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LAWYERS

November 18, 2014

By E-mail

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

Dear Investors:

Re: CANADIAN INVESTOR PROTECTION FUND UPDATE

CIPF Appeals and Appeal Process

Since our last Letter to Investors on August 22, 2014, appeal hearings have taken place for two Investors who appealed the decision of the Canadian Investor Protection Fund ("**CIPF**") to reject their claims (the "**Initial Appeals**"). It is our understanding that CIPF is continuing to schedule additional Investor appeals and that a few have been scheduled for this December.

For the Initial Appeals, Representative Counsel developed arguments and represented the Investors as test appeals on a *pro bono* basis. While the two Investors appeals were scheduled apparently at random by the CIPF Appeal Committee, Representative Counsel felt that these two cases represented a good cross section of Investor claims, with one Investor having invested in two First Leaside Products (the FLWM Fund in July of 2011 and FLEX Fund Class B in September of 2011) and the other Investor having an investment made in late October 2011 in Special Notes LP. The CIPF appeals committee reserved their decision at the hearings and to date no decision has been released.

In order to assist Investors, Representative Counsel will be posting the legal arguments and materials developed for the Initial Appeals on the Grant Thornton First Leaside website for the benefit of all Investors. Investors can choose to adopt these arguments in their own appeals and instructions for preparing the materials and dealing with the appeals are attached as Annex A hereto. Investors are free to assert their own arguments and retain their own counsel as required in connection with their appeals. The Grant Thornton website can be accessed as follows:

http://www.grantthornton.ca/services/reorg/bankruptcy_and_insolvency/Firstleaside

CIPF has also formulated revised 'Guidelines for CIPF Appeal Committees Hearing In-Person Appeals' (the "**Guidelines**") that are applicable to all Investor appeals. A copy of the Guidelines are attached hereto as Annex B and can also be found on the CIPF website.

Processing of CIPF Claims

While some appeals have started to be scheduled and heard, it is our understanding that CIPF has been continuing to issue rejection letters to the Investors with respect to their claims. To

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date, Representative Counsel is only aware of instances where CIPF staff have denied Investors' claims for compensation. We are unaware of any claims that have been accepted.

We remind all Investors that if your CIPF claim is/has been denied, and if you disagree with the decision of CIPF staff, you must respond to CIPF in order to maintain your appeal rights and have your claim reviewed by a panel of one or more CIPF Directors.

Should you wish to preserve your appeal rights after receiving a rejection notice, you must notify CIPF in accordance with the notice provisions in the rejection letter you receive from CIPF. In those rejection notices which we are currently aware of, CIPF has requested such notice to be provided by email at flsi@cipf.ca or in writing to: Canadian Investor Protection Fund, Re: First Leaside, First Canadian Place, 100 King Street West, Suite 2610, P.O. Box 481, Toronto, Ontario M5X 1E5.

If you have received a notice from CIPF staff denying compensation and wish to preserve your appeal rights, the following paragraph provides some suggested language that you may choose to send to CIPF:

> [date], 2014
>
> On [insert date of CIPF decision letter] I [name] received a letter from CIPF staff denying my claim for compensation with respect to the losses I have suffered as a result of the insolvency of First Leaside Securities Inc. Pursuant to CIPF's Claims Procedures, I am writing to inform you that I wish to appeal CIPF staff's decision to deny my claim and to have the decision and my claim reviewed by a panel of CIPF Directors. Please confirm receipt of this notice by replying to me at [insert contact information].

Any questions regarding the CIPF appeal process or other matters affecting Investors generally can be raised at anytime through the Investor hotline at 1-877-669-4414 or by e-mail at Firstleaside@casselsbrock.com. Please continue to identify the name of the Investor in the subject line when communicating by email with us. If you are receiving this correspondence by regular mail, please send your email address and contact information to Firstleaside@casselsbrock.com so that we can effectively communicate with all Investors.

