ORDERS** the each of the Directors' Charge, Administration Charge and Inter-Company 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...

8. **THIS COURT ORDERS** that paragraph 53 of the Initial Order is hereby replaced, *nunc pro tunc*, with the following:

> 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, Administration Charge or the Inter-Company Charge, unless First Leaside also obtains the prior written consent of the Monitor and the beneficiaries of the

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Directors' Charge, Administration Charge and Inter-Company Charge and further Order of this Court.

9. **THIS COURT ORDERS** that the first clause in paragraph 54 of the Initial Order is hereby replaced, *nunc pro tunc*, with the following:

> 54. **THIS COURT ORDERS** that the Directors' Charge, the Administration Charge and the Inter-Company Charge shall not be rendered invalid or unenforceable...

AMENDMENT OF SCHEDULE 'A'

10. **THIS COURT ORDERS** that Schedule "A" to the Initial Order is hereby amended, *nunc pro tunc,* by deleting it in its entirety and replacing it with the entities listed in Column B of Schedule "A" to this Order.

APPROVAL OF THE COMMUNICATIONS PROTOCOL

11. **THIS COURT ORDERS** that the "Communications Protocol (Re Potential Asset Transactions)" dated as of May 24, 2012, and made between G.S. MacLeod & Associates Inc., in its capacity as the Chief Restructuring Officer ("**CRO**") of First Leaside, the Monitor, Representative Counsel, and certain other investors who are clients of First Leaside Securities Inc. and have agreed to form a Transaction Subcommittee (as defined in the MacLeod Affidavit), is hereby approved *nunc pro tunc*.

APPROVAL OF THE RETENTION OF GTCFI

12. **THIS COURT ORDERS** that the agreement between First Leaside Retirement Residences Limited Partnership ("**FLRR**"), First Leaside Realty II Inc., First Leaside Wealth Management Inc., First Leaside Universal Limited Partnership, First

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Leaside Progressive Limited Partnership, F.L. PrimeTime Living Limited Partnership and FLWM Holdings Limited Partnership on the one hand, and Grant Thornton Corporate Finance Inc. ("**GTCFI**") on the other hand, pursuant to which GTCFI will act as exclusive financial advisor in connection with the proposed sale, merger, consolidation or other business combination of FLRR's interest in PrimeTime Living LP Limited Partnership and the real property assets owned by Cherry Park Retirement Residence LP, Orchard Valley Retirement Residence LP, The Shore Retirement Residence LP and First Leaside Venture LP is hereby approved *nunc pro tunc*.

AMENDMENT OF REPRESENTATIVE COUNSEL PROVISIONS

13. **THIS COURT ORDERS** that paragraph 42 of the Initial Order is hereby replaced with the following:

> 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**"), and to assist the Clients with the filing of claims with the Canadian Investor Protection Fund ("**CIPF**"), and the coordination of the CIPF claims process with any future claims process that may be conducted in the within proceedings. This representation will continue 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.

14. **THIS COURT ORDERS** that paragraph 44 of the Initial Order is hereby replaced with the following:

> 44. **THIS COURT ORDERS** that Representative Counsel shall be paid its reasonable fees and disbursements by First Leaside. 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

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First Leaside, subject to such redactions to the invoices as are necessary to maintain solicitor-client privilege between Representative Counsel and the Clients.

15. **THIS COURT ORDERS** that the Initial Order is amended to add a new paragraph 44A that states as follows:

> 44A. **THIS COURT ORDERS** that Representative Counsel shall pass its accounts from time to time, and for this purpose the accounts of the Representative Counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

APPROVAL OF VISIONS II OWNERSHIP INTEREST

16. **THIS COURT ORDERS** that the proposed restructuring of the interest of First Leaside Visions II ("**Visions II**") in eSight Corp. as described in paragraph 93 of the MacLeod Affidavit (the "**Visions II Restructuring**") is hereby approved and the CRO is hereby authorized and directed to take such steps and execute such documents in the name of Visions II as are necessary to carry out the Visions II Restructuring.

APPROVAL OF CRO ACTIVITIES

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

APPROVAL OF MONITOR'S ACTIVITIES

18. **THIS COURT ORDERS** that the conduct and activities of the Monitor, as described in the Third Report, be and are hereby approved.

19. **THIS COURT ORDERS** that, despite the provisions of paragraphs 3 through 9 herein, the Inter-Company Charge shall not apply to F.L. Master Texas, Ltd.,

F.L.W. Pond Master, Ltd., or F.L.W. Shores Master, Ltd. (collectively, the "**Excluded LPs**") provided, however, that First Leaside may later seek to extend the Inter-Company Charge to the Excluded LPs by motion brought on notice to Wimberly Fund and The First Leaside Fund.

20. **THIS COURT ORDERS** that the extension of the Stay Period in paragraph 2 herein is without prejudice to the right of Wimberly Fund and The First Leaside Fund to bring a motion to lift the stay in respect of the Excluded LPs.

C. Campbell J.

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

JUN 2 8 2012

NB

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SCHEDULE "A": CORRECTION OF NAMES OF INCLUDED LPs

Column A: NAME ON INITIAL COURT ORDER	Column B:REVISED LEGAL NAME
B&W LP	B&W Limited Partnership
Development Notes Limited Partnerships	Development Notes Limited Partnership
Dossierview LP	Dossierview Limited Partnership
eSight LP	eSight Limited Partnership
F.L. Beverages Group Limited Partnership	F.L. Beverages Group Limited Partnership*
First Leaside Acquisitions 2000 LP	First Leaside Acquisitions 2000 Limited Partnership
First Leaside Acquisitions LP	First Leaside Acquisitions Limited Partnership
First Leaside Advantage LP	First Leaside Advantage Limited Partnership
First Leaside Developments LP	First Leaside Developments Limited Partnership
First Leaside Elite LP	First Leaside Elite Limited Partnership
First Leaside Enterprises LP	First Leaside Enterprises Limited Partnership
First Leaside Entities LP	First Leaside Entities Limited Partnership
First Leaside Expansion LP	First Leaside Expansion Limited Partnership
• First Leaside Global Limited Partnership • First Leaside Global LP	First Leaside Global Limited Partnership
First Leaside Growth LP	First Leaside Growth Limited Partnership
First Leaside Income LP	First Leaside Income Limited Partnership
First Leaside Investors LP	First Leaside Investors Limited Partnership
First Leaside Operations LP	First Leaside Operations Limited Partnership
First Leaside Opportunities LP	First Leaside Opportunities Limited Partnership
First Leaside Optimal LP	First Leaside Optimal Limited Partnership
First Leaside Partners LP	First Leaside Partners Limited Partnership
First Leaside Preferred LP	First Leaside Preferred Limited Partnership
First Leaside Premier LP	First Leaside Premier Limited Partnership
First Leaside Progressive LP	First Leaside Progressive Limited Partnership
First Leaside Properties LP	First Leaside Properties Limited Partnership
First Leaside Quality LP	First Leaside Quality Limited Partnership
First Leaside Real Estate LP	First Leaside Real Estate Limited Partnership
First Leaside Realty II LP	First Leaside Realty II Limited Partnership
First Leaside Realty LP	First Leaside Realty Limited Partnership
• First Leaside Retirement Residences Limited Partnership • First Leaside Retirement Residences LP • F.L. Retirement Residences Limited Partnership	First Leaside Retirement Residences Limited Partnership
First Leaside Select LP	First Leaside Select Limited Partnership
First Leaside Spring Valley LP	F.L. Spring Valley Limited Partnership
First Leaside Superior LP	First Leaside Superior Limited Partnership
First Leaside Technologies LP	First Leaside Technologies Limited Partnership