Yours truly,

Cassels Brock & Blackwell LLP

Shayne Kukulowicz

cc: Jane Dietrich

Annex A
Investor Appeal Instructions

(i) Appeal Materials and Scheduling of the Appeal

CIPF has started to send Investors letters advising that their appeal hearing dates have been set ("**Appeal Letter**"). To date, all appeals have been scheduled as full day appeals and have been held at Neeson & Associates, 141 Adelaide Street West, 11th Floor, Toronto, Ontario.

We understand that the Appeal Letter will set out a date by which the Investor must reply to CIPF to provide (i) the principal basis(es) of the Investor's appeal, (ii) the amount of any distribution(s) received from Grant Thornton (if any), and (iii) any additional information that the Investor wishes to provide to CIPF in support of their appeal.

Principal Basis of Investors Appeal

To assist Investors in providing CIPF with the principal basis(es) of the Investor's appeal, Representative Counsel has prepared legal arguments that Investors can choose to adopt in their appeals. These legal arguments consist of three parts (a) a Legal Brief, (b) a Compendium and (c) the Claimant Information package. The full Legal Brief and Compendium and the template Claimant Information package are all avaliable on the Grant Thornton website.[1] Furthermore, copies of the full Legal Brief and Compendium for all Investors who choose to adopt these arguments have been provided to CIPF. In this regard, if the Investor chooses to adopt the arguments of Representative Counsel, the only information that Investors need to provide to CIPF is the Claimant Information package.

The Claimant Information package consists of the Schedule A information which is specific to each Investor as well as any supporting documentation which the Investor feels may support their claim. This should include personal statements as to how the insolvency of First Leaside and the failure of CIPF to return the Investor's money has impacted their life, statements from First Leaside, rejection letters from CIPF and other similar information. This information should be given bound or stapled with Schedule A to CIPF in accordance with the instructions of the Appeal Letter. A sample Schedule A with instructions on how to complete the Schedule A is attached to this Annex A.

(ii) Appeal Procedures

On the date of the appeal the Investor should arrive half an hour early to the appeal at the location specified in your Appeal Letter. The Investor should bring copies of (a) the Legal Brief; (b) the Compendium; and (c) the Claimant Information package for reference. The Investor should also be familiar with CIPF's appeal procedures which are avaliable on the CIPF website

[1] http://www.grantthornton.ca/services/reorg/bankruptcy_and_insolvency/Firstleaside

and attached to Representative Counsel's November 14, 2014 Letter to Investors as Annex B.[2] In addition, the Investor should be prepared that the appeal could last the whole day when considering travel arrangements or dietary requirements.

To date, the appeals have been heard in front of a panel of three independent CIPF board members comprising the Appeal Panel. The Appeal Panel will likely sit at the front of the room. As the Investor making the appeal (called the 'appellant'), the Investor will sit at the table opposite the Appeal Panel. Other persons attending the appeal may include CIPF staff, counsel for CIPF staff and counsel for the Appeal Panel. You may have your spouse or other individual supporting you at the appeal attend this appeal with you. Note that at any time you may also choose to retain counsel.

When the appeal starts, as appellant, you will go first. To the extent that you wish to rely on arguments already made by Representative Counsel (as contained in the Legal Brief), approach the podium and advise the Appeal Panel that you adopt and rely on the legal and factual arguments made by Representative Counsel in the prior appeals and as set out in the Legal Brief. Once the Investor has made this statement the Investor should tell the panel about your personal circumstances inclduing:

- Full legal name;
- Personal background including age, education and work experience;
- The circumstances of the investment (what you were told and what you invested in);
- Whether the Investor relied on the fact that CIPF was purportedly protecting the investments;
- How this has affected your life and your current financial circumstances; and
- Any other information that you feel may be helpful to your appeal.

Once you have concluded your personal circumstances, CIPF's counsel will have the opportunity to ask you questions. Examples of these questions may include if you have seen various documents that you have signed before, if certain documents look familiar to you and if you received certain information or documents from First Leaside. Investors are encouraged to answer these questions honestly.