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First Leaside Ultimate LP	First Leaside Ultimate Limited Partnership
First Leaside Unity LP	First Leaside Unity Limited Partnership
First Leaside Universal LP	First Leaside Universal Limited Partnership
• First Leaside Venture Limited Partnership • First Leaside Ventures Limited Partnership	First Leaside Venture Limited Partnership
First Leaside Visions I LP	First Leaside Visions I Limited Partnership
First Leaside Visions II LP	First Leaside Visions II Limited Partnership
First Leaside Visions III LP	First Leaside Visions III Limited Partnership
First Leaside Visions IV LP	First Leaside Visions IV Limited Partnership
First Leaside Wealth Management LP	First Leaside Wealth Management Limited Partnership
FL Master Texas Ltd.	F.L. Master Texas, Ltd.
FLW Pond Master Ltd.	F.L.W. Pond Master, Ltd.
FLW Shores Master Ltd.	F.L.W. Shores Master, Ltd.
FLWM Holdings Limited Partnership	FLWM Holdings Limited Partnership*
Greencore LP	Greencore Limited Partnership
Marksman Celiject LP	Marksman Celiject Limited Partnership
Metabacus LP	Metabacus Limited Partnership
Mill Street Limited Partnership	Mill Street Limited Partnership*
Old Mill Pond LP	Old Mill Pond Apartments Limited Partnership
OMISA LP	OMISA Limited Partnership
Place Concorde East LP	Place Concorde East Limited Partnership
Place Concorde West LP	Place Concorde West Limited Partnership
Preston Racquet Club Real Estate Limited Partnership Series 910 PA	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 PB
Preston Racquet Club Real Estate Limited Partnership Series 910 PC	Preston Racquet Club Real Estate Limited Partnership Series 910 PC
Preston Racquet Club Real Estate Limited Partnership Series 910 PD	Preston Racquet Club Real Estate Limited Partnership Series 910 PD
Queenston Manor LP	Queenston Manor Limited Partnership
Special Notes LP	Special Notes Limited Partnership
Special U.S. Notes Limited Partnership	Special U.S. Notes Limited Partnership
The Bluffs of Lakewood LP	The Bluffs of Lakewood Limited Partnership
The Shores LP	The Shores Limited Partnership
Tyromer LP	Tyromer Limited Partnership
Uxbridge Development LP	Uxbridge Development Limited Partnership
Wimberly Apartments LP	Wimberly Apartments Limited Partnership

Note: * indicates that the correct legal name was previously provided and the entity name has not changed from Column A to Column B

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)

Proceeding commenced at Toronto

ORDER
(Second Extension of Stay Period)

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Lawyers for the Applicants

This is Exhibit **"N"** referred to in the Affidavit of Gregory MacLeod, sworn November 13, 2012

Kelly Gena

Commissioner for Taking Affidavits (or as may be)

FULL AND FINAL RELEASE

THIS FULL AND FINAL RELEASE is made as of the ____ day of _______________, 2012 between First Leaside Wealth Management Inc. (the "**Creditor**") and First Leaside Visions I Limited Partnership (the "**Debtor**");

WHEREAS the Debtor owes $682,142.00 to the Creditor (the "**Outstanding Debt**");

AND WHEREAS the Creditor has agreed to accept $133,452.11 (the "**Payout Amount**") in full and complete satisfaction of the Outstanding Debt;

NOW THEREFORE for good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto agrees as follows:

1. Upon payment of the Payout Amount by the Debtor to the Creditor (the date of such payment being referred to herein as the "**Payout Date**"):

   a. the Outstanding Debt shall be considered satisfied and paid in full; and

   b. each of the parties hereto (the "**Releasors**") shall release and forever discharge the other, its subsidiaries and affiliates and each of their respective officers, directors, employees, servants and agents, and their successors and assigns (the "**Releasees**") jointly and severally from any and all actions, causes of action, contracts and covenants, whether express or implied, claims and demands for damages, indemnity, costs, interest, loss or injury of every nature and kind whatsoever arising, which the Releasor may have in any way relating to any business, activities or transactions between the Releasor and the Releasees prior to the Payout Date; and

2. Each of the Creditor and Debtor warrants and represents that:

   a. it has taken all necessary corporate or partnership action to authorize its execution and delivery of, and the performance of its obligations under, this agreement; and

   b. it has duly executed and delivered this agreement.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

IN WITNESS WHEREOF the parties hereto have duly executed this agreement as of the date first written above.

FIRST LEASIDE WEALTH MANAGEMENT INC.

By: ______________________________

Name: Greg MacLeod on behalf of G.S. MacLeod & Associates Inc.

Title: Chief Restructuring Officer

FIRST LEASIDE VISIONS I LIMITED PARTNERSHIP by its General Partner 2085438 Ontario Inc.

By: ______________________________

Name: Greg MacLeod on behalf of G.S. MacLeod & Associates Inc.

Title: Chief Restructuring Officer

This is Exhibit **"O"** referred to in the Affidavit of Gregory MacLeod, sworn November 13, 2012

Kelly Gerra

Commissioner for Taking Affidavits (or as may be)

FULL AND FINAL RELEASE

THIS FULL AND FINAL RELEASE is made as of the ____ day of ______________, 2012 between First Leaside Wealth Management Inc. (the "**Creditor**") and First Leaside Visions II Limited Partnership (the "**Debtor**");

WHEREAS as of December 31, 2011, the Debtor owed $1,309,618.00 to the Creditor (the "**Initial Debt**");

AND WHEREAS at some point after December 31, 2011, the Debtor advanced $577,000.00 to the Creditor (the "**Intercompany Advance**");

AND WHEREAS the parties hereto wish to set-off the Intercompany Advance against the Initial Debt, resulting in an amount owing by the Debtor to the Creditor as of the date hereof of $732,618.00 (the "**Outstanding Debt**");

AND WHEREAS the Creditor has agreed to accept $47,496.76 (the "**Payout Amount**") in full and complete satisfaction of the Outstanding Debt;

NOW THEREFORE for good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto agrees as follows:

1. $577,000.00 of the amount of the Initial Debt owing by the Debtor to the Creditor is hereby set-off and the Intercompany Advance is extinguished;

2. Upon payment of the Payout Amount by the Debtor to the Creditor (the date of such payment being referred to herein as the "**Payout Date**"):

    a. the Outstanding Debt shall be considered satisfied and paid in full; and

    b. each of the parties hereto (the "**Releasors**") shall release and forever discharge the other, its subsidiaries and affiliates and each of their respective officers, directors, employees, servants and agents, and their successors and assigns (the "**Releasees**") jointly and severally from any and all actions, causes of action, contracts and covenants, whether express or implied, claims and demands for damages, indemnity, costs, interest, loss or injury of every nature and kind whatsoever arising, which the Releasor may have in any way relating to any business, activities or transactions between the Releasor and the Releasees prior to the Payout Date; and

3. Each of the Creditor and Debtor warrants and represents that:

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a. it has taken all necessary corporate or partnership action to authorize its execution and delivery of, and the performance of its obligations under, this agreement; and

b. it has duly executed and delivered this agreement.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

IN WITNESS WHEREOF the parties hereto have duly executed this agreement as of the date first written above.

FIRST LEASIDE WEALTH MANAGEMENT INC.

By: ______________________________

Name: Greg MacLeod on behalf of G.S. MacLeod & Associates Inc.

Title: Chief Restructuring Officer

FIRST LEASIDE VISIONS II LIMITED PARTNERSHIP by its General Partner 2085438 Ontario Inc.

By: ______________________________

Name: Greg MacLeod on behalf of G.S. MacLeod & Associates Inc.

Title: Chief Restructuring Officer

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)

PROCEEDING COMMENCED AT
TORONTO

MOTION RECORD OF THE APPLICANT
(Returnable November 20, 2012)

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