After CIPF's counsel is done asking the Investor questions they will have the opportunity to make submissions. Based on the past appeals these have been legal arguments in response to the legal arguments that the Investor is putting forward in the Legal Brief.

Finally, once CIPF's counsel has completed with their submissions the Investor will have a final opportunity to "reply" to any of the statements made by CIPF's counsel or to clarify any of their submissions. The Investor is not required to reply, but can use this opportunity to the extent required to help make their case.

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[2] http://www.cipf.ca/public/cipfcoverage/FirstLeasideSecuritiesIncfr.aspx

It has been the practice thus far that the Appeal Panel will not deliver a decision at the end of the appeals, but will deliberate on the appeals and return a decision at a later date. Nevertheless, as the appeals progress, it is possible that the Appeal Panel makes a decision at the end of the appeal.

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SCHEDULE "A" – CLAIMANT INFORMATION[3]

Below is an example of how the Schedule A to the Claimant Information may be completed by an Investor. All red text should be deleted and replaced with information relevant to the specific Investor.

1.	**Name**	Insert the full legal name of the Investor *"John Doe"*
2.	**Total Claimed Amount** (Total of the Investment amount less amounts returned to the Investor)	Total amount of your CIPF claim *"$100,000"*
3.	**Nature of Investments** (Insert type of FL Investment (i.e./ Special Notes, FLEX Fund LP etc.)	Insert the type of First Leaside Product that you invested in for your first investment. *"FLWM Fund"*
4.	**Date of Investment**	Insert the date of your first investment. *"July 1, 2011"*
5.	**Amount of Investment**	Insert the amount of your first investment. *"$100,000"*
6.	**Nature of Investments** (Insert type of FL Investment (i.e./ Special Notes, FLEX Fund LP etc.)	Fill out this section for your next investment. If you only have one investment sections 6 to 8 can be

[3] Please see attached Claimant Information which supplements this information.

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		deleted or left blank. If you have more than two invested, sections 6 to 8 should be repeated for each investment.
7.	**Date of Investment**	
8.	**Amount of Investment**	
9.	**Expectation for Investments**	Describe what you thought your investment in First Leaside was to be used for. *"To be used to invest in real estate properties"*
10.	**Recovery of Investment to Date (if any)** (ie/ distributions from the receivership)	Insert the amount that you have received through the receivership proceeds from Grant Thornton (if any) *"FLWM Fund: $1,517.68"*
11.	**Description of Personal Circumstances**	Provide a description of your personal circumstances as it relates to First Leaside and the CIPF appeal. This can be provided in this space or on a separate piece of paper with a reference "See Attached" in this box. *Examples may include* • *Age;* • *Level of investment knowledge;* • *Amount of your portfolio invested with First Leaside;* • *Amount of your retirement saving invested with First Leaside;* • *Impact the insolvency of First Leaside has had on your financial viability,*

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		your family etc.; • *How you are making up the losses from First Leaside (ie/ second jobs, selling property etc).; and* • *Any other information relevant to your claim.*
12.	**Additional Information**	Insert any additional information you may wish to provide.

Annex B
CIPF Appeal Guidelines

See attached.

CIPF
Canadian Investor Protection Fund

Guidelines for Canadian Investor Protection Fund ("CIPF") Appeal Committees Hearing In-Person Appeals

A. GENERAL

1. This document sets out non-binding guidelines for Appeal Committees hearing in-person appeals (the "Guidelines").

2. Where there is any inconsistency between the Guidelines and the relevant Claims Procedures (the "Claims Procedures"), the Claims Procedures prevail.

3. Nothing in these Guidelines restricts an Appeal Committee from:

   a) conducting an appeal in a manner other than the manner described in the Guidelines, if such a change is necessary to ensure a fair procedure for the appeal; and

   b) deciding an appeal in the manner that they believe is just and appropriate in the circumstances and in accordance with the relevant CIPF Coverage Policy.

B. COMPOSITION OF APPEAL COMMITTEES

4. The CIPF Coverage Committee is a committee of the CIPF Board of Directors. The CIPF Coverage Committee has selected certain CIPF Coverage Committee members to hear in-person appeals as members of Appeal Committees.

5. Each member of an Appeal Committee ("Committee Member") will be:

   a) a Director of CIPF;

   b) selected in accordance with criteria established by the CIPF Board of Directors, through the CIPF Coverage Committee; and

   c) a member in good standing of the Law Society of any Canadian province or was a member in good standing of the Law Society of any Canadian province for a significant period of time.

6. An Appeal Committee may be composed of:

   a) one Committee Member; or

   b) two or more Committee Members.

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F 416 360 8441 **www.cipf.ca**

7. An administrative coordinator, under the supervision of the Coverage Committee Chair, will schedule the appeals in advance, and advise the Appeal Committee(s) and participants accordingly.

8. Where an Appeal Committee is comprised of two or more Committee Members, the Committee Members will appoint a Chair from among the Committee Members.

C. THE PARTICIPANTS TO AN APPEAL

9. The participants to an appeal are:

    a) the customer who has submitted a request for appeal in accordance with the Claims Procedures; and

    b) CIPF staff.

10. The participants attending the appeal hearing may have legal counsel or other advisers present.

D. ROLE OF INDEPENDENT LEGAL COUNSEL

11. With the approval of CIPF Board of Directors, the Appeal Committee may engage independent legal counsel (to be compensated by CIPF) for the purpose of providing legal advice to each Appeal Committee.

12. The role of independent legal counsel is to advise the Appeal Committee in respect of conducting appeal hearings and providing well-reasoned decisions in a manner that is fair, efficient, consistent with CIPF coverage, and in accordance with the law.

13. Independent legal counsel will act independently of the customer and CIPF staff (the “participants”) and will not provide legal advice for or otherwise represent the participants.

14. An Appeal Committee may seek legal advice from independent legal counsel with respect to general issues arising from an appeal, including:

    a) procedural issues related to the conduct of an appeal;

    b) consistency with CIPF coverage; and

    c) applicable legal principles.

15. If an Appeal Committee has obtained legal advice from independent legal counsel that relates to any particular appeal at any time after receiving materials with respect to an appeal, the Appeal Committee must:

    a) disclose to the participants the fact that legal advice has been obtained;

    b) provide to the participants a summary of the content of the legal advice; and

c) offer an opportunity to the participants to make submissions in relation to that legal advice.

16. When independent legal counsel offers advice to an Appeal Committee in the drafting of written reasons for the disposition of an appeal, he or she will do so in the manner set out in paragraphs 32 and 33 below.

E. PREPARATIONS FOR APPEAL HEARING

17. Prior to the hearing of an appeal, an Appeal Committee and the participants will be advised by CIPF of the facilities for the appeal hearing, including location.

18. An Appeal Committee and the participants to the appeal hearing will be provided in advance of the appeal hearing with:

a) the relevant CIPF Coverage Policy;

b) the relevant Claims Procedures;

c) Guidelines for CIPF Appeal Committees hearing in-person Appeals; and

d) relevant background information.

19. An Appeal Committee and the participants to the appeal hearing will also be provided in advance of the appeal hearing with:

a) any evidence and submissions provided by the customer in support of the appeal; and

b) any evidence and submissions provided by CIPF staff in support of staff's recommendation to recommend or deny coverage, in whole or in part, which will include:

i) the summary of facts prepared by staff;

ii) the decision letter issued by staff; and

iii) a review and analysis of the basis of each claim in relation to the relevant CIPF Coverage Policy.

F. PROCEDURES AND PRACTICES DURING APPEAL HEARINGS

20. Each Appeal Committee has the power to determine its own procedures and practices, ensuring that they are fair and reasonable. Nevertheless, in most instances, it may be advisable for an Appeal Committee to commence an appeal hearing by:

    a) welcoming and introducing the Committee Member(s) (including any Committee Members referred to in paragraph 21 below), the customer, CIPF staff and any legal counsel that are present;

    b) identifying the purpose of the appeal hearing (i.e. the review of an initial staff recommendation to recommend or deny CIPF coverage).

21. Directors who have been selected as Committee Members by the CIPF Board of Directors but are not hearing the appeal, may attend appeal hearings as observers only without participating in any way in the adjudication of the appeal.

G. EVIDENCE

22. Following any introduction provided as referenced in paragraph 20 above, the Appeal Committee will:

    a) identify any evidence and submissions provided by the customer in support of the appeal;

    b) identify any evidence and submissions provided by CIPF staff in support of staff's recommendation to recommend or deny coverage, in whole or in part; and

    c) confirm that the customer was provided with a copy of CIPF staff's evidence and submissions, including the summary of facts and decision letter.

23. The Appeal Committee may allow the participants to introduce any evidence it considers appropriate in the circumstances, including:

    a) any documents that were not previously provided to the Appeal Committee; and

    b) any other evidence offered with respect to the appeal.

24. The Appeal Committee may ask questions with respect to any evidence offered by any participant.

H. SUBMISSIONS

25. The Appeal Committee will invite the participants to make submissions relating to the appeal.

26. The Appeal Committee may ask at any time questions with respect to the submissions or positions taken by any participant.

I. CONCLUSION OF THE APPEAL HEARING

27. The Appeal Committee will customarily thank the customer and CIPF staff for their participation.

28. The Appeal Committee will advise that:

    a) it has made its decision, which will be communicated verbally to the participants, with written reasons to follow; or

    b) it will reserve its decision and inform the participants of the decision notification process, including the issuance of written reasons.

J. DELIBERATIONS

29. The Appeal Committee will, in the absence of any participants to the appeal hearing, convene to determine the outcome of the appeal.

30. If the Appeal Committee is comprised of two or more Committee Members, the decision of the Appeal Committee will be decided by simple majority but, in the case of an evenly split decision among Committee Members, the decision of the Chair of the Appeal Committee, as appointed by the Committee Members, shall prevail.

31. The Appeal Committee will select a Committee Member to prepare a draft of written reasons for the decision.

K. ADVICE FROM INDEPENDENT LEGAL COUNSEL

32. When an Appeal Committee seeks advice from independent legal counsel in connection with the preparation of written reasons, the Appeal Committee may ask independent legal counsel to review a draft of any written reasons for the purpose of advising the Appeal Committee in relation to:

    a) issuing written reasons that are:

        i) consistent with CIPF coverage;

        ii) in accordance with the law; and

    b) ensuring that the written reasons accurately reflect the rationale for its decisions.

33. With respect to advice offered by independent legal counsel relating to the drafting of reasons, the Appeal Committee and independent legal counsel must ensure: (a) that the decision of the Appeal Committee and its reasons are determined in accordance with the relevant CIPF Coverage Policy and Claims Procedures; and (b) that independent legal counsel does not detrimentally impact the fairness or integrity of the appeal process.

34. If new issues arise during the course of seeking legal advice that were not raised during the appeal hearing, the Appeal Committee must allow the participants to make submissions on those issues following the procedure set out in paragraphs 25 and 26.

L. CUSTOMER NOTIFICATION OF THE DECISION

35. The CIPF Coverage Committee will endeavor to provide its decision and issue its written reasons within 90 days from the date of the appeal hearing.

36. The CIPF Coverage Committee will advise the customer and CIPF staff in writing of the decision of the Appeal Committee.

37. The CIPF Coverage Committee will provide the customer and CIPF staff with written reasons for the decision of the Appeal Committee